

SPECIAL MONTHLY REPORT ON

BULLIONS

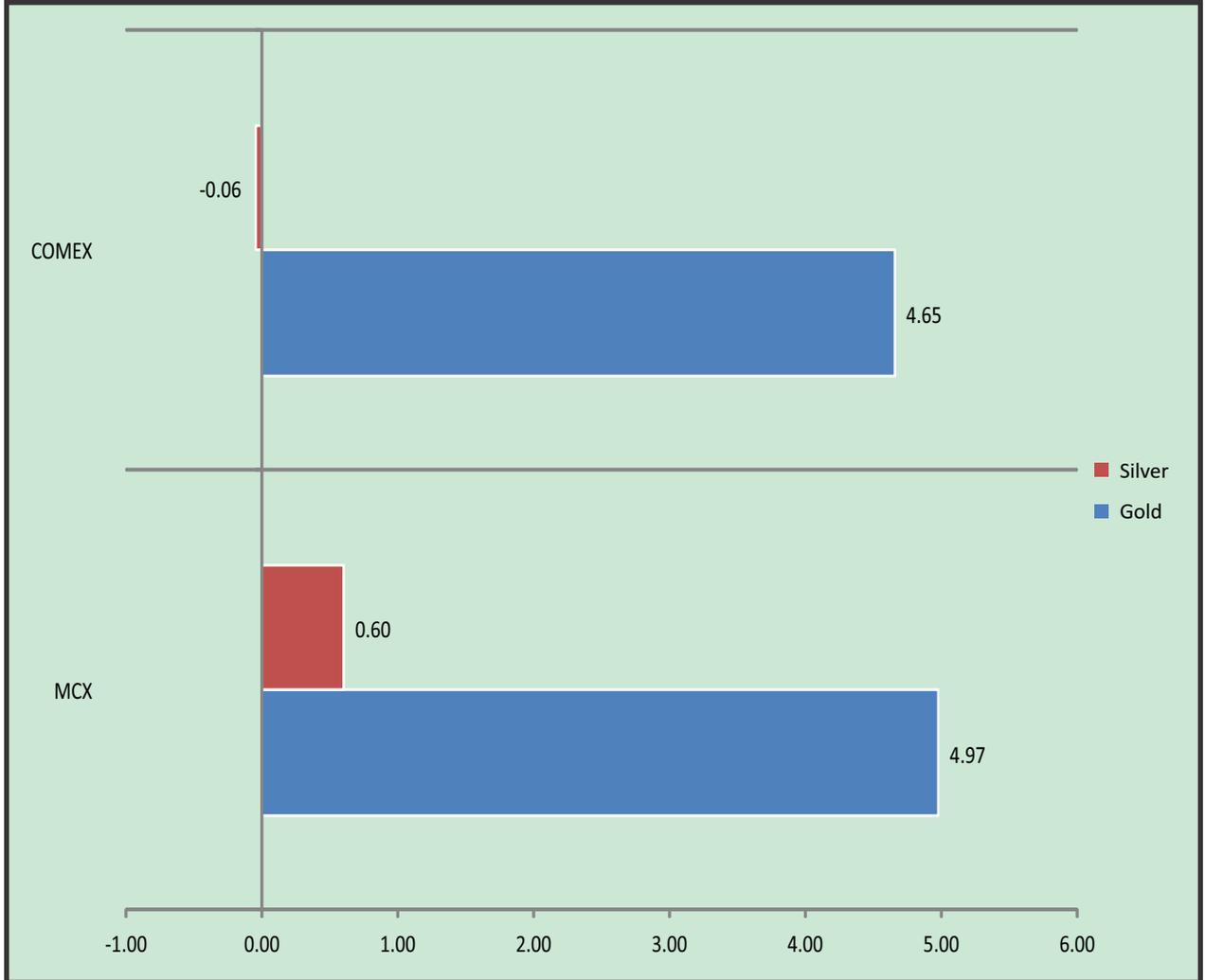
FEBRUARY 2020



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BULLIONS PERFORMANCE (January 2020) (% change)



BULLIONS

Overview

In the month of Jan, Gold witnessed upside movement as spread of Coronavirus and fear of global economic slowdown is assisted the prices. But Silver ended on flat note. US Treasury Secretary stated that fresh deal signed with China, Mexico and Canada could boost the US economy and growth would outperform projections including those by the IMF. Overall gold traded in range of 38957-41293 in MCX and \$1524-1615.70 in COMEX. Silver traded in range of \$17.26-18.23 in COMEX and 45257-48925 in MCX. China's gold consumption fell for the first time in three years in 2019, as high prices and an economic slowdown hit buying in the world's biggest market for the metal. Precious metal prices were supported in the recent past after IMF mentioned that global growth appears to have bottomed out but there is no rebound in sight. For 2020 and 2021, the IMF trimmed back its global growth forecasts. Meanwhile investors assessed the risk of a global epidemic from a coronavirus outbreak from China that could have an impact on economic growth. According to a top International Monetary Fund "Global growth appears to have bottomed out but there is no rebound in sight and risks ranging from trade tensions to climate shocks make the outlook uncertain". Philadelphia Federal Reserve Bank President Patrick Harker stated that a robust labour market was boosting consumer confidence and lifting the U.S. economy, despite headwinds such as a global slowdown and trade uncertainty. China's gold consumption fell for the first time in three years in 2019, as high prices and an economic slowdown hit buying in the world's biggest market for the metal.

