

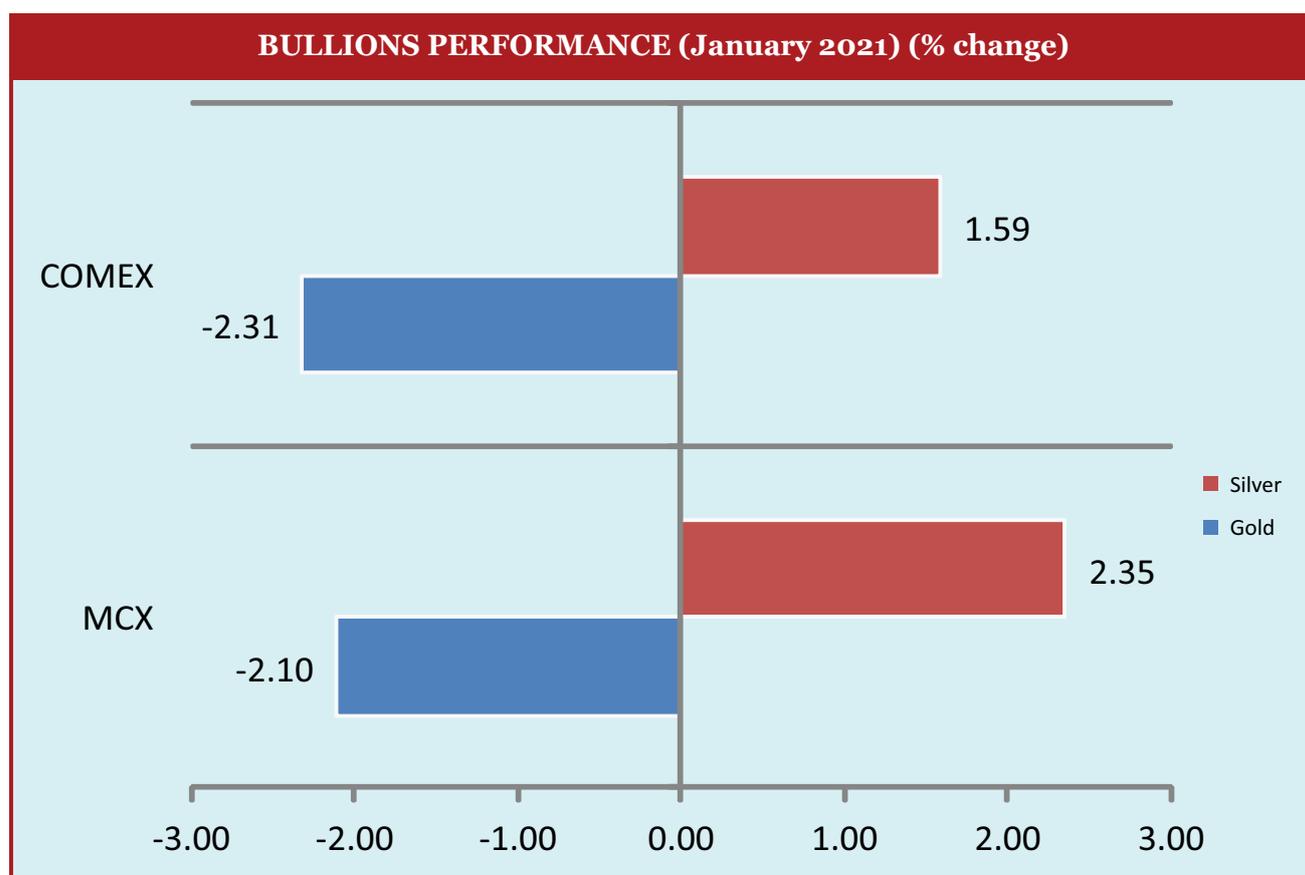
SPECIAL MONTHLY REPORT ON

# BULLIONS

FEBRUARY 2021



Moneywise. Be wise.



