

SPECIAL MONTHLY REPORT ON

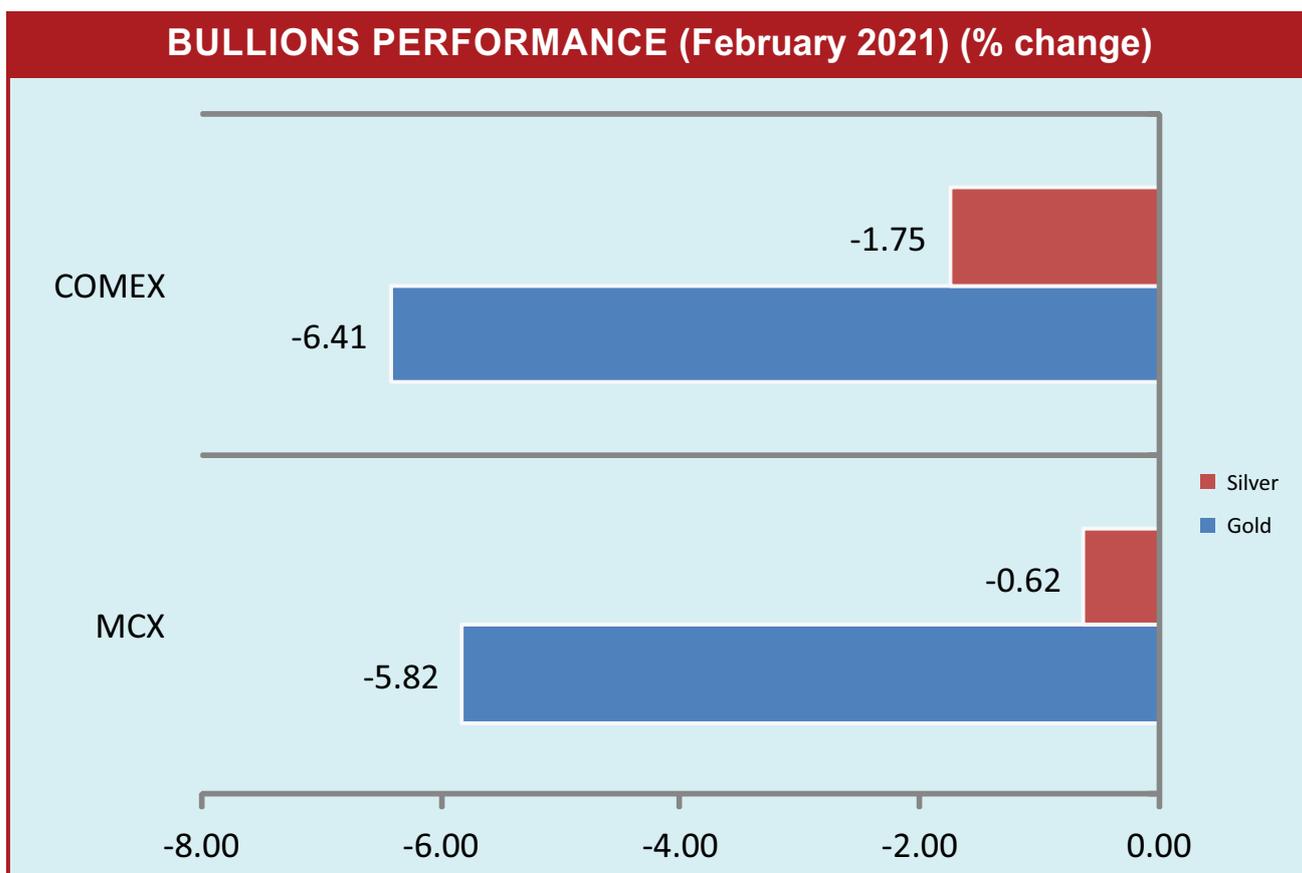
BULLIONS

MARCH 2021

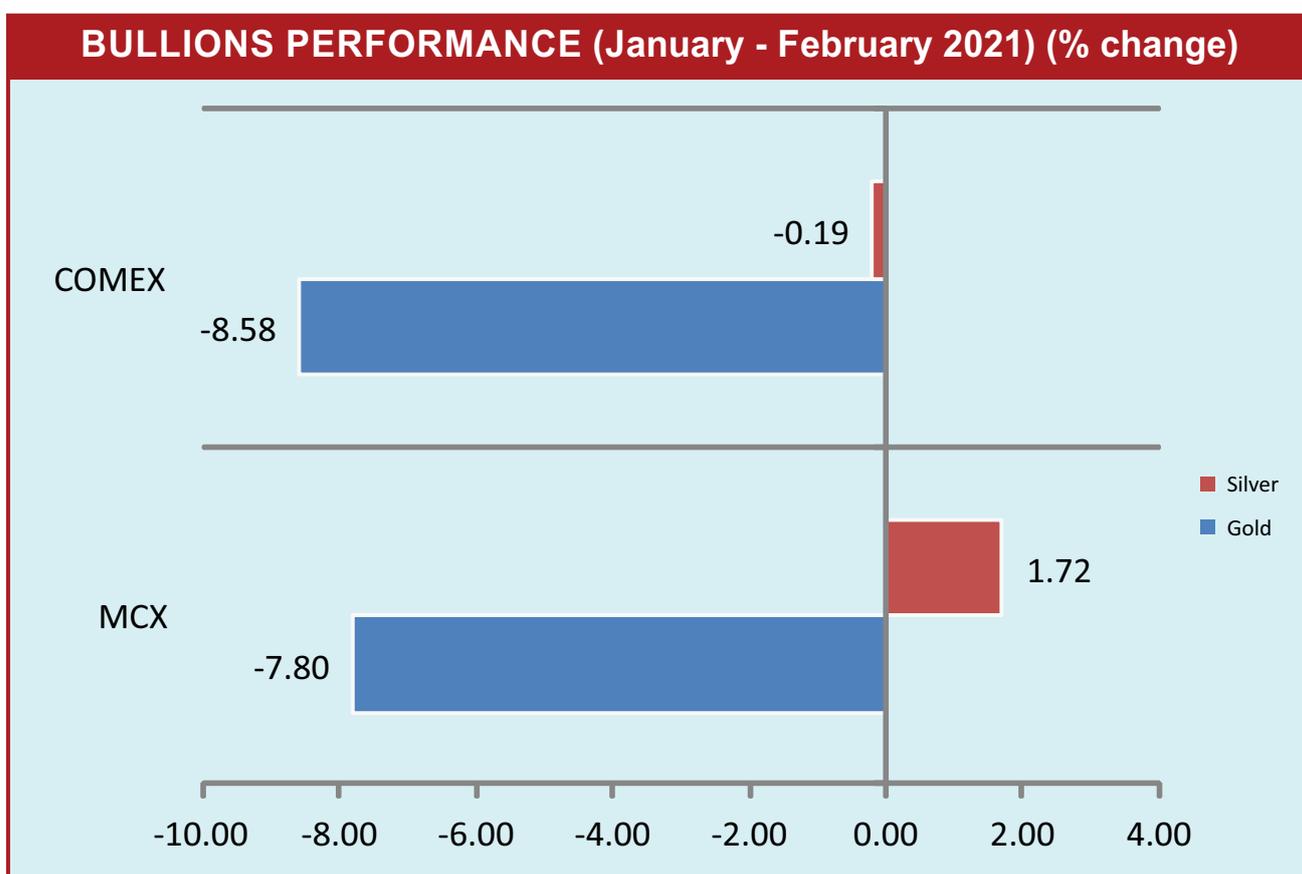


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Source: SMC research & Reuters



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March 2021

In the month of Feb, Gold prices fall around 6% whereas silver traded almost flat after higher Ups and downs. The first month of 2021 was marked by rising yields, choppy equity markets, strengthening dollar and weakening gold. These trends continued in February, with gold trading at multi-month lows and ending the month 6.5% lower in USD terms and nearly 8.5% down so far this year after posting its best year in a decade in 2020 on virus fears, lower interest rates and unprecedented stimulus measures. While gold is considered a hedge against inflation, recent higher bond yields have threatened that status because they translate into a higher opportunity cost of holding bullion, which pays no return. Offering some respite to gold, benchmark 10-year U.S. Treasury yields eased from a one-year high. The beginning of the vaccination drive against the coronavirus disease and a spurt in economic activity, people are now turning to more risky investment options for stronger profits. These include options such as equity and cryptocurrency. People are also looking to invest in riskier assets such as equities and cryptocurrencies.

