

SPECIAL MONTHLY REPORT ON

BULLIONS

JULY 2020



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BULLIONS

Overview

In the month of Jun, Bullion counter remain on upside path as concerns over global economic growth and wave of stimulus measures from central banks continue to support the bullish sentiments and posted return of almost 3% in MCX. Silver is overall down in June but nearly 9% up from low of June month, with the industrial metal finding support as global economies continue to reopen from pandemic-related shutdowns. The first half of the year 2020 turned out to be a solid one for gold investors with the yellow metal offering double-digit returns. While prices of gold in the international market soared 18%, MCX gold gained by around 25% in the same time frame. During the past three decades, gold has outperformed risk assets in nearly every single market downturn and the same thing continued during the COVID-19 pandemic, reinforcing the charm of the yellow metal in the times of uncertainty. Gold has a special place in the coffers of the central banks and this principle is applicable to every central bank across the globe. The key guiding principle behind the allocation of gold as a part of the central bank portfolio is constructed according to three guiding principles of safety, liquidity and return. Covid-19 pandemic has given enough reasons for the central banks to accumulate gold. Amid heightened volatility and uncertainty, globally central banks' gold reserves grew by 145 trillion in Q1, 2020. With the global output set to contract and the economies in a deeper recession than most anticipated, gold as an asset class is a safe bet for investors across the globe. Although, the physical demand has declined drastically due to the restrictions and lockdowns, the activity of global central banks and their net purchases of gold signal that uncertainty will continue for most of 2020.

Outlook

Looking ahead in July Bullion counter may continue to trade with bullish bias where we may also witness some selling from higher levels, but any dip towards support considered as buying opportunity. Silver is very volatile also we may again witnessed that silver outperform gold. Bank of Japan Governor Haruhiko Kuroda said second-round effects of the pandemic could hurt the country's economy "considerably", signalling the bank's readiness to ramp up stimulus again. Lower interest rates and stimulus measures tend to benefit gold, viewed as a hedge against inflation and currency debasement. The weekly jobless claims report on showed millions continue to collect unemployment checks more than a month after many businesses resumed operating following virus-led lockdowns. Other data underscored expectations that the economy would contract in the second quarter at its fastest pace since the Great Depression. Falls in the gold price are still being viewed by investors as buying opportunities the latest weakness in the gold price as temporary and envisage new highs in the near future. Australia and some U.S. states reported a spike in cases as well as Latin America and India, the world's second biggest bullion consumer. Holdings of the SPDR Gold Trust ETF stood at more than seven-year highs.

Major News

- **Tension between US-China:** China will announce reciprocal curbs on branches of the U.S. media in the country, the editor in chief of the Global Times newspaper said. The comment comes after the United States said in June it would start treating four major Chinese media outlets as foreign embassies, in a move likely to further sour fraught ties between the world's top two economies.
- **Accelerating spread of the coronavirus:** Continued failure to curtail the spread of Covid-19 in the US and other countries poses a dramatic risk to any economic recovery and supporting gold. Confirmed COVID-19 cases worldwide exceeded 10 million and deaths surpassed 500,000 over the weekend. Texas, Florida and California are

