

SPECIAL MONTHLY REPORT ON

# BULLIONS

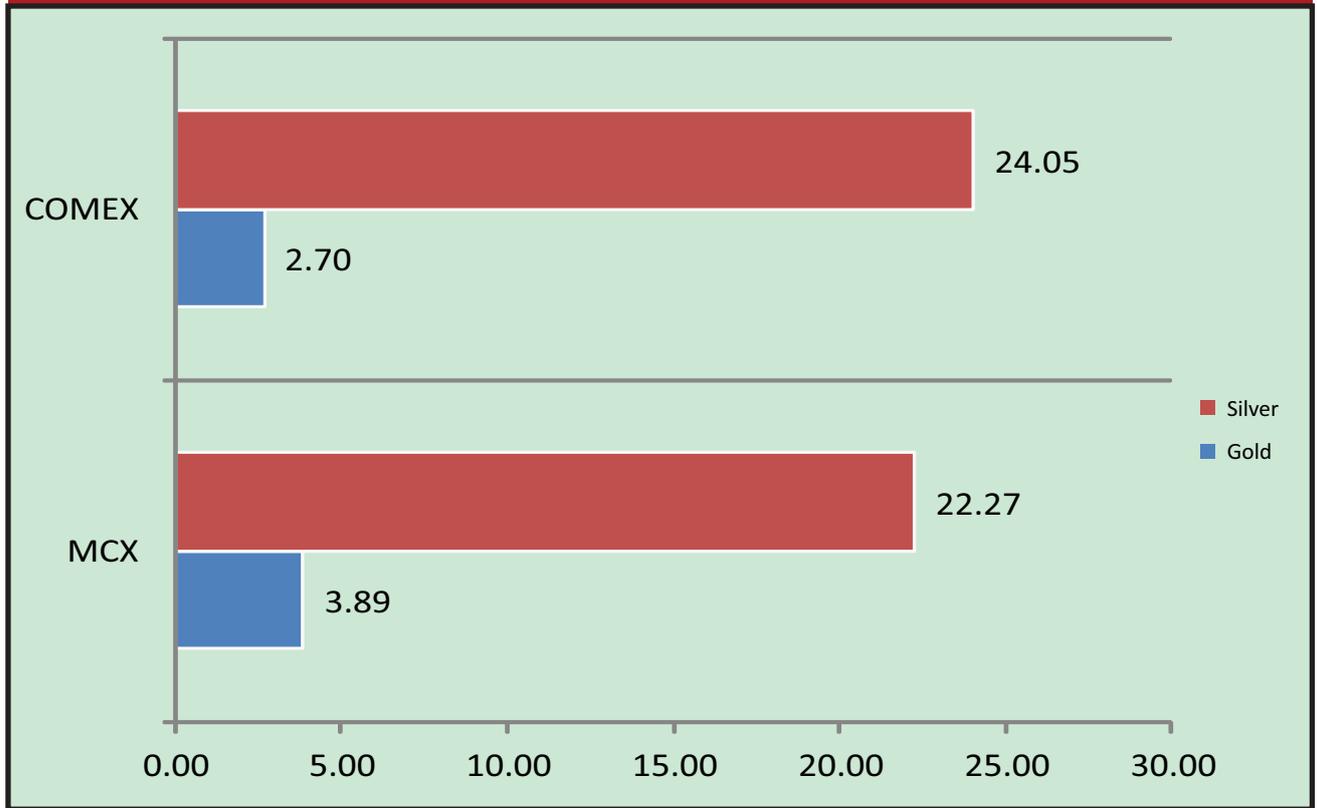
JUNE 2020



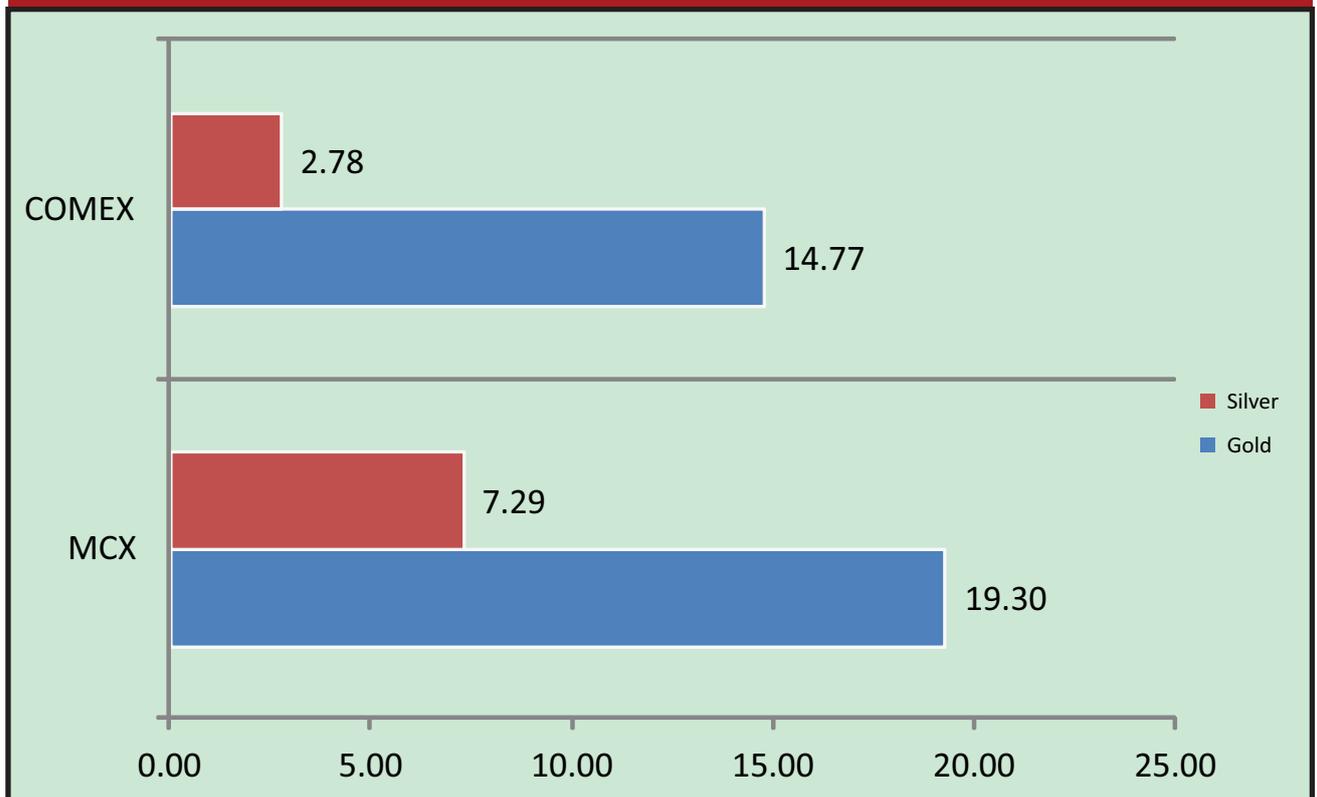
**smc**

Moneywise. Be wise.

**BULLIONS PERFORMANCE (May 2020) (% change)**



**BULLIONS PERFORMANCE (January - May 2020) (% change)**



## BULLIONS

### Overview

We saw another month in which bullion added more premiums in the prices. Though the pace was slow as market played more attention on ease of lockdown worldwide. Further stimulus and optimism in vaccine also limited the upside and rally looked little tired from upside. In the month of May, bullion counter remain on upside path as concerns over global economic growth and a wave of stimulus measures from central banks continue to support the bullish sentiments. Tensions surrounding Hong Kong's autonomous status were in clear focus for gold's next movements, with potential for not only a weakened dollar but also a heightened safe-haven demand. Also addition to this the rising U.S.-China rift, which has deepened over moves by Beijing to impose a security law on Hong Kong, has further boosted the appeal of the haven metal. Gold posted return of almost 3%. Silver gain of nearly 24% for the month, the largest since 2011, with the industrial metal finding support as global economies continue to reopen from pandemic-related shutdowns. Silver's rampage continued on a near uninterrupted basis throughout the month of May. It was the month in which we saw major appreciation in gold silver ratio.

If we talk about physical demand, COVID-19 and the economic fallout that followed has clearly impacted" industry/technology and jewellery demand, with 75% of the global silver demand dependent on the consumer who has been either temporarily or permanently wounded by the downturn.

### Outlook

Looking ahead in June Bullion counter may continue to trade with bullish bias where we may also witness some selling from higher levels on signs of economic recovery as more countries ease lockdown curbs but any dip towards support considered as buying opportunity as protests in the United States and rising Sino-U.S. tensions and a weaker dollar may limit losses.