Outlook

Bullion counter can extend its upside momentum as concern of a slowdown in global growth due to a virus outbreak, fall in global equities markets and rise in US treasury yields will keep the prices well supported. Federal Reserve Chair Jerome Powell also noted the risks of a short-term slowdown in China, including

to the U.S economy, after the central bank's widely expected decision to keep interest rates unchanged. The United States Federal Reserve held interest rates steady at 1.5 -1.75% at its first policy meeting of the year, with officials pointing to continued moderate US economic growth and a "strong" job market. The World Health Organization declared that the coronavirus epidemic in China now constitutes a public health emergency of international concern. The new coronavirus has claimed more than 425 lives so far in China and has spread to at least 22 countries, while paralyzing many provinces in the world's second-largest economy with lockdowns, travel restrictions and closed businesses. The declaration of a global emergency triggers recommendations to all countries aimed at preventing or reducing cross-border spread of disease, while avoiding unnecessary interference with trade and travel. Meanwhile global demand for gold fell in the last three months of last year as sales of gold jewellery, bars and coins declined alongside purchases by central banks and financial investors.

Bullion counter can remain on upside path in the month of February. Gold can take support near 39500 while taking resistance near 43000. Silver can take support near 44500 while taking resistance near 49000. While in COMEX Gold can take support near \$1535 while taking resistance near \$1650. Comex Silver can take support \$16.50 and resistance near \$19.50.

Key News

Outcome of Fed Jan meeting

The Federal Reserve held rates steady in its first policy-setting meeting of 2020, changing little in its economic outlook as the U.S. economy continues to extend its longest expansion on record. The Federal Open Market Committee announced recently that it decided to keep rates in the current target range of 1.50% to 1.75%, continuing to describe the economy as "rising at a moderate rate."

The Fed tweaked its description of inflation to say that

policymakers see current policy supporting inflation “returning” to its 2% target, as opposed to “near” its 2% target as the December statement noted. Fed policymakers have stated that they would like to see the impact of its 2019 rate cuts, since monetary policy adjustment can take time before they show effects on the economy. The Fed may also be hesitant to move on rates in an election year, when monetary policy could get wrapped up into politics.

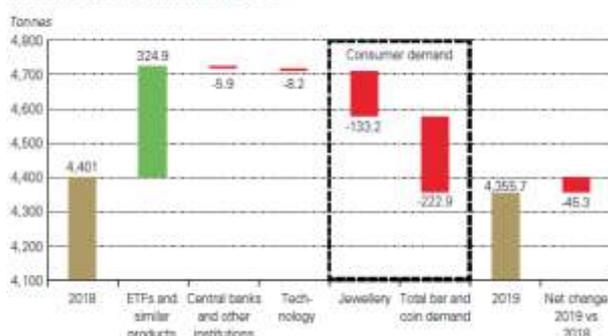
Brexit concerns

The UK formally leaves the European Union (EU) on 31 January. But it will immediately enter an 11-month transition period. During the transition the UK will continue to obey EU rules and pay money to the EU. Most things will stay the same but there will be some changes. UK Prime Minister Boris Johnson will have to be specially invited if he wants to join other leaders at EU Council summits in the future. Brexit supporters argue that having the freedom to set its own trade policy will boost the UK's economy. The European Parliament overwhelmingly approved Britain's departure terms from the EU - the final major decision in the four-year Brexit saga. The vote was 621 to 49 in favor of the Brexit deal that British Prime Minister Boris Johnson negotiated with the other 27 EU leaders in the fall of last year.

World gold council estimates

Gold demand fell 1% in 2019 as a huge rise in investment flows into ETFs and similar products was matched by the price-driven slump in consumer demand.

Huge rise in ETF inflows almost equalled the sharp drop in consumer demand in 2019



Source: Metals Focus, World Gold Council

2019 was broadly a year of two distinct halves: resilience/growth across most sectors in the first half of the year contrasted with widespread y-o-y declines in the second. Global demand in H2 was down 10% on the same period of 2018 as y-o-y losses in Q4 compounded those from Q3, notably in jewellery demand and retail bar and coin investment. Central bank demand also slowed in the second half – down 38% in contrast with H1's 65% increase. But this was partly due to the sheer scale of buying in the preceding few quarters and annual purchases nevertheless reached a remarkable 650.3t – the second highest level for 50 years. ETF investment inflows bucked the general trend. Investment in these products held up strongly throughout the first nine months of the year, reaching a crescendo of 256.3t in Q3. Momentum then subsided in Q4, with inflows slowing to 26.8t (-76% y-o-y). Technology saw modest declines throughout the year, although electronics demand staged a minor recovery in Q4. The annual supply of gold increased 2% to 4,776.1t. This growth came purely from recycling and hedging, as mine production slipped 1% to 3,436.7t.

