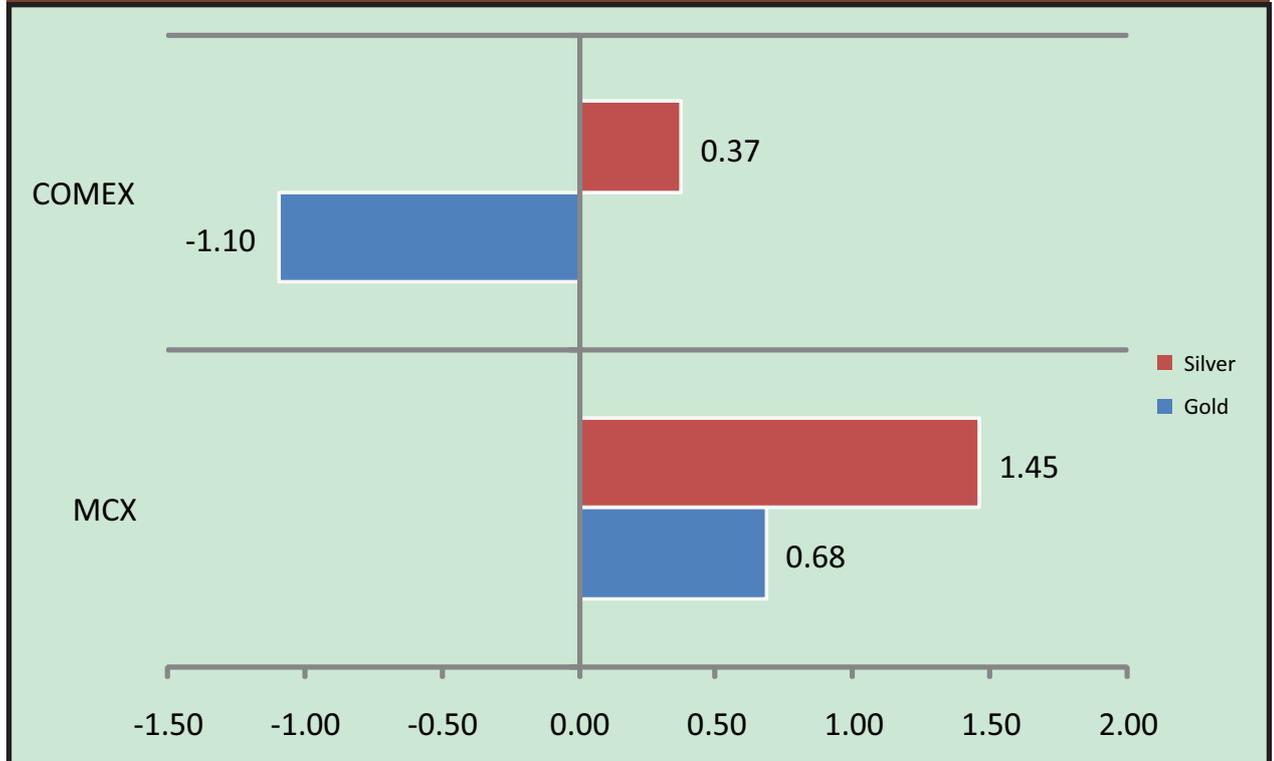


SPECIAL MONTHLY REPORT ON **Bullions**

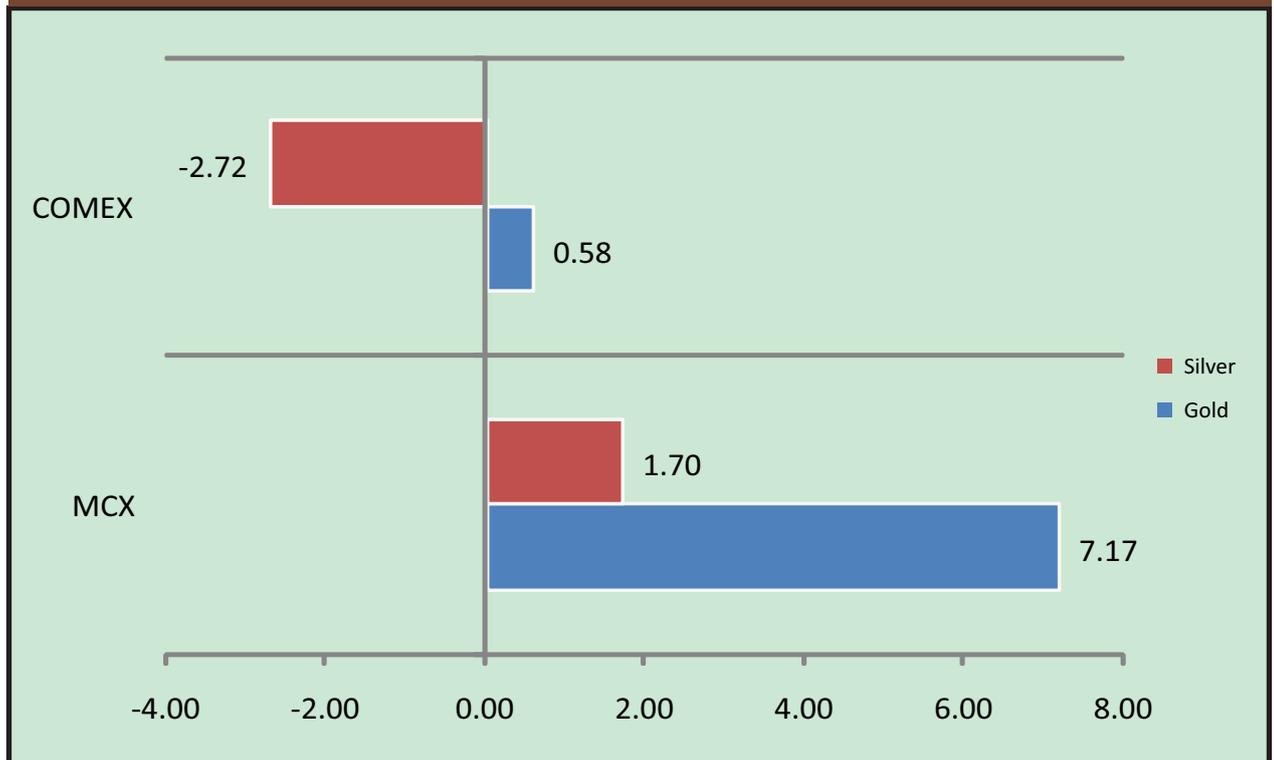
(June 2018)



BULLIONS PERFORMANCE (May 2018) (% change)



BULLIONS PERFORMANCE (January - May 2018) (% change)



BULLIONS

Overview

In the month of May, bullion counter traded on mixed path as firm greenback kept the prices under pressure while Middle East tensions and uncertainty regarding relations between US and North Korea led to safe haven buying. During the last week of the month some appreciation in local currency pressurized the prices lower on domestic bourses. Overall gold traded in range of 30850-31579 in MCX and \$1284.60-1328.40 in COMEX. Silver traded in range of \$16.04-16.82 in COMEX and 38886-40916 in MCX. The U.S.-North Korean souring of relations puts geopolitics right back on the front burner of the marketplace, and that's increased safe haven demand in bullion counter. There are also other world matters of concern, including Iran's nuclear ambitions and possible turmoil in the European Union and U.S.-China trade dispute. The European Central Bank has warned that its countries' bond markets would suffer if the bloc continues to show economic weakness. After an extended period of calm, concerns about the viability of the European Union have arisen again after anti-establishment politicians in Italy are preparing to form a coalition government. Russia's largest gold producer, 2018 production was likely to be at the upper end of its forecast range of 2.375-2.425 million troy ounces.

Outlook

