

SPECIAL MONTHLY REPORT ON

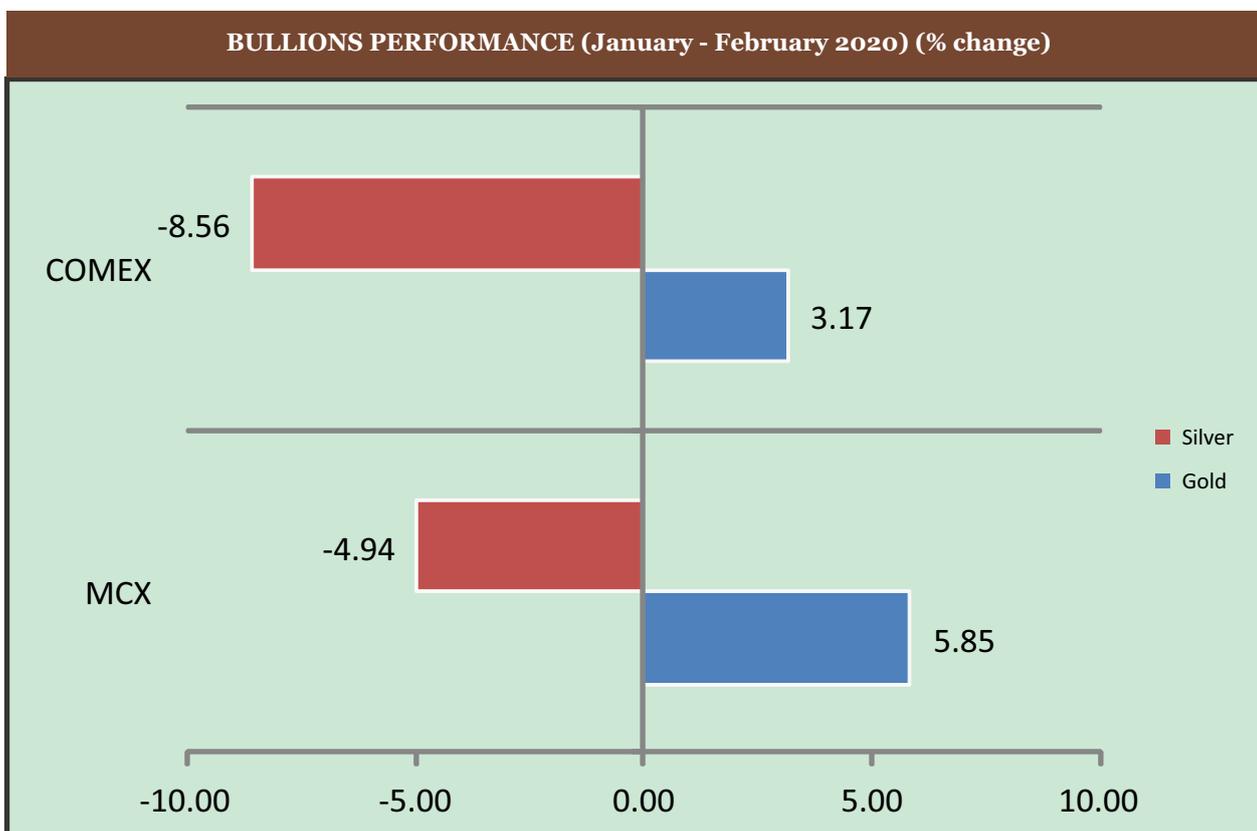
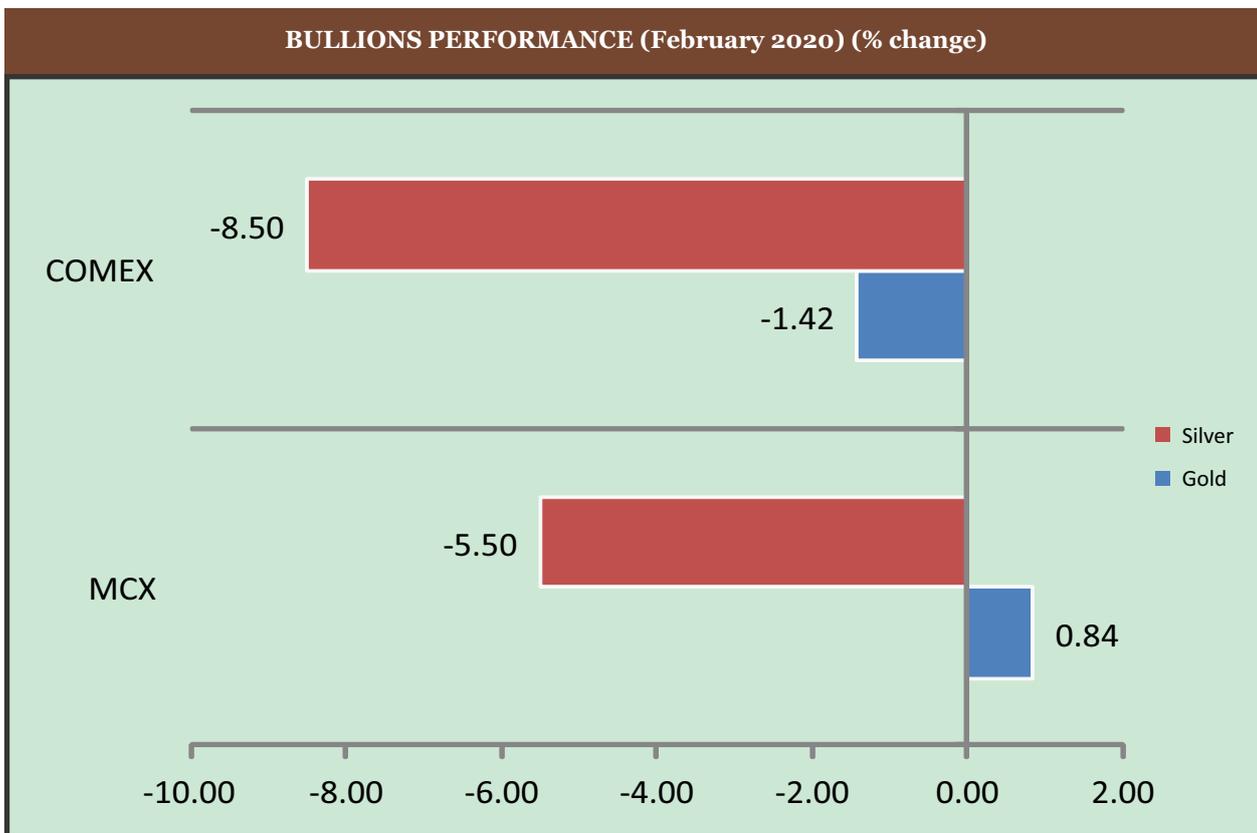
BULLIONS