In the month of Jan, Gold prices fall around 2% whereas silver rises over 2%. Till last week of month both the counter were trading in red territory as investors flocked to the safety of the dollar after global equity markets slipped and the Federal Reserve raised concerns about the pace of economic recovery in the United States. But on last trading day of month the silver prices jumped and shares of silver miners climbed after a user in Reddit’s popular WallStreetBets forum posted about executing a “short squeeze” on the precious metal. Silver futures on the Comex exchange rose by as much as 6.7% to \$27.1 an ounce. Finally silver prices closed in green territory. Buying an ETF can bolster silver prices by increasing the number of shares in the fund. But gold was on track for its worst January since 2011, as recently strengthening dollar and increasing investor focus on assets that will benefit from economic recovery.

**Outlook**

The market seems to be very disappointed with the Fed, as didn't get anything additional in terms of policy guidance or stimulus prospects, so that sunk risk assets, pushed the dollar up and gold got caught in that trade. Silver extended its blistering rally, soaring as much as 11.2% to a near eight-year high. Data from iShares Silver Trust ETF, the largest silver-backed ETF, showed its silver holdings jumped by a record 37 million shares. It is expected that that gold’s relatively subdued performance suggests that silver’s rally may not last long. The Fed said the pace of the recovery in U.S. economic activity and employment had moderated in recent months, but kept its key interest rates and monthly bond purchases unchanged. Weighing further on gold was the delay in a \$1.9 trillion U.S. coronavirus stimulus deal, which has not received a green signal from Republicans over concerns about the price tag. The Biden administration will purchase 200 million more coronavirus vaccines and funnel more to states now, a senior administration official said. The International Monetary Fund raised its forecast for global economic growth in 2021 and said the coronavirus-triggered downturn last year would be nearly a full percentage point less severe than expected.

**Looking ahead in Feb, 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 selling from higher levels is expected.**

### 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 Febraury 2021, Gold may trade in range of 47500-50000 and Silver may trade in range of 67000-72000. On COMEX gold may trade in range of \$1820-\$1900 and Silver may trade in range of \$26.00-\$28.30.

## Major News

- **Uncertainty about COVID-19 relief legislation continue:** Investors are now focused on new U.S. coronavirus relief aid aimed at cushioning the economic blow from the pandemic. Biden has proposed a \$1.9 trillion relief package that Democratic leaders want to move quickly through Congress. The 10-member GOP group led by Sen. Susan Collins (R-Maine) countered with a much narrower \$618 billion proposal, and appealed to Biden to make good on his campaign promises to seek bipartisan unity.
- **Slow rollout of covid-19 vaccine:** The global rollout of coronavirus vaccines was never going to be easy. But it quickly descended into frustration at home and nationalistic acrimony abroad as countries around the world deal with a maelstrom of logistical and political challenges. All 50 states in the U.S. are reporting shortages as America's fragmented administrative and health care systems struggle to distribute even the limited vaccine stocks that have been produced. Europe has descended into its own ugly fight over supplies. And there is little sign that the poorest countries in the world will get access anytime soon, perhaps not until 2023. Some in Africa, South America and Asia have turned to China and Russia, which are using vaccine diplomacy to boost their influence in those parts of the world
- **Decision of Federal Reserve:** The Federal Reserve kept its benchmark interest rate anchored near zero following the conclusion of its two-day meeting. Along with the commitment to zero rates, the central bank said it will keep buying at least \$120 billion of bonds a month.

- **Global Gold Demand**

Global gold demand hit an 11-year low in 2020 at 3,759.6 tonnes, mainly due to a weak October-December quarter and the Covid-19 related disruptions across the world driving a muted consumer sentiment throughout the year, the World Gold Council (WGC) said in a report.

- **Gold demand in India**

India's gold demand fell by 35.34% to 446.4 tonne in 2020. In 2019, the total gold demand was 690.4 tonne, according to the WGC's 2020 Gold Demand Trends report.