In the month of June, bullions may remain under pressure due to surge in greenback and fear of interest rates hike in 13th June meeting but political uncertainty in Italy and trade war tensions between US and China can cap the downside. Federal Reserve officials at their meeting earlier last month signaled they were likely to raise their benchmark short-term interest rate at their June meeting, and they debated how to characterize an evolving policy strategy that soon would no longer try to stimulate economic growth. On domestic bourses the local currency can show some strength after depreciating sharply in last month. China lashed out on at renewed threats from the White House on trade, warning that it was ready to fight back if Washington was looking for a trade war. Canada and Mexico retaliated against the U.S. decision to impose tariffs on

steel and aluminum imports and the European Union had its own reprisals ready to go. U.S. President Donald Trump played down the chances of a quick deal in getting North Korea to abandon its nuclear arms as a delegation from Pyongyang headed to meet him with a letter from North Korean leader Kim Jong Un, suggesting a proposed summit may be back on. Italy's anti-establishment parties revived coalition plans ending three months of political turmoil by announcing a government that promises to increase spending, challenge EU fiscal rules and crack down on immigration. China's net gold imports via main conduit Hong Kong fell 35.3 per cent in April from the previous month as demand for bullion weakened.

Gold can remain under pressure in the month of June as it can face resistance near 31300 which can be used as selling opportunity towards 30200, while silver can also remain under pressure can test 38500 while it has resistance near 41200.

