

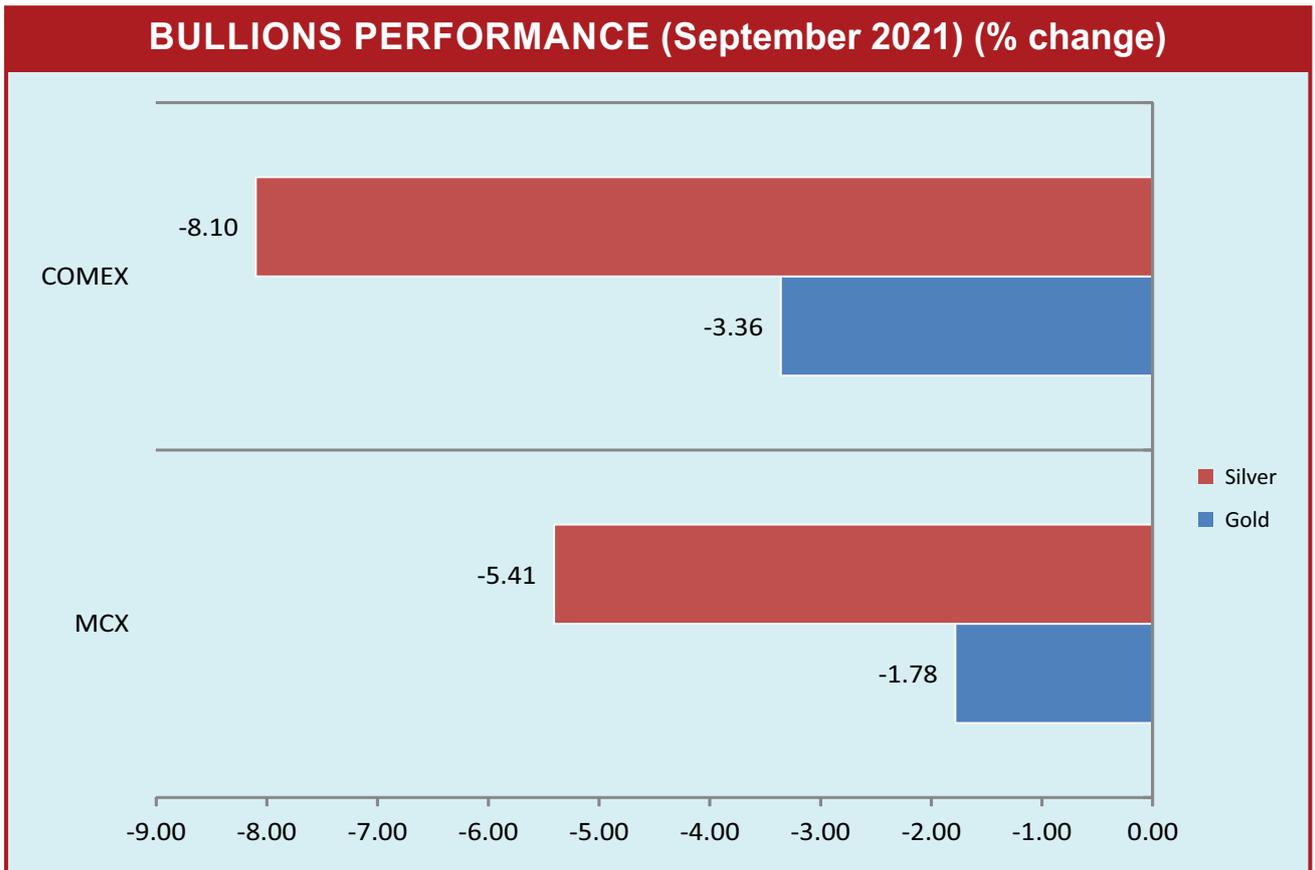
SPECIAL MONTHLY REPORT ON

BULLIONS

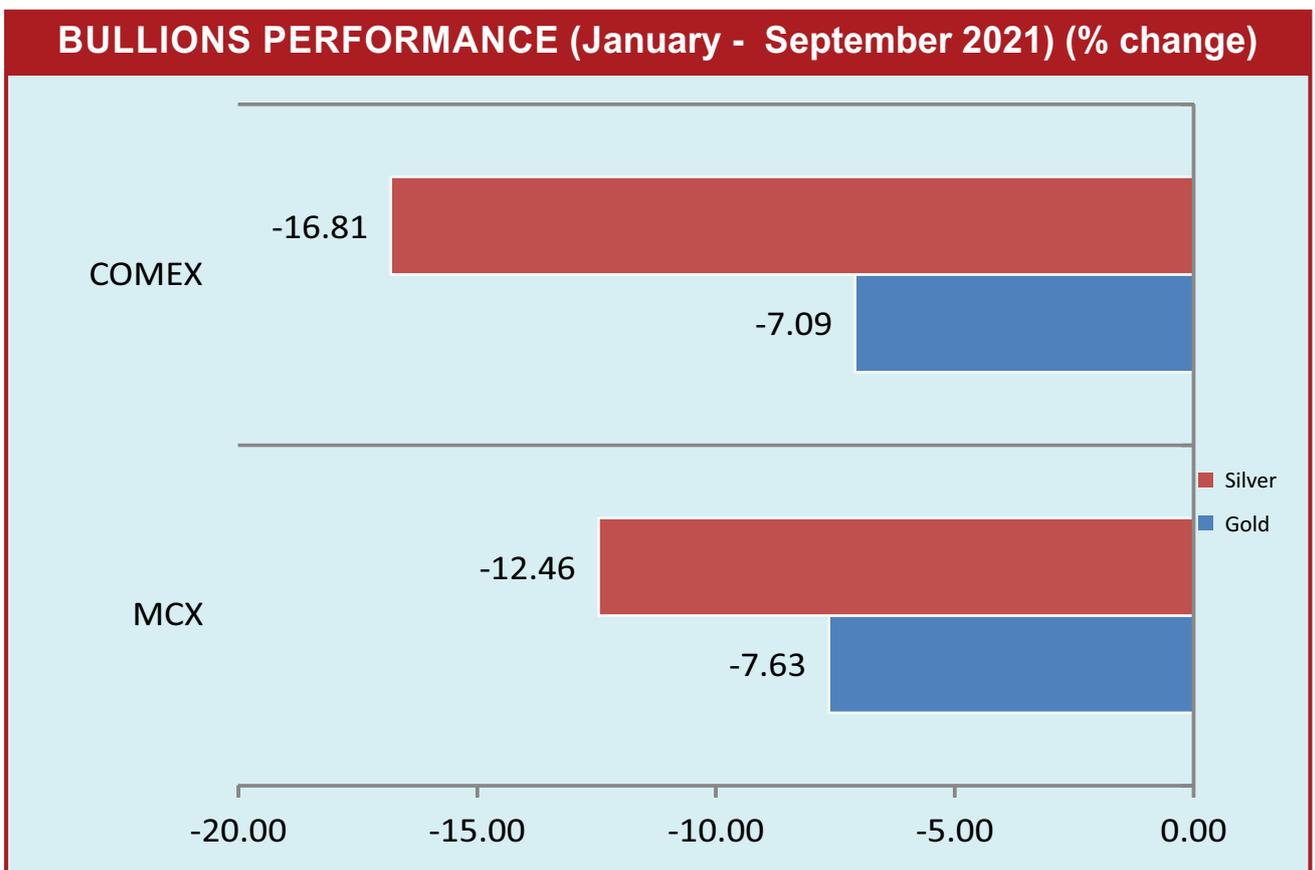
OCTOBER 2021



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Source: SMC research & Reuters



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In the month of September, Gold traded mostly with bearish bias as global equities climb on Fed's sticking to tapering plans and stronger dollar pressurised the counter. The gold prices fell almost 1.75% in MCX and almost 3.5% in Comex. Silver prices lost almost 5.5% on MCX and more than 8% in Comex on monthly basis as weakness in base metal also pressurise the white metal. Silver prices fell fourth consecutive month in September.

Outlook

Gold prices may trade in the range with bearish bias. The dollar began the last quarter of 2021 at close to its highest level of the year, raising the cost of purchasing gold for holders in other currencies. Gold is also running into some renewed physical buying, with some investors looking to hedge against the economic uncertainty, rising inflation. Gold's downside remained protected because of inflationary pressures, especially given a surge in energy costs. But heightened prospects for Fed tapering, widely expected to start in November, and chances of Treasury yields continuing to gain, are expected to heap more pressure on zero-yielding gold. Reduced central bank stimulus and interest rate hikes tend to push government bond yields up, in turn raising gold's opportunity cost. As long as gold remains under pressure, silver is also likely to find it difficult to get out of the defensive.

Looking ahead in October, bullion counter may continue to trade with sideways with bearish bias where we may also witness some short covering from lower levels. Silver is expected to be very volatile and also selling from higher levels is expected.

Major News