Decline in Indian gold demand

Fourth quarter jewellery demand sank to its lowest since 2011 – down 10% y-o-y to 584.5t

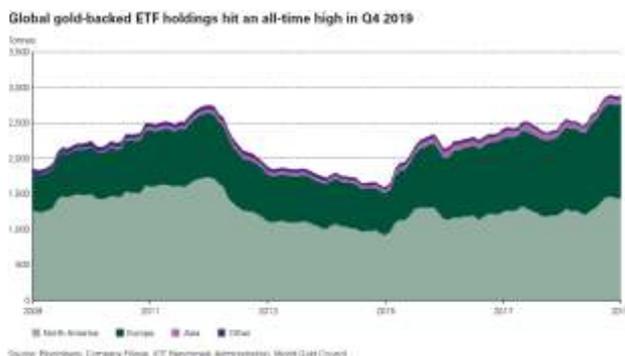
A 17% y-o-y drop in Q4 generated a 24% decline for H2 in India. Key factors behind the second half weakness were: higher gold prices (having reached record levels in Q3), domestic economic slowdown and muted rural demand.

China gold demand

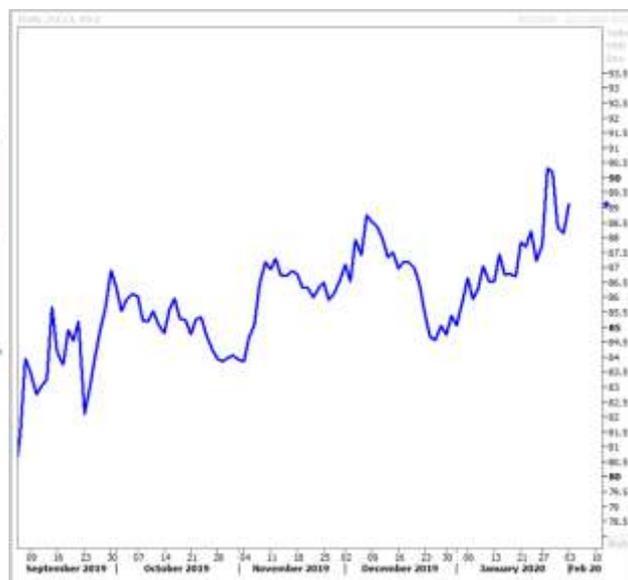
China's Q4 jewellery demand was 10% lower y-o-y at 159.7t. And, after shrinking for a fifth consecutive quarter, full-year 2019 demand slid 7% to 637.3t. The slowing economy, rising inflation, global trade disputes, higher gold prices and the younger generation's shifting tastes

towards lighter jewellery pieces with fashionable designs – contributed to subdued demand in 2019.

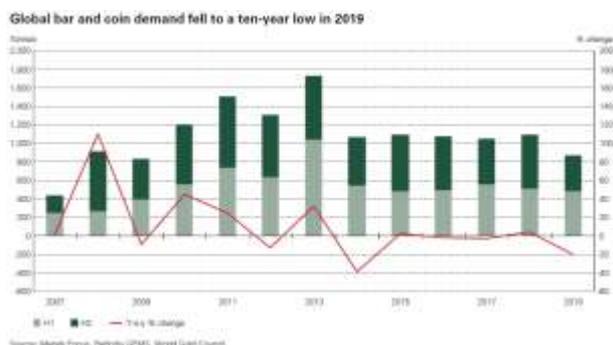
Gold-backed ETFs holdings hit record highs Gold Silver ratio



Gold holdings in physically-backed ETFs and similar products closed 2019 at 2885.5t thanks to annual inflows of 401.1t. In US dollar value terms, the combination of annual net inflows of US\$19.2bn and an 18% rise in the gold price lifted AUM to US\$141.1bn by the end of December.



Analysis: Gold silver ratio is rising at steady pace since mid December 2019 from 85 to above 90 recently as gold outperformed silver. This ratio can further move in range of 86-92 in the month of Feb 2020.



Bar and coin demand

Annual demand for gold bars and coins dropped 20% y-o-y to 870.6t – the lowest level since 2009. Much of the decline came from a sharp decline in the two largest markets: China and India. The drop off in investment was mostly a reaction to the price rally and higher price volatility with added pressure coming from a slowdown in the domestic economies of both countries. China’s economic slowdown was another contributor to softness in bar and coin demand. And while China’s GDP growth slowed to the lowest level in 27 years, inflation was simultaneously surging, resulting in tighter budgets.

SPDR Gold trust ETF (SPDR Gold shares)



Analysis: SPDR Gold Shares is one of the top ten largest holders of gold in the world. GLD is the largest ETF to invest directly in physical gold and has an extremely close relationship with spot prices at LBMA .SPDR Gold share ETF can move towards \$270-280 in near term.

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