

SPECIAL MONTHLY REPORT ON

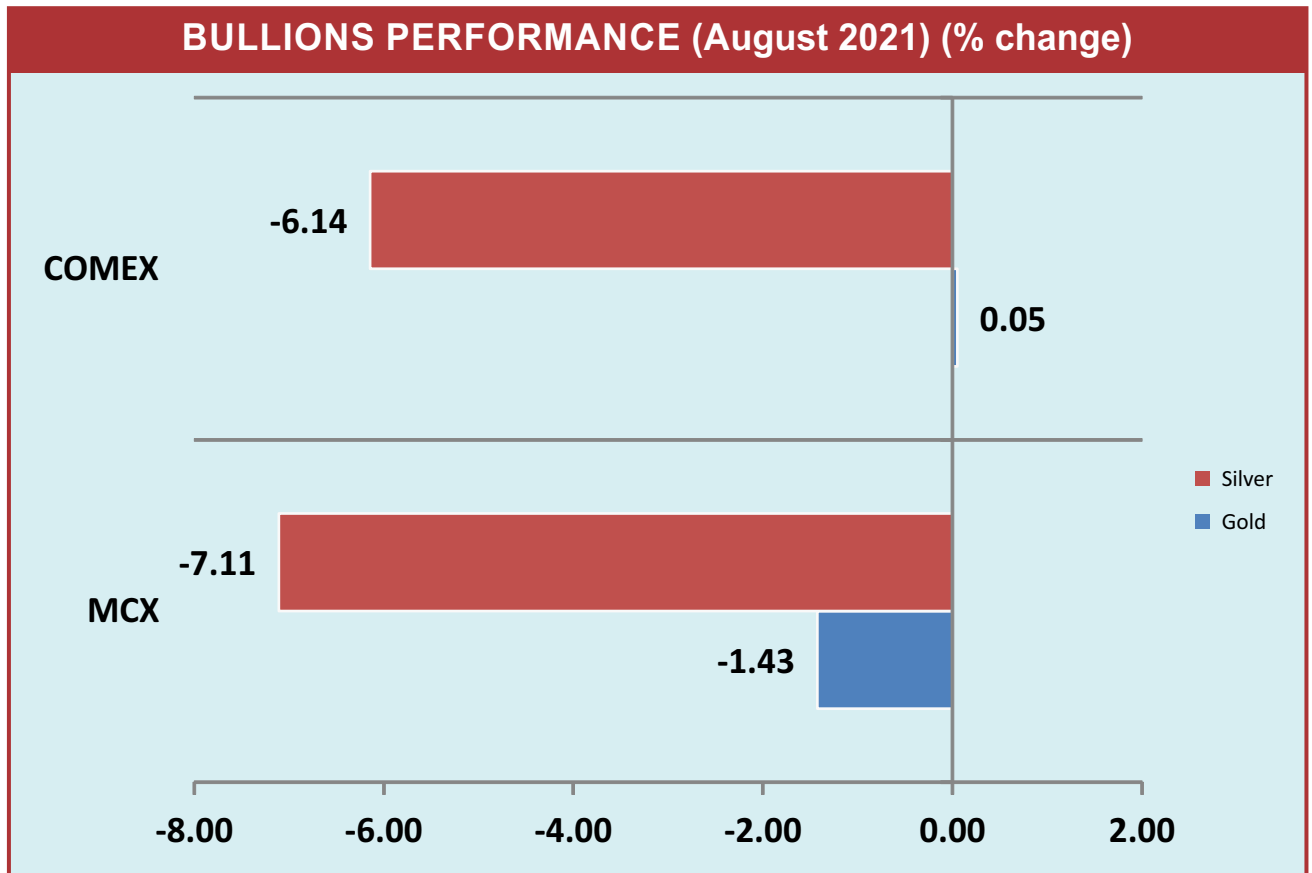
BULLIONS

SEPTEMBER 2021

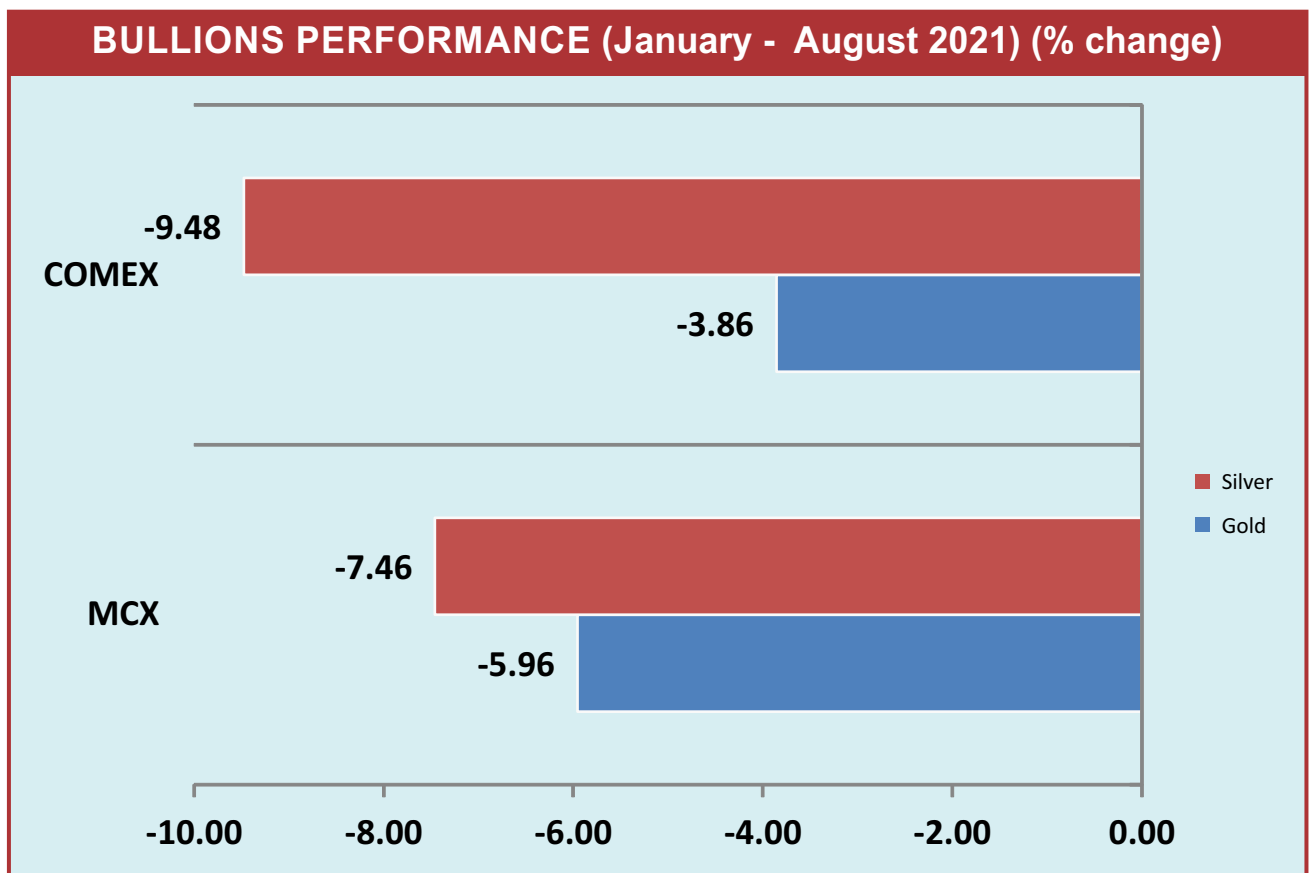


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Moneywise. Be wise.



Source: SMC research & Reuters



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In the month of August, Gold traded mostly sideways with bearish bias as global equities climb on Fed's dovish stance and stronger dollar pressurised the counter but at the end of month prices closed flat in COMEX as risk appetite got a boost after U.S. Federal Reserve chief Jerome Powell assuaged market fears of a quick withdrawal of pandemic-era stimulus, dampening bullion's safe-haven appeal. The gold prices fell almost 1.5% in MCX as the stronger domestic currency did not provide a chance to recover the prices. Silver prices lost more than 6% on monthly basis as weakness in base metal also pressurise the white metal. Selling in ETFs and unwinding in CFTC positions also weighed on overall market sentiment.