Still, the major trend for the counter is the upside. The dollar fell to its lowest since mid-March, further supporting bullion prices. As looked at last week, just as Gold prices were setting that fresh high-watermark, FOMC Chair Jerome Powell communicating to markets that there was 'no limit' to what the Fed could do with the lending programs available helped to fire Gold prices higher. Denting sentiment further, China approved a decision to go forward with national security legislation for Hong Kong, which could erode the city's freedom and jeopardise its role as a financial hub. U.S. President Donald Trump's top economic adviser warned that Hong Kong, which has enjoyed special privileges, may now need to be treated like China when it comes to trade and other financial matters. Silver is following gold's path, although it did outperform last month where we saw more selling pressure in gold compared to silver. The outperformance in Silver is because it could benefit from optimism about increased industrial demand as economies reopen following the COVID-19 pandemic. At the same time, the metal also draws investment demand from those worried about a second wave of the virus.

Silver is very volatile also we may again witnessed that silver outperform gold. Unlike gold, silver may get a boost as major economies ease coronavirus-linked restrictions which will only fuel hopes of an economic recovery. Silver may trade in the wider range where we may witness both side swings where support for the counter is seen near 46800 whereas resistance near 51000.

### Weekly Movement of Gold in MCX



Source: Reuters

**Analysis:** The main trend is up according to the daily swing chart, however, momentum has been trending lower since the formation of the closing price reversal top from May 18. MCX Gold may face resistance near 48200 and support near 45800. Once it weekly closes below 46900, bears may take charge and extend the bearish rally towards 45800.

### Weekly Movement of Silver in MCX



Source: Reuters

**Analysis:** MCX Silver the main trend is bullish but correction is expected as per the swing chart. The major range for Silver is 45800-52000. Correction is expected on the counter any dip near support Considered as buying opportunity as there is still room for upside.

## Major News

- Civil unrest across major U.S. cities:** Civil unrest over racial inequality that erupted in U.S. cities during the May-end has dealt another major blow to the world's largest economy. The protesting and rioting in major U.S. cities has called into question the timing of continued reopening of businesses that have been closed for two months due to the Covid-19 pandemic. The protesting crowds in the U.S. also prompted heightened concerns about a second wave of infections hitting in in the coming weeks. U.S. President Donald Trump vowed to end unrest in major cities across the nation "now," and stated he would deploy the military if state governors refused to call out the National Guard.
- Rising tension between US-China:** The U.S. is likely to revoke Hong Kong's special status, and China would retaliate by limiting purchase of U.S. products- putting the Sino-U.S. trade deal in doubt, and providing support to gold. U.S. is considering welcoming people from Hong Kong in response to Beijing's push to impose national security legislation in the city, U.S. Secretary of State Mike Pompeo said.
- SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, said its holdings, rose 0.5% to a fresh seven-year high 1,128.40 tonnes, reflecting investor sentiment.**
- Fresh stimulus by countries:** Fresh stimulus boosts also supported gold after Japan approved a \$1.1 trillion package and the European Union unveiled one of 750 billion euros. Markets are awaiting a meeting of the European Central Bank on Thursday where it is widely expected to raise its asset buying by around 500 billion euros to 1.25 trillion.

## Gold-Silver ratio



Source: goldprice.com

**Analysis:** Gold-silver ratio has dropped from 115 to 96 level as silver continues to recover. In June it trade in the range of 92-100.

## Gold-Silver ratio



Source: goldprice.com

**Analysis:** SPDR gold share trade in the range of 150-190 in near term.

E-mail: [smc.care@smcindiaonline.com](mailto:smc.care@smcindiaonline.com)



Moneywise. Be wise.

### Corporate Office:

11/6B, Shanti Chamber,  
Pusa Road, New Delhi - 110005  
Tel: +91-11-30111000  
[www.smcindiaonline.com](http://www.smcindiaonline.com)

### Mumbai Office:

Lotus Corporate Park, A Wing 401 / 402 ,  
4th Floor, Graham Firth Steel Compound,  
Off Western Express Highway, Jay Coach  
Signal, Goreagon (East) Mumbai - 400063  
Tel: 91-22-67341600,  
Fax: 91-22-67341697

### Kolkata Office:

18, Rabindra Sarani, Poddar Court,  
Gate No-4, 5th Floor, Kolkata-700001  
Tel.: 033 6612 7000/033 4058 7000  
Fax: 033 6612 7004/033 4058 7004

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd.) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities/commodities market.

The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the subject commodity.

**DISCLAIMER:** This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s) in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions.

Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance if this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the commodity thereof, mentioned here in or (b) be engaged in any other transaction involving such commodities and earn brokerage or other compensation or act as a market maker in the commodities discussed herein(c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions. All disputes shall be subject to the exclusive jurisdiction of Delhi High court. All disputes shall be subject to the exclusive jurisdiction of Delhi High court.