Outlook

Gold's trend seems to be to the downside, and there's no indication that it's reversing for now, until we get a real spike in inflation expectations or a Fed that talks about controlling the yield curve. There's a clear trend for gold to the downside, and as long as fiscal stimulus keeps getting pumped into the U.S. economy and the Federal Reserve remains reticent about doing something to quash yields, gold prices will struggle. Adding to this Governor Powell's statement's continue to add weight to the US central bank's promise to get the economy back to full employment, and to not worry about inflation unless prices begin rising in a persistent and troubling way. Other factors such as geo-political uncertainty, global macroeconomic factors, seem to have been discounted for the moment with a view of greater certainty leading to lower prices for gold. If any of these change, we could see an uptick. Perceptions on crypto and the rolling out of central bank digital currencies also need to be watched.

Looking ahead in Mar, Bullion counter may continue to trade with sideways to bearish bias where we may also witness some buying from lower levels. Silver is expected to be very volatile and also selling from higher levels is expected.

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. U.S. President Joe Biden scored his first legislative win as the House of Representatives passed his \$1.9 trillion coronavirus relief package on Feb 27, 2021. The U.S. Senate has started debating President Joe Biden's relief bill with aim to pass the legislation through a maneuver known as "reconciliation," which would allow the bill to pass with a simple majority. The US is expected to announce a further stimulus package anytime soon which may drive gold prices higher.
- **Slow rollout of covid-19 vaccine:** The global rollout of coronavirus vaccines was never going to be easy. The expectation was that vaccines would end the pandemic and the world would quickly return to normalcy. However, the rollout of vaccinations has been very slow. As of February, only about 7% of Americans have been fully vaccinated. The figure is even lower across the Atlantic. There is also the problem of mutations and new strains which are pushing ahead the goal of herd immunity. The longer and bumpier the road from vaccine to vaccination, the slower restrictions and social distancing measures will be lifted, the longer will be the pandemic's economic shadow and the easier fiscal and monetary policies will be.
- **Decision of Federal Reserve:** Prices can receive a reprieve if "the Fed comes out and says that it'll control yields or we get an outbreak in inflation expectations that implies that it's going to move out of the Fed's control. Analysts say higher yields can force the Fed to tighten monetary conditions sooner than anticipated, which is negative for gold. Fed officials, however, maintain that they will keep their easy money plans in place even in the face of a potential bout of inflation this spring in an economy boosted by vaccines and government spending.

Gold Price movement in MCX



Source: Reuters

Gold Price movement in COMEX



Source: Reuters

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.

