

SPECIAL MONTHLY REPORT ON

BULLIONS

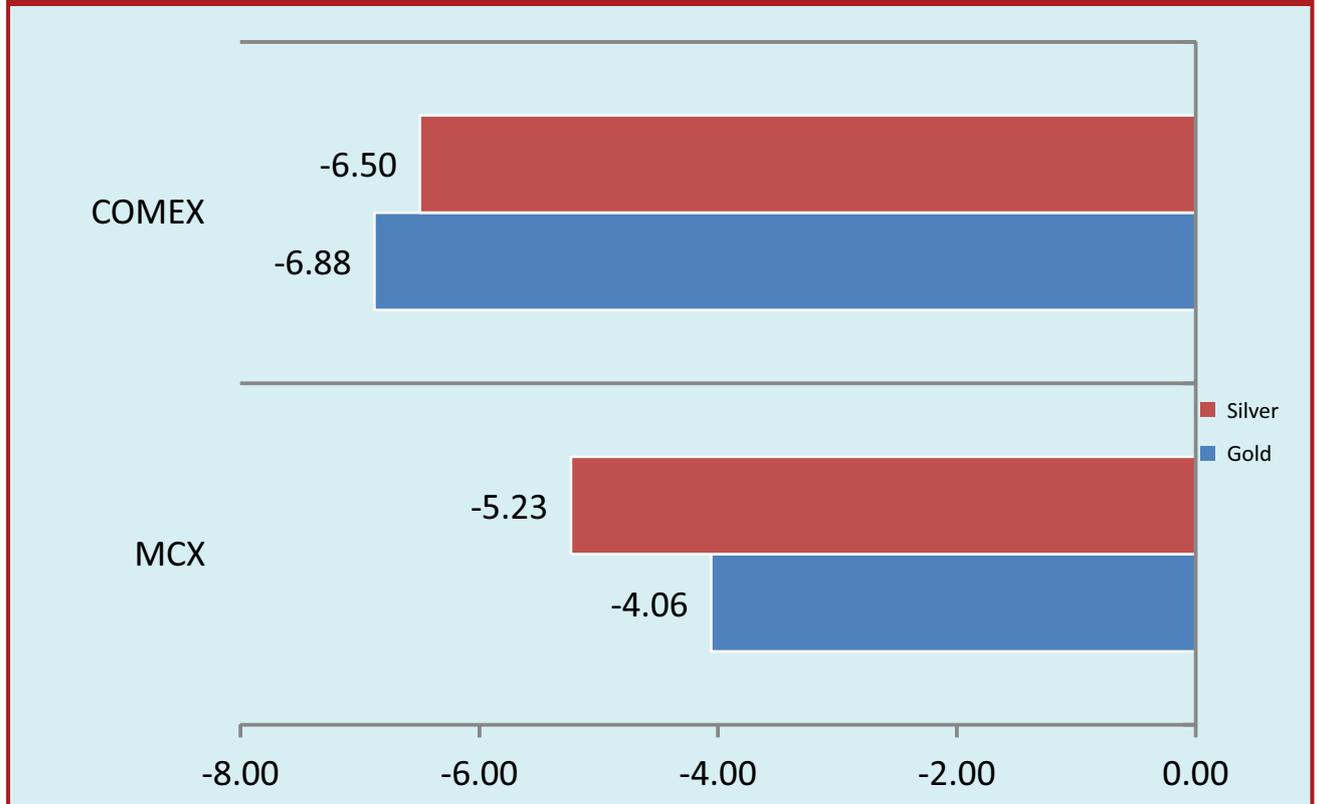
JULY 2021



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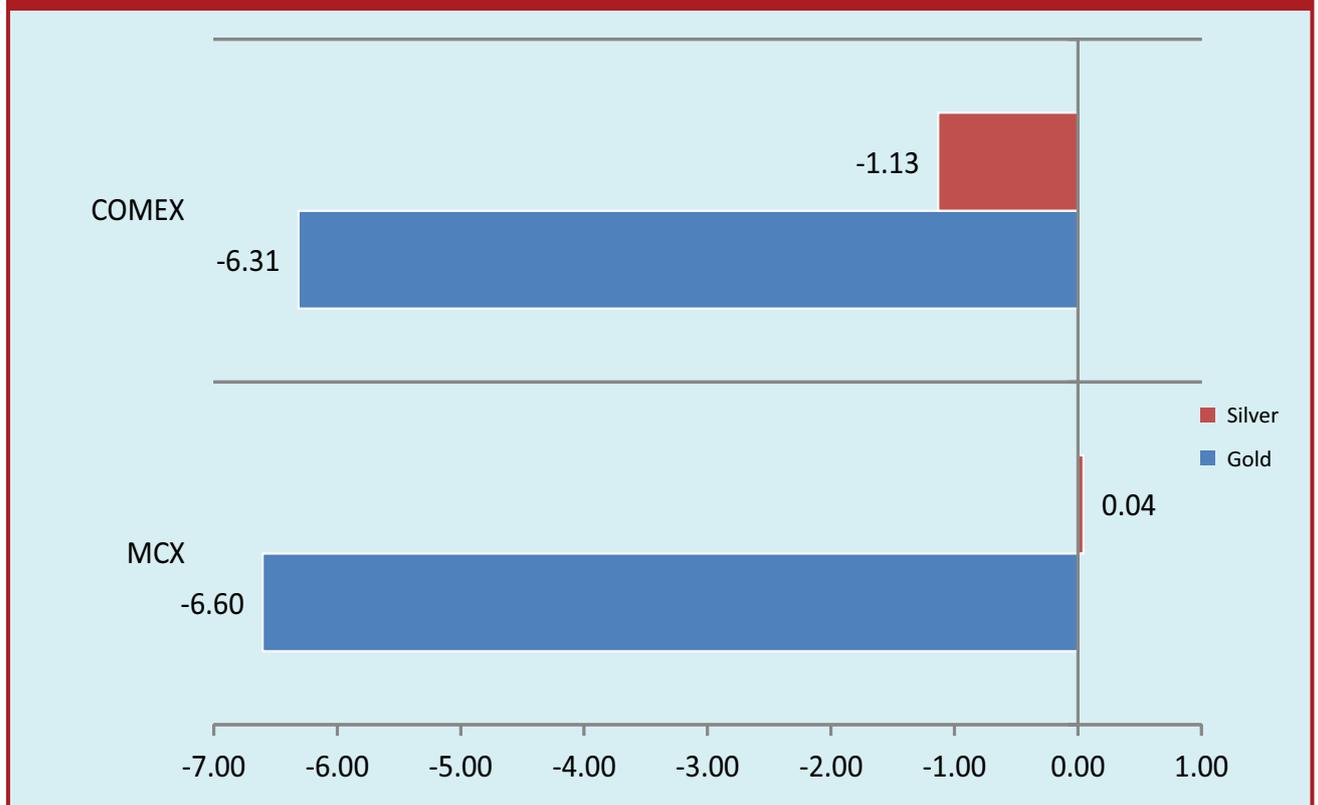
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BULLIONS PERFORMANCE (June 2021) (% change)



Source: SMC research & Reuters

BULLIONS PERFORMANCE (January - June 2021) (% change)



Source: SMC research & Reuters

July 2021

In the month of June, Gold slid around 7% in COMEX, the biggest monthly loss since November 2016, hurt by a surprise hawkish shift by the U.S. Federal Reserve. Higher interest rates tend to translate into a higher opportunity cost of holding non-yielding gold. Gold prices fell around 4% whereas silver lost more than 5% in MCX. The dollar rose to a 2-1/2-month peak, posting its biggest monthly rise since November 2016, supported by a surprisingly hawkish shift in the U.S. Federal Reserve's rate outlook and concern over the spread of the Delta coronavirus variant threatened to derail a global economic recovery. This had pressurised on gold prices.

Outlook

Gold prices are taking support as concerns eased over an earlier-than-expected rate hike by the Federal Reserve after a mixed bag of U.S. jobs data, while focus shifted to minutes from the U.S. central bank's June policy meeting. However, economic growth in the U.S. is quite strong, inflation is quite strong. Markets are still playing on a hawkish Fed hand and this is going to limit gold upside. A rebound in the U.S. labour market is strengthening investors' focus on economic data and the Fed's next move, as markets cheer further evidence of a robust economic recovery amid worries over persistent inflation. Minutes of the Fed's latest meeting due to be published on July 07 could shed more light on policymakers' views on inflation and monetary policy going forward.