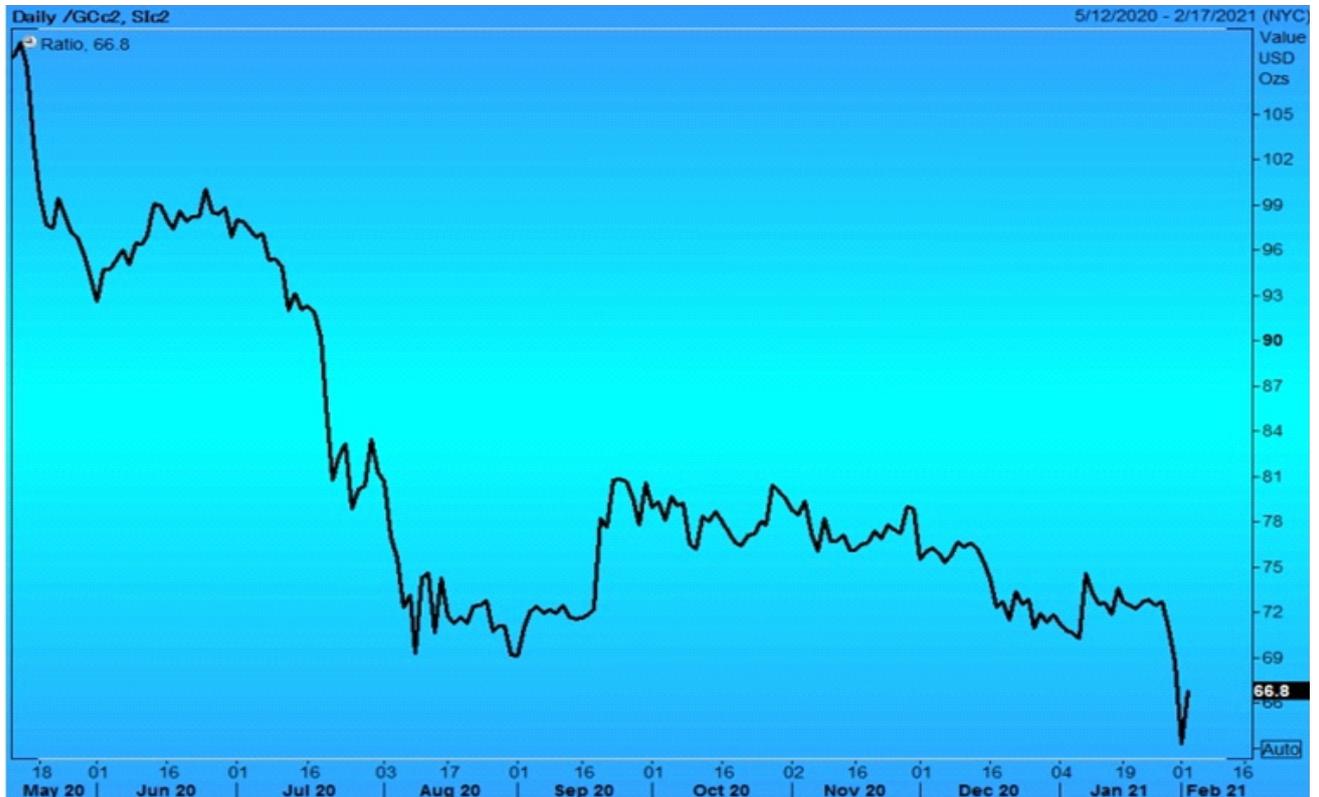
India's gold demand dropped by over a third in 2020 settling at 446.4 tonne on the back of pandemic-induced lockdowns and lifetime high prices, but a rebound this year is most likely, as normalcy returns and steady course of reforms strengthen the industry, according to the World Gold Council (WGC).

Gold demand in value terms in 2020, witnessed a decline of 14% and stood at ₹1,88,280 crore, compared to ₹2,17,770 crore in 2019, according to the WGC data.

Meanwhile, the total jewellery demand in volume terms in 2020 was down by 42% at 315.9 tonne, compared to 544.6 tonne in 2019, while in terms of value it dipped by 22.42% to ₹1,33,260 crore, from ₹1,71,790 crore largely on account of Covid-related restrictions.

The country's net gold imports dipped by 47% during 2020 to 344.2 tonne compared to 646.8 tonne in 2019, it added.

### Gold-Silver ratio



Source: Reuters

**Analysis:** The gold/silver ratio, which measures the number of silver ounces needed to buy an ounce of gold, fell to its lowest since 2014. In February 2021, it will trade in the range of 62-72.

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