Key News

Rising treasury yields

The key reason for gold's disappointing performance has been due to rising US Treasury bond yields with the two-year US Treasury bonds at 2.53 per cent, five-year at 2.85 per cent and 10-year yield of 3 per cent. These yields have underpinned the dollar which has also risen against the euro because of Italian and Middle Eastern uncertainty.

Falling price can reignite demand in China and India

According to World Gold Council (WGC) "When gold prices fell physical demand from jewellers and hoarders in China, India and other emerging markets, increases. China at 967 tonnes and India at 666 tonnes last year, accounted for 53 per cent of global consumer demand last year.

Strong Job report increased Fed rate hike chances on 13 June

Hiring in May was strong and the monthly employment report showed solid jobs gains of 223,000, a lower unemployment rate of 3.8 percent and a better-than-expected boost in wages. The strong jobs report keeps the Fed on track to raise interest rates by a quarter point later this month and possibly even increase its forecast for rate

hikes for this year. Employers created 223,000 new jobs in May, well above the 188,000 expected, and the unemployment rate fell to 3.8 percent, after reaching a low 3.9 percent in April. Wages grew by 0.3 percent, or 2.7 percent year over year, better than the 0.2 percent expected.

Gold's first quarter global demand worst since 2008: WGC

Gold demand had a soft start to 2018, reaching 973 tonnes (t), the lowest first quarter since 2008, according to data released by World Gold Council. This was largely caused by a fall in investment demand for gold bars and gold-backed exchange-traded funds (ETFs), as a subdued gold price environment hampered demand.

Global Jewellery demand

Demand for jewelry dipped 1% year over year to 487.7 tons in the first quarter. Strong demand in China and the United States mitigated weak Indian markets. China witnessed a three-year high demand at 187.8 tons bolstered by jewelry sales themed around the Year of the Dog, which appealed to consumers buying during the Lunar New Year holiday as well as Valentine's Day sales.

Total Investment Demand Suffers on Lower ETF Inflows

Total investment demand plunged 27% year over year to 394.2 tons in the first quarter of 2018. ETF inflows were 32.4 tons, down from 96 tons in the prior-year quarter. Notably, in the year-ago quarter, negative German yields reached a record low and gold prices gained 10%, which aided inflows. However, in the first quarter of 2018, relatively stable gold price and rising interest rates contrasted with sharp equity market volatility and heightened geopolitical tensions created mixed signals for gold investors.

Demand from Central Bank, Technology Show Resilience

Central banks purchased 116.5 tons in the first quarter, surging 42% year over year reaching the highest first-quarter total in four years. Since 2010, central banks have bought an average 114.9 tons per quarter. Russia,

Turkey and Kazakhstan remained consistent buyers and collectively account for nearly 50% of net purchases over the last five years.

Demand for gold in technology improved 4% year over year to 82 tons in the first quarter, marking the sixth consecutive quarter of growth.

Supply Growth Shows Slight Improvement

Total gold supply improved 3% to 1,032 tons in the first quarter. Recycled gold supply remained flat at 287 tons due to global uncertainty. Mine production inched up 1% year over year to 760 tons. Only Indonesia and Canada reported improvement in production, while it dipped elsewhere. Production in China continued to decrease for the sixth consecutive quarter due to stringent environmental regulations. Output from the world's largest producer slumped 8% year over year and it is likely to further decline throughout 2018.

Fed's Bullard: It's difficult for the US to raise rates far beyond other central banks

The U.S. Federal Reserve will have difficulty raising interest rates significantly beyond the settings of its Japanese and European counterparts, which are still pursuing accommodative policy, St. Louis Fed President James Bullard stated recently. U.S. interest rates may have already hit the "neutral" level that neither encourages nor discourages economic activity. The U.S. central bank is expected to raise rates in June, and continue a gradual series of increases until perhaps the middle of next year.

Fed Minutes of May meeting Signal Rate Increase in June

Federal Reserve officials at their meeting earlier last month signaled they were likely to raise their benchmark short-term interest rate at their June meeting on 12th and 13th, and they debated how to characterize an evolving policy strategy that soon would no longer try to stimulate economic growth. Minutes from the meeting, which ended May 2 reveal that Fed officials are on track to raise rates again in June. The minutes also indicate officials are less worried about inflation rising above 2 percent, its current level and the Fed's target rate, than they are about the rate of inflation dipping again. At present the rates are at 1.75 and they can be hiked to 2% in June meeting.