MARCH 2020



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BULLIONS

Overview

In the month of Feb, Bullion counter traded on volatile path yellow metal witnessed upside momentum as it hovered around its seven year peak in COMEX midst panic regarding coronavirus outbreak but silver underperformed yellow metal by large extent. Meanwhile central banks prepare more easing measures to prop up sagging economies. But prices nosedived sharply lower in last week of the February as sharp selling pressure was seen in yellow metal as it was hurt by margin calls as several funds needed the cash amid the stock market crash. Silver plunged nearly 8% last month as gold silver ratio went above 95. Bond yields hovering at the 4 year lows and ETFs are witnessing continuous inflows hence giving support to the yellow metal. Impact of the coronavirus outbreak on economic activity in China is inducing safe haven buying in bullion counter. Overall gold traded in range of 40000-43788 in MCX and \$1548-1687 in COMEX. Silver traded in range of \$16.40-18.96 in COMEX and 43556-49516 in MCX. China's central bank trimmed the interest rate on its medium term loans to counter the economic fallout from the virus break out. Rigorous stimulus measures by China boosted the risk appetite amongst investors in turn limiting the upside for Gold. U.S. Federal Reserve policymakers were cautiously optimistic about their ability to hold interest rates steady this year, minutes of the central bank's last policy meeting showed, even as they acknowledged new risks caused by the outbreak. Betting on US interest rates now sees just a 1-in-6 chance that the Fed will leave its cost of borrowing unchanged by year-end, down from 2-in-5 this time a month ago. A year-long corporate earnings recession has fueled anxiety about the business cycle, while the spread of coronavirus is expected to have major repercussions on China and its key trading partners.

Outlook

In the bullion counter, Yellow metal can extend its upside momentum on safe haven buying but silver to remain laggard as it have dual properties of industrial metal and precious metals. Growing fear of coronavirus spreading in other parts of the globe apart from China is taking toll on the global financial markets as US stock

markets plunged more than 12% and witnessed worst week since world financial crisis in 2008. Investors braced for the virus to become a pandemic and rapidly spread around the world. Moody's Analytics stated that a pandemic would result in global and U.S. recessions during the first half of this year, while rate cuts by the Federal Reserve might fall short of stabilizing markets. Hopes that the virus would be contained to China vanished, with countries beginning to stockpile medical equipment and investors taking flight in expectation of a global recession. According to the head of the World Health Organization it would be a "fatal mistake" for any country to assume it will not be hit by the new coronavirus, and rich countries that might have thought they were safer should expect surprises. U.S. Federal Reserve cut interest rates to help soften the economic blow from the coronavirus outbreak. The Fed cut interest rates on 3rd March 2020 in an emergency move to safeguard the world's largest economy from the impact of the coronavirus epidemic. U.S. benchmark 10-year Treasury yields hovered close to record lows touched in the previous session, when they slid below 1% for the first time.

