

**SPECIAL MONTHLY
REPORT ON**

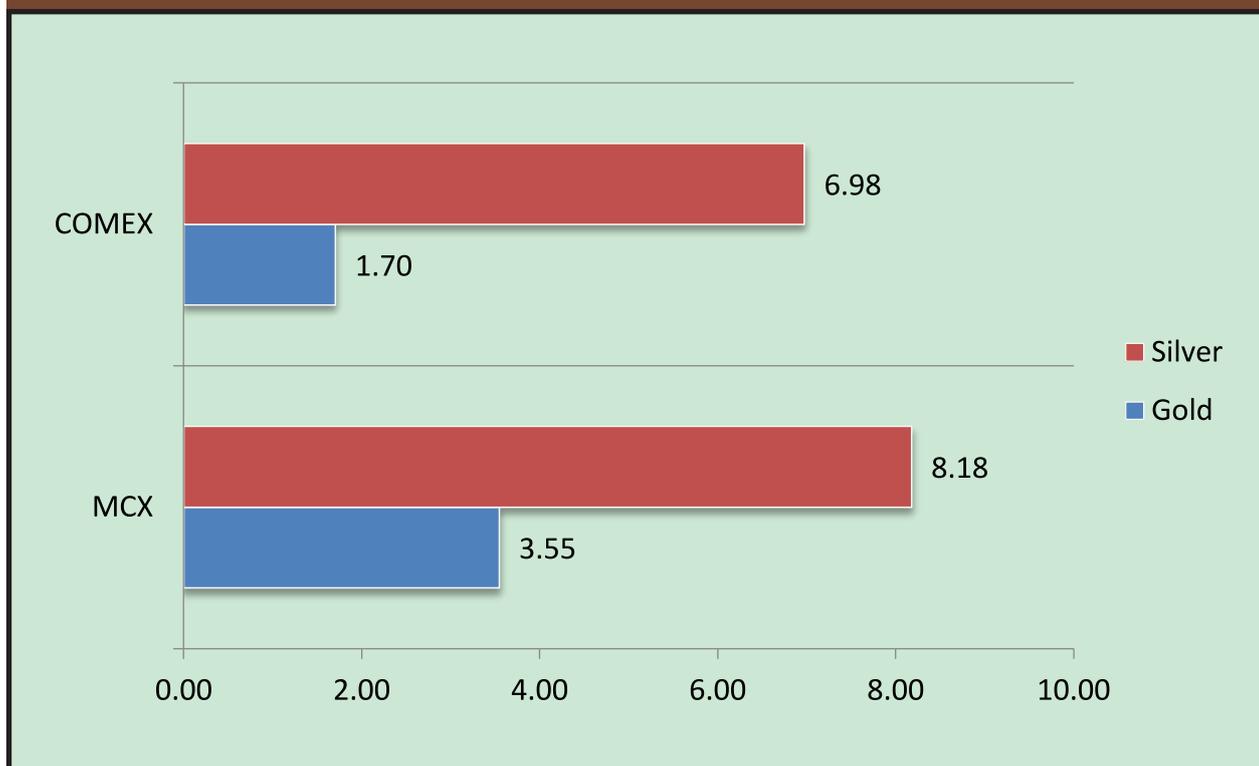
BULLIONS

AUGUST 2019

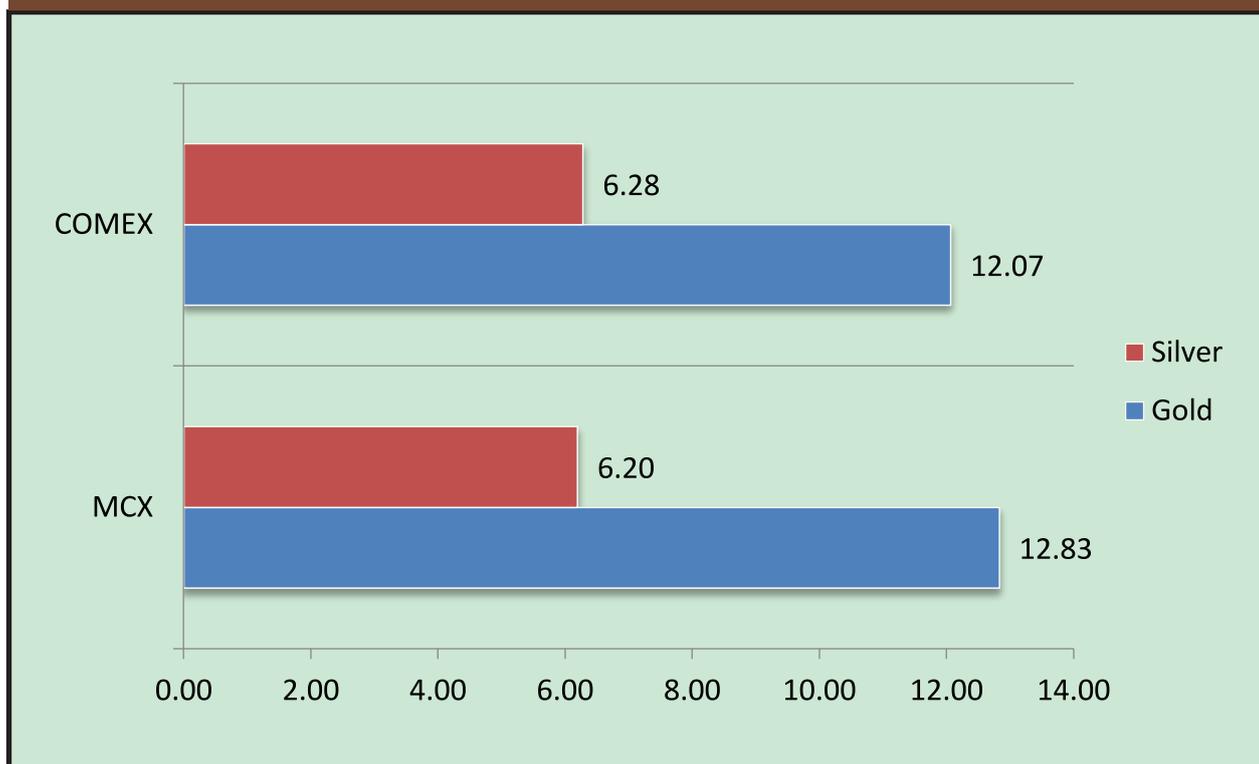


Moneywise. Be wise.

BULLIONS PERFORMANCE (July 2019) (% change)



BULLIONS PERFORMANCE (January - July 2019) (% change)



BULLIONS

Overview

In the month of July, yellow metal upside momentum persisted amid expectation of rate cut by the fed by at least 25 basis points. The fed committee thought about two main factors one is that inflation continues to be low, despite the fact that unemployment is also low by historical standards. Nearly eight years ago, they adopted an inflation target of 2 percent, which has largely remained out of reach. The ECB signalled its intention to explore monetary easing, but left interest rates unchanged, and bank President Mario Draghi struck a more upbeat tone on the economy than investors expected. Overall gold traded in range of 33620-35409 in MCX and \$1390-1460 in COMEX. Silver traded in range of \$14.91-16.68 in COMEX and 36300-41825 in MCX. In the United States, manufacturing activity slowed to a 10-year low in early July with production volumes and purchases falling. Weak housing and manufacturing are offsetting strong consumer spending, holding back the economy and posing a threat to the longest expansion in history. In India, the world's second-biggest gold consumer, dealers were forced to offer the highest discounts since August 2016, at about \$33 over official domestic prices. This compared with \$20 discounts in penultimate week.

Outlook