Weekly Movement of Gold in MCX



Source: Reuters

Gold Price movement in COMEX



Source: Reuters

Silver Price movement in MCX



Source: Reuters

Weekly Movement of Silver in COMEX



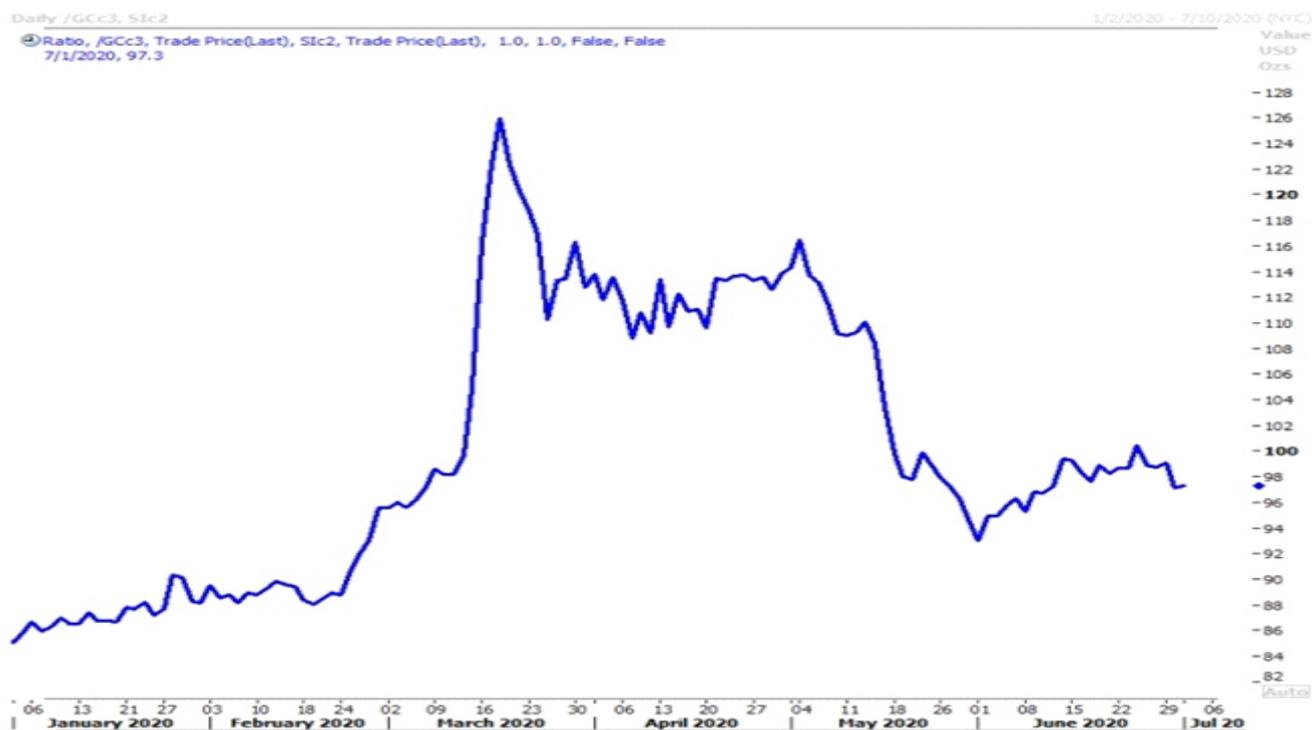
Source: Reuters

In July gold may trade in range of 47400-49800 and Silver may trade in range of 47000-51000. Whereas on COMEX gold may trade in range of \$1760-\$1860 and Silver may trade in range of \$17.40-\$20.75.

among U.S. states to reverse reopenings and reclose businesses such as bars to slow the spread of the coronavirus. In China officials announced a lockdown of 400,000 individuals in Anxin County. This county is approximately 90 miles south of Beijing.

- Concern about global growth supporting safe haven: The pandemic has caused deeper damage to the world economy than first thought as IMF has said in its recent update. On 24th June 2020, IMF said the 2020 global output will shrink by 4.9%, compared with a 3.0% contraction predicted in April, when it used data available as widespread business lockdowns were just getting into full swing. The IMF views the current recession as the worst since the 1930s Great Depression, which saw global GDP shrink 10%, however, the \$10 trillion in fiscal support and massive easing by central banks had so far prevented large-scale bankruptcies.
- An upbeat U.S. data spurred fresh optimism on the world's largest economy and lifted investor sentiment towards riskier assets. However, U.S. Federal Reserve Chair Jerome Powell said the outlook for the world's biggest economy is "extraordinarily uncertain" and will depend both on containing the coronavirus and on government efforts to support the recovery. Investors have been weighing better economic data against a new uptick in COVID-19 infections.
- The Union of Gold Producers of Russia said in a statement this week that Russian gold output in the first quarter rose more than 5 percent to 64.6 tons from a year earlier. The increase was due to a ramp up in production by smaller miners
- **Stimulus by countries:** Governments across the globe are attempting to achieve a V-shaped recovery through monumental fiscal stimulus packages. Japan has declared a package equivalent to 20% of its GDP. The United States has announced a package of 2.3 trillion US Dollars.

Gold-Silver ratio



Source: Reuters

Analysis: Gold-silver ratio has rose from 92 to above 97 level as Gold again outperformed silver. In July it trade in the range of 94-102.

SPDR Gold trust holding



Source: goldprice.com

Analysis: SPDR gold share trade in the range of 155-190 in near term.

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