- **Fed stance on monetary policy:** The Fed may move to begin reducing its support for the economy next month despite a sharp slowdown in jobs gains last month as the latest U.S. surge in Covid-19 cases crested and began to recede. The Fed's conditions for raising interest rates could be met by the end-2022, Cleveland Fed Bank President Loretta Mester said, adding, she expects inflation to come back down to the central bank's target next year.
- **Rising inflation is a major concern:** Globally, inflation fears have mounted this year on the back of stimulus spending. Euro zone inflation hit a 13-year high last month and elevated price spikes in the United States. Lingering concerns over higher inflation and a slowdown in economic growth may counter pressure from a firmer dollar. Gold's downside remained protected because of inflationary pressures, especially given a surge in energy costs.
- **Decline in global gold etf holding:** ETF holdings doesn't directly affect the prices, but it surely affects the overall sentiment in market. Global gold ETF holdings fell to 3,592 tonnes or \$201 billion worth during the month, the lowest tonnage level since April. Global gold-backed ETFs saw net outflows of 15.2 tonnes or worth \$830 million during September as prices fell on back of rising bond yields, a stronger dollar, and a reduction in COMEX managed money net long positions. Year-to-date, global gold ETFs have seen outflows worth \$8.3 billion (-156 tonnes).
- **Gold demand in China & India:** Physical gold rates in India flipped to a discount for the first time in over two months in this first week of October as a rise in local prices curbed demand while buying in China was expected to pick up after the Golden Week holiday. Dealers in India offered discounts of up to \$2 an ounce over official domestic prices - inclusive of 10.75 per cent import and 3 per cent sales levies - down from last week's premium of \$4. Demand in top consumer China, meanwhile, was expected to rise after a long holiday as prices softened, with premiums of about \$8-\$9 an ounce charged over global benchmark prices, against \$12 last week. Demand in Hong Kong and Japan remained subdued.