Bullion counter can witness some profit booking at higher levels. Durable goods order rose by 2.0% in June against a decline of 2.3% in the previous month. Most important event of last week was European Central Bank's monetary policy meeting. While keeping interest rate unchanged, the ECB President Mario Draghi said that the interest rate will remain at present rate or low until first half of 2020. US data showed growth in the US at 2.1% compared to expectation of 1.8%. Strength in the dollar against major currencies especially Euro after the ECB signalled for rate cut and

more monetary easing is weighing on the market. Policymakers moved the U.S. central bank's benchmark overnight lending rate to a target range of 2.00% to 2.25%, citing concerns about the global economy and muted U.S. inflation. However, Fed Chair Jerome Powell, speaking in a news conference after the release of the central bank's statement, characterized the rate cut as "a mid-cycle adjustment to policy", a sign to markets that further sharp cuts were not imminent. U.S. Treasuries reacted to Powell's remarks by flattening the yield curve as the front-end of the market scaled back on prior expectations for at least a 100 basis points of easing in the near-term. U.S. and Chinese negotiators ended a brief round of trade talks with little sign of progress and agreed to meet again in September, prolonging an uneasy truce in a year-long trade war between the world's two largest economies. The U.S. Mint sold 5,500 ounces of American Eagle gold coins in July, up 10% from the previous month, according to the latest data.