Looking ahead in July, Bullion counter may continue to trade with sideways to bullish bias where we may also witness some selling from higher levels. Silver is expected to be very volatile and also buying from lower levels is expected.

Major News

- **Fed stance on monetary policy:** The US central bank surprised market participants in mid-June when it signalled a potential policy shift in the face of higher inflationary pressures and strong growth. US Federal Reserve signalled its plan to raise interest rates by 2023, a year earlier than planned. U.S. Fed officials have suggested recently that the central bank should begin to taper its asset purchases this year. But a slight uptick in the unemployment rate was unlikely to trigger a rush from the Fed to ease stimulus or begin interest rate hikes. Data showed U.S. non-farm payrolls increased by a bigger-than-expected 850,000 in June, although the unemployment rate rose to 5.9% from 5.8% in the previous month. This has provided some support to gold. The dollar's prevailing strength is also likely to witness a pause amid progress over the US President Biden's ambitious \$1.2 trillion infrastructure package that should support recovery in the precious metal.
- **Optimism about global economic recovery:** The global economic rebound from the pandemic has picked up speed but remains uneven across countries and faces multiple headwinds. Most advanced economies and some emerging economies are witnessing a strong recovery, while the rest of the world, including India, has fallen behind. The US economy is recovering well from the COVID-19 recession, which is not good news for gold as investors increasingly prefer higher-yielding risk assets. With the amount of monetary and fiscal stimulus, the economy is sure to show traction.
- **Fears about Delta variant coronavirus:** The vaccination updates from all over the globe have been very positive. But the Market participants are keeping an eye on the recent surge in Delta variant of the COVID-19 virus across Asia and Europe that may underpin safe haven demand for the precious metal after the recent correction. Delta coronavirus variant has prompted some countries in Asia and Europe to walk back on reopening plans. These concerns, and lower vaccination rates in some parts of the United States, could convince some investors the Fed will be cautious about hiking interest rates, supporting gold in the longer-term.
- **Rising inflation is a major concern:** Globally, inflation fears have mounted this year on the back of stimulus spending in the US, where consumer prices in May rose 5 per cent at their fastest pace since 2008. If higher inflation persists longer than the Fed believes, the US central bank will remain behind the curve. The delay in tightening could trigger even higher inflation, pushing real interest rates further down. In this case, gold may

July 2021

Gold Price movement in MCX



Source: Reuters

Gold Price movement in COMEX



Source: Reuters

BULLIONS

Silver Price movement in MCX



Source: Reuters

Silver Price movement in COMEX



Source: Reuters

In July 2021, Gold may trade in range of 46500-49500 and Silver may trade in range of 68000-72500. On COMEX gold may trade in range of \$1740-\$1850 and Silver may trade in range of \$25.80-\$28.00.

benefit from higher inflation and lower real interest rates. According to a study by World Gold Council, for every 1% rise in inflation, demand for gold rises by 2.5% and hence the price. Experts say gold should not be bought only when you expect inflation to rise, as no one would be able to time his gold investment with 100% accuracy.

- **Gold buying by central banks:** Central banks from Serbia to Thailand have been adding to gold holdings and Ghana recently announced plans for purchases, as the spectre of accelerating inflation looms and a recovery in global trade provides the firepower to make purchases. A rebound in buying --which had dropped to the lowest in a decade -- would bolster the prospects for gold prices. Serbian President Aleksandar Vucic recently announced the central bank intends to boost holdings of the precious metal to 50 tons from 36.3 tons.