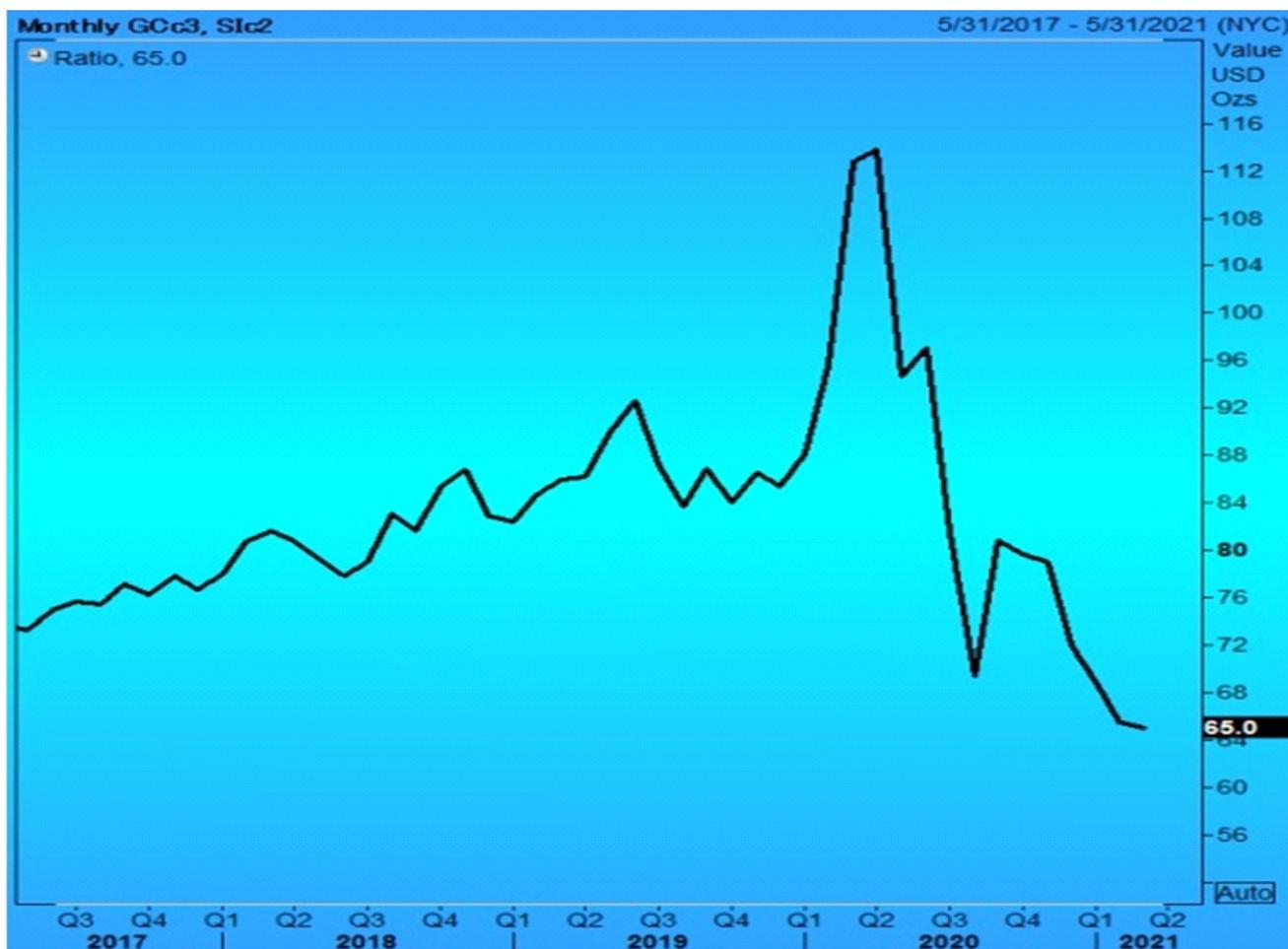
Gold demand in India

Physical gold demand in India gained momentum as retail buyers and jewellers lapped up bullion at near eight-month low prices, while Singapore continued to see steady interest for both gold and silver. Dealers charged premiums of about \$4 an ounce over official domestic prices, inclusive of 12.5% import and 3% sales levies,

Demand for gold among Indian consumers is likely to recover in 2021 on the back of the lower import duty among other announcements made in the Union Budget for FY22, said a World Gold Council (WGC) report. Apart from reducing the import duty on gold, the government also proposed to authorise the Securities and Exchange Board of India (SEBI) as a regulator for domestic gold spot exchanges.

Unofficial imports fell by a whopping 80 per cent in 2020, to 20-25 tonne, due to logistical disruptions caused by COVID-19, and may be further impacted in 2021 with ongoing flight restrictions and lower customs duty. With import costs falling, official inflows in 2021 could be spurred.

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 in February 2021 as gold price dropped compare to silver. In March 2021, it will trade in the range of 60-70.

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