Bullion counter can witness some more profit booking at higher levels in the month of August. Gold can test 34000 while facing resistance near 35800-35600 range. Silver can test 39000 while taking resistance near 42000. While in COMEX Gold can test \$1380-1360 by facing resistance near \$1460 -1480. Comex Silver can test \$15.50 by taking resistance near \$16.80.

Key News

Highlights of FOMC meeting

The Federal Reserve cut interest rates on July 31 to shore up the economy against risks including global weakness, but the head of the US central bank said he did not view the move as the start of a lengthy series of rate cuts.

Fed Chairman Jerome Powell cited global weakness, simmering trade tensions and a desire to boost too-low inflation in explaining the central bank's decision to lower borrowing costs for the first time since 2008 and move up plans to stop winnowing its massive bond holdings.

In a statement at the end of its latest two-day policy meeting, the Fed said it had decided to cut rates "in light of the implications of global developments for the economic outlook as well as muted inflation pressures." The central bank also said it will "continue to monitor" how incoming information will affect the economy and "will act as appropriate to sustain" a record-long U.S. economic expansion.

Central banks accommodative stance

The European Central Bank's (ECB) President Draghi recently announced that they are ready to extend bond purchases or cut rates to sustain economic growth. The Bank of Japan (BOJ) is also expected to make policy more accommodative. The prospect of lower interest rates should support gold investment demand.

Various types of risk impacting yellow metal

These risks include:

- The potential negative long-term effect of higher tariffs amidst trade tensions between the US and its trade partners
- Geopolitical tensions between the US and Iran
- Uncertainty surrounding Brexit and other political and economic concerns in the UK and Europe

Gold price discounts in India jump to highest in about 3 years

In India, the world's second-biggest gold consumer, dealers were forced to offer the highest discounts since August 2016, at about \$33 over official domestic prices. This compared with \$20 discounts recently. India recently raised import duties on gold and other precious metals to 12.5% from 10%.

Decline in physical demand in emerging markets

Weaker economic growth and the possible impact of higher gold price volatility may result in softer consumer demand this year, especially in emerging markets that make up the lion share of annual demand.⁷ In addition, we estimate that the recent announcement of a 2.5% increase to gold's import duty by the Indian Ministry of Finance may result in a reduction to 2019 demand of approx. 2.4%.

Gold demand and price performance drivers:

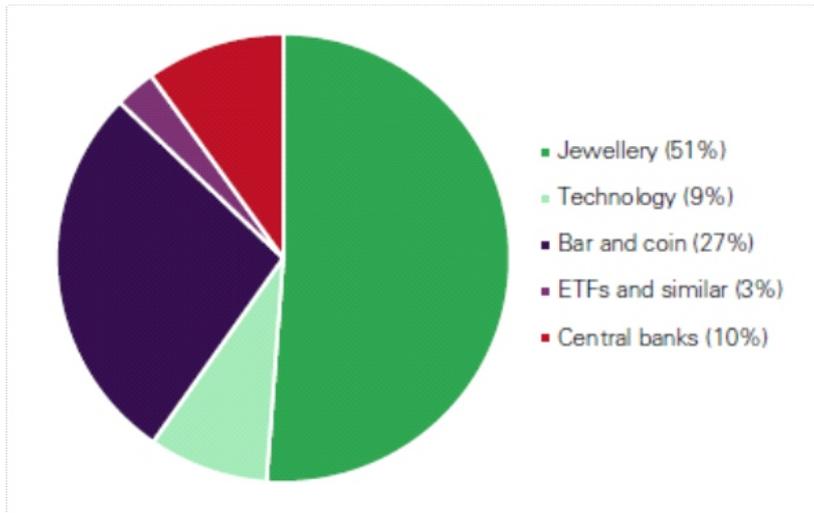
- Economic expansion: periods of growth are very supportive of jewellery, technology and long-term savings
- Risk and uncertainty: market downturns often boost investment demand for gold as a safe haven
- Opportunity cost: the price of competing assets, such as bonds (through interest rates), currencies and other assets, influence investor attitudes towards gold
- Momentum: capital flows, positioning and price trends can ignite or dampen gold's performance.