Gold Price Movement in MCX



Source: Reuters

Gold Price Movement in COMEX



Source: Reuters

Silver Price Movement in MCX



Source: Reuters

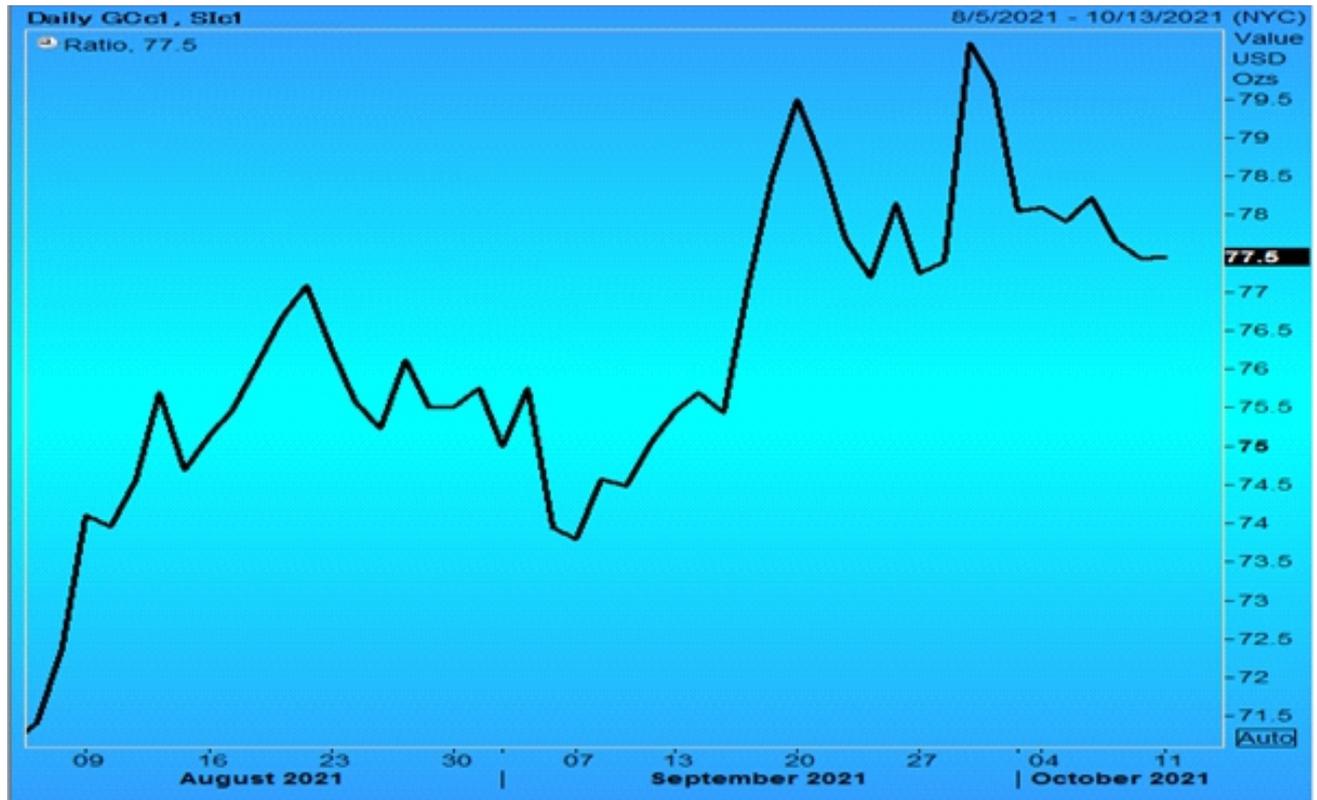
Silver Price Movement in COMEX



Source: Reuters

In October 2021, Gold may trade in range of 46000-48500 and Silver may trade in range of 58000-64000. On COMEX, gold may trade in range of \$1720-\$1800 and Silver may trade in range of \$21.50-\$24.00.

Gold-Silver ratio



Source: Reuters

Analysis: The gold/silver ratio, which measures the number of silver ounces needed to buy an ounce of gold, moved higher from 75 to 79.7 in September as silver prices fell sharply as compare to gold prices. In October 2021, it will trade in the range of 75-83.

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