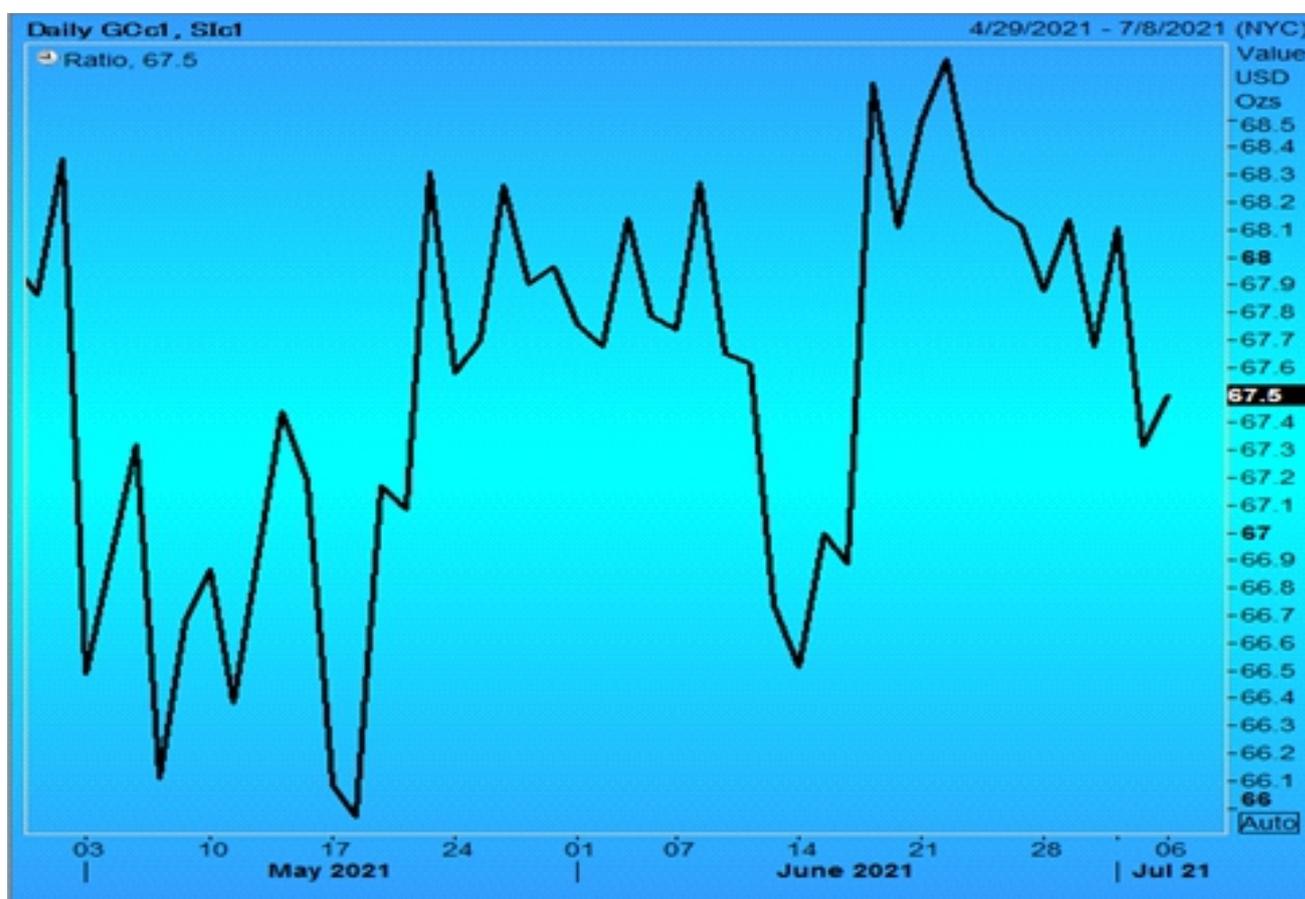
- **Gold demand in China**

China's net gold imports via Hong Kong more than halved in May from a near three-year high hit in April. The growth in shipments in April and May from Switzerland was due to the local price trading at a premium rather than an improvement in gold physical demand, Metals Focus said in a weekly note.

- **Gold demand in India**

Investment demand of gold in India has also slowed due to the recent price fluctuation; as a consequence of which overall gold demand took a hit. This is clear with a meagre 0.85 metric tonne of fresh gold import in June 2020. Gold in India in last week of June was being sold at a premium for the first time in more than two months as demand gained traction after curbs to combat the second wave of the coronavirus were slightly relaxed.

Gold-Silver ratio



source: reuters

Analysis: The gold/silver ratio, which measures the number of silver ounces needed to buy an ounce of gold, traded in narrow range of 66.5 to 68.7 in June. In July 2021, it will trade in the range of 65-69.

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