US and North Korea tensions

Finally the uncertainty regarding the meeting between US president Trump and Kim Jong-un, of North Korea waned off as both have decided to meet next week. In a rare visit to the United States by a senior North Korean general may lay the groundwork for a renewed summit meeting between President Trump and Kim Jong-un, a North Korea. The White House was taking its own steps to move negotiations for the summit forward. North Korea's top three military officials have been replaced ahead of an historic summit between leader Kim Jong Un and US President Donald Trump, according to multiple reports.

Political uncertainty in Italy

Italy's resurgent populist parties have succeeded in coming to power in the government after Giuseppe Conte, a law professor and political novice, was sworn in as the country's new prime minister on June 1. This dramatic political shift will doubtless lead to a more divided and therefore weaker Europe and a possibility of financial contagion. Europe's fourth-largest economy has been left without an elected government since March 4, when none of the main parties won enough votes to rule on their own. Now that the new government has been successfully created, the political and economic effects will be felt well beyond Italy's borders.

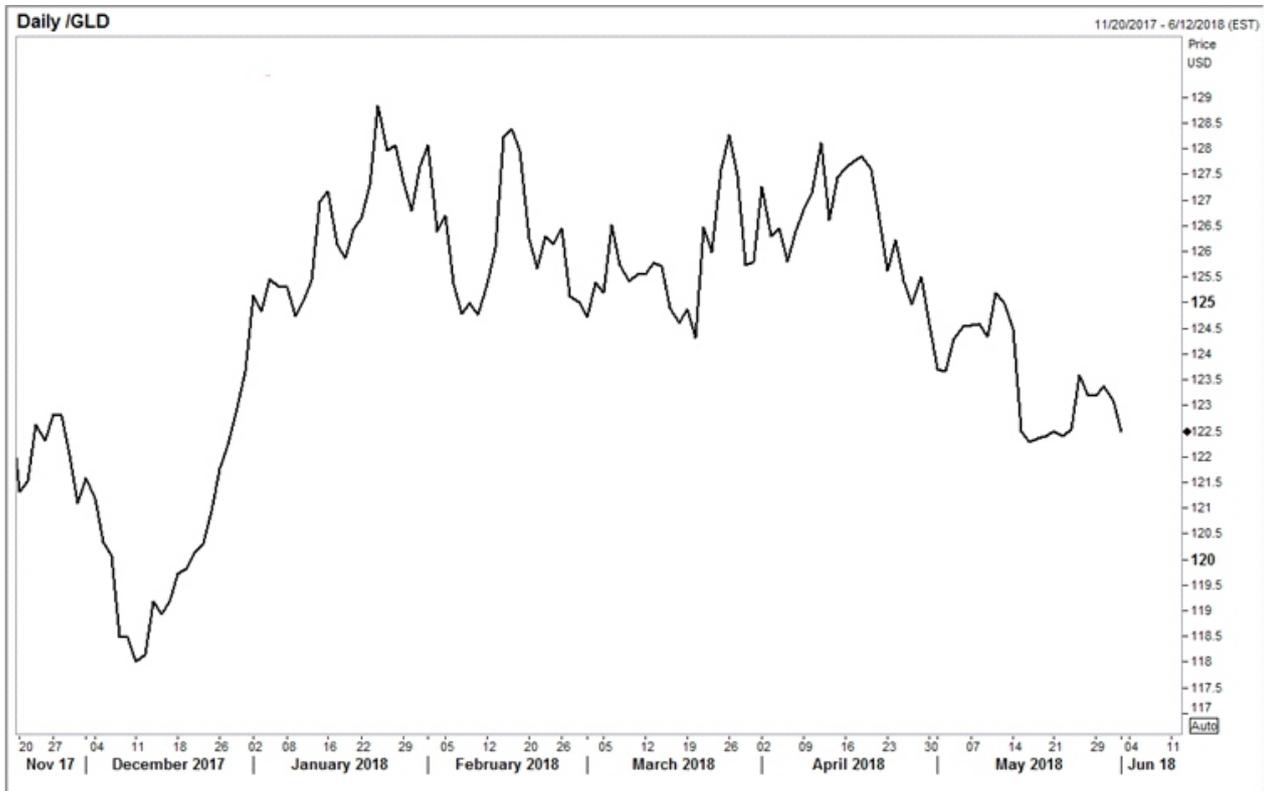
Gold Silver ratio



Source: Reuters and SMC Research

Analysis: Gold silver ratio declined from 82.5 to 78.5 as gold underperformed silver in the month of May. Gold silver ratio can hover in range of 77-81 in the month of June.

SPDR Gold trust ETF (SPDR Gold shares)



Source: Reuters and SMC Research

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 has been can dip towards \$121 in near term.

E-mail: 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

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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