Outlook

Gold prices may trade in the range with bearish bias. The US Federal Reserve chief Jerome Powell did not provide any clear hint on the timeline of reducing economic support at the Jackson Hole symposium. Inflation and the economic recovery will be key drivers for the market. Markets are very much convinced about a continued economic recovery and a temporary inflation spike, leading gold and silver prices somewhat lower. Meanwhile, European stocks were en route for their seventh straight month of gains, as hopes for more policy support overshadowed economic risks from a surge in COVID-19 cases. Some officials at the European Central Bank (ECB) are also starting to ponder whether to begin asset tapering, with Tuesday's Eurozone consumer price index (CPI) grew a higher-than-expected 3% year-on-year in August. However, Fed's reverse repurchase hit a new high at \$1.19 trillion on Tuesday night, indicating that the money market still has an oversupply of funds.

Looking ahead in September, 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:** Federal Reserve Chair Jerome Powell said the central bank could begin reducing its monthly bond purchases this year, though it won't be in a hurry to begin raising interest rates thereafter. The economy has now met the test of "substantial further progress" toward the Fed's inflation objective that Powell and his colleagues said would be a precondition for tapering the bond purchases, while the labor market has also made "clear progress," the Fed chief in the Fed's annual Jackson Hole symposium. Debt is rising in the US and volatility in U.S. yields and dollar continues to remain high suggesting that once should brace for heightened volatility in near future.
- **Challenges remain about global economic recovery:** The global economy is making progress returning to its pre-pandemic growth trajectory, though supply challenges and quicker inflation continue to make for a bumpy recovery. Consumer sentiment fell in early August to the lowest level in nearly a decade as Americans grew more concerned about the economy's prospects, inflation and the recent surge in coronavirus cases. The slump in confidence risks a more pronounced slowing in economic growth in coming months should consumers rein in spending. China's businesses and the broader economy came under increasing pressure in August as factory activity expanded at a slower pace while the services sector slumped into contraction, raising the likelihood of more near-term policy support to boost growth. The Indian economy grew by a record 20.1 per cent in the April-June quarter, helped by a very weak base of last year and a sharp rebound in the manufacturing and services sectors in spite of a devastating second wave of COVID-19 cases.
- **Rising inflation is a major concern:** Globally, inflation fears have mounted this year on the back of stimulus spending in the US, where inflation in the U.S. rose sharply again in July. Fed officials have been reiterating that inflation is just a transitory phase and would not be a hurdle in the path of the U.S. economic growth. However in recent Jackson Hole Symposium the Fed Governor Powell did show some concerns regarding the rising inflation.