Yellow metal Gold can remain on upside path in the month of March but silver to remain under pressure. Gold can take support near 41000 while taking resistance near 46000. Silver can take support near 43000 while taking resistance near 49000. While in COMEX Gold can take support near \$1520 while taking resistance near \$1775. Comex Silver can take support \$16.20 and resistance near \$19.

Key News

India's gold imports plunged 41% in February

India's gold imports plunged 41% in February from a year earlier as a rally in local prices to a record high squeezed retail demand. The world's second-biggest consumer of gold imported 46 tonnes in February, compared with 77.64 tonnes a year earlier. In value terms, February imports totalled \$2.36 billion, down from \$2.58 billion a year earlier. The weak demand forced dealers to offer as much \$14 an ounce discount over official domestic prices in February, the most since mid-October. The domestic price includes a 12.5% import tax and 3% sales tax.

Fed cut interest rates

The US central bank cut interest rates by half a percentage point, its biggest single cut in more than a decade, as a pre-emptive move to protect the economy from the coronavirus. In an extraordinary attempt to contain the coronavirus's economic fallout, the Federal Reserve slashed interest rates on 3rd March as policymakers unanimously approved their biggest one-time cut and first emergency rate move since the depths of the 2008 financial crisis. Interest rates are now set in a 1 percent to 1.25 percent range, and Jerome H. Powell, the Fed chair, signaled that further moves were possible.

Coronavirus spread assisted yellow metal higher

As news of the escalation of the COVID-19 epidemic hit global financial markets, investors predictably ran towards safe havens such as gold and the US dollar. The dollar index moved towards the 100 mark and gold tried to get closer to the \$1,700 level. While the ongoing crisis has given a leg-up to the rally, the yellow metal has been on a dream-run since last calendar. Factors such as protracted monetary easing and currency debasement by global central banks, extremely low to negative yield on bond prices and continued tensions caused by the ongoing anti-globalization wave have pushed gold prices higher. The coronavirus epidemic that has shaved off 0.1 percentage points from global growth in 2020 (according to the IMF), has only tilted the scales further in gold's favour. Following the 15 per cent gain in 2019, gold has gained another 9 per cent this calendar year.

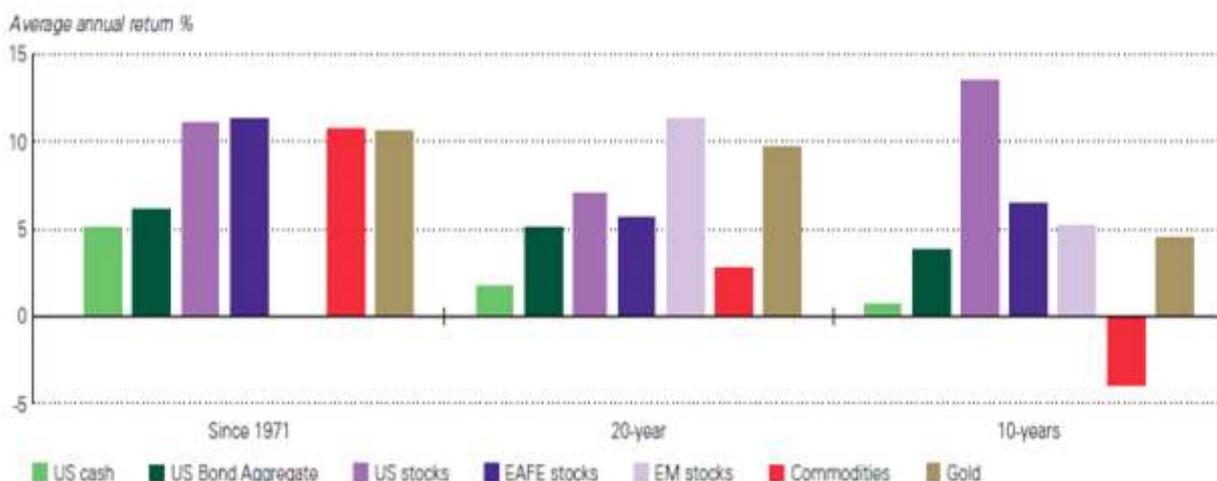
Strong ETF demand to support gold

According to the World Gold Council (WGC), global gold ETFs and similar products added 61.7 tonnes to their holding in January 2020, taking the holdings of these investment vehicles to an all-time high of 