India and China have doubled their gold market share in less than two decades
 Consumer demand and market share in India and China*

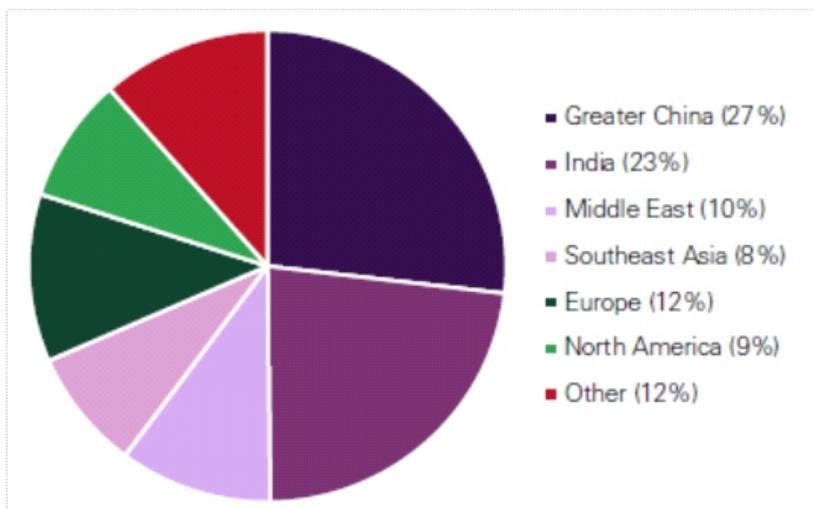


*Consumer demand is defined as the sum of jewellery, bar and coin demand.
 Source: Metals Focus; Refinitiv GFMS; World Gold Council

10 year Average Gold demand by source



10 year Average Gold demand by Regions



Gold Silver ratio

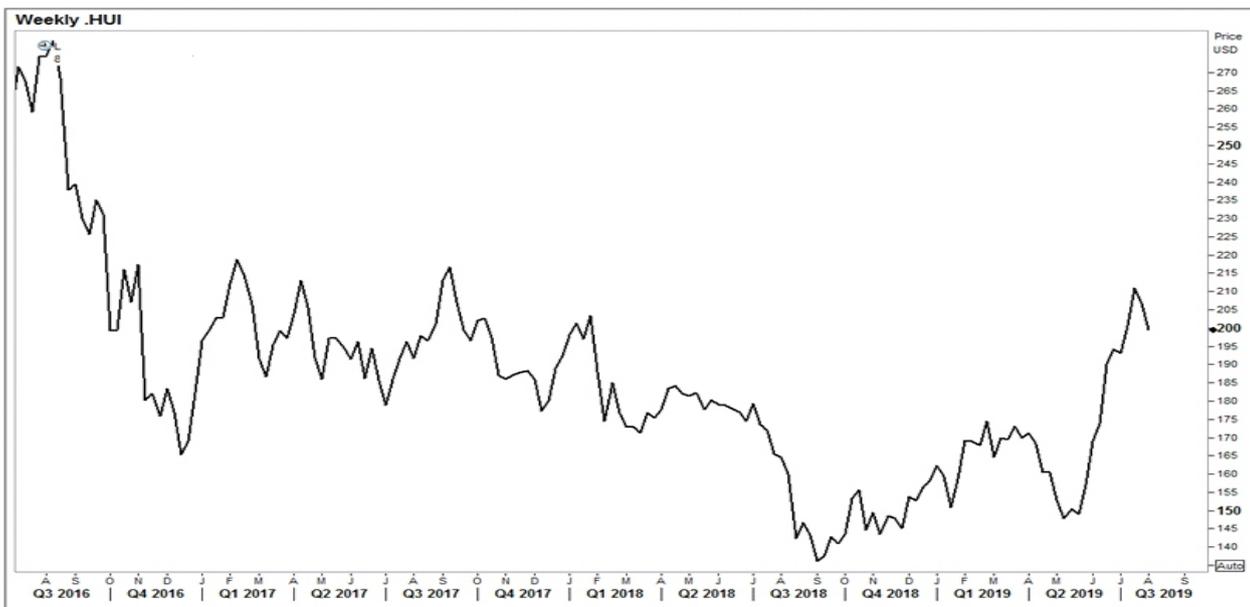


Source: Reuters and SMC research

Analysis:

Gold silver ratio narrowed from 94 to below 87 in the month of July. This ratio can move in range of 86-94 in the month of August 2019.

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 can dip towards \$190-185 in near term.

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