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

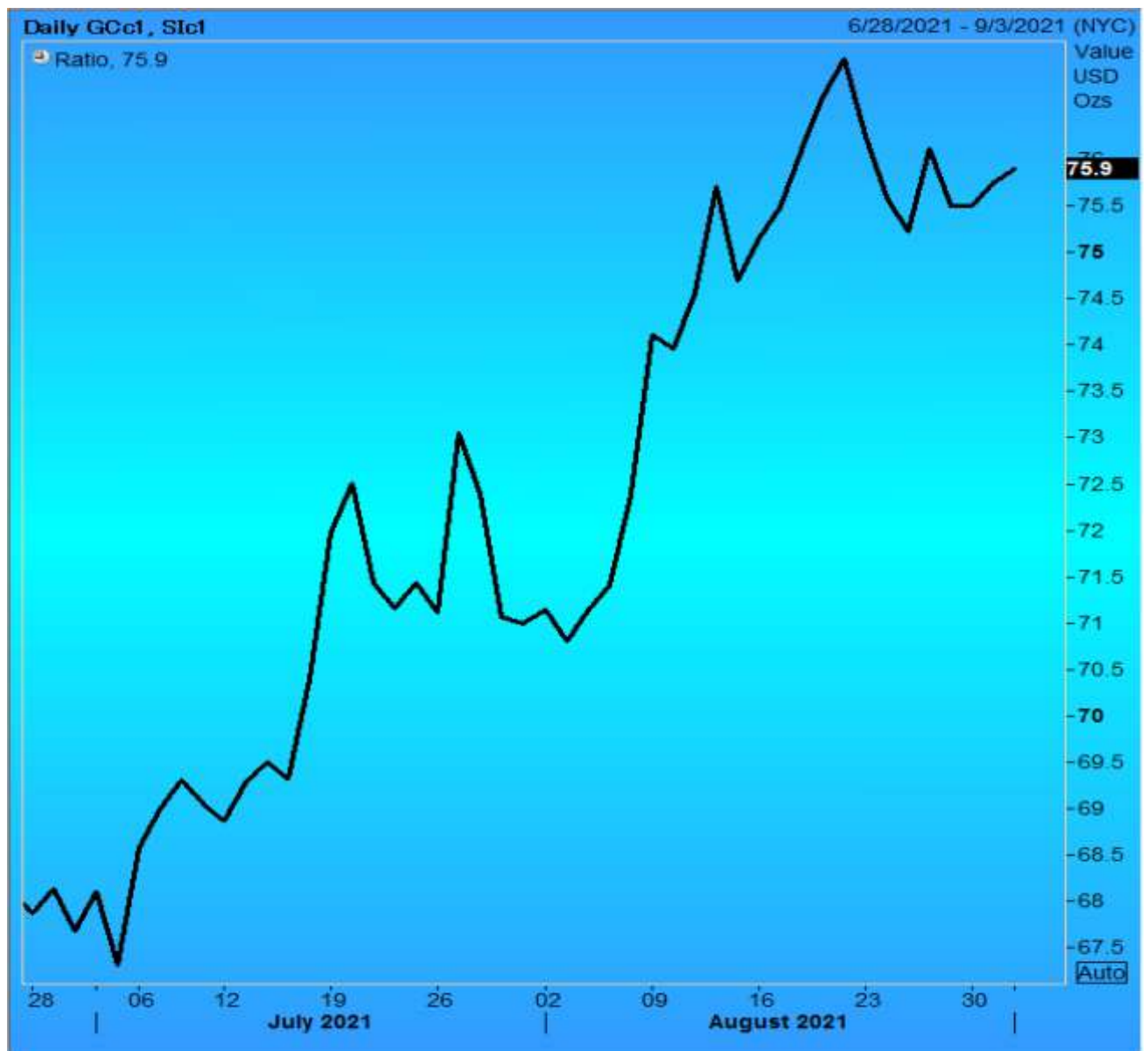


Source: Reuters

In September 2021, Gold may trade in range of 46000-48500 and Silver may trade in range of 60000-66000. On COMEX, gold may trade in range of \$1780-\$1850 and Silver may trade in range of \$23.00-\$25.50.

- **ETF holdings declining:** ETF holdings doesn't directly affect the prices, but it surely affects the overall sentiment in market. In 2020, ETF inflow for both the metal in previous year was quite significant although with the selloff in prices, we saw an outflow in ETFs as well. Gold SPDR holdings has witnessed an outflow of almost 13% on YTD basis, whereas silver has seen an outflow of 9% in iShare holdings.
- **Gold demand in China:** The demand for gold in China recorded a strong rebound triggered by a notable jump in demand for gold jewellery among consumers. The initial H1 period of the year witnessed boosted sales of gold jewellery items, such as gold bracelets, pendants, earrings and necklaces made of modern as well as traditional designs. According to people in the industry, there has been a serious rise in demand for heritage gold jewellery in China. The likes of Chow Tai Fook Jewellery Group Ltd. and Luk Fook Holdings International Ltd. reported heightened demand for their heritage gold jewellery.

Gold-Silver ratio



Source: Reuters

Analysis: The gold/silver ratio, which measures the number of silver ounces needed to buy an ounce of gold, traded in narrow range of 67.5 to 71 in July. In Aug 2021, it will trade in the range of 68-73.

E-mail: smc.care@smcindiaonline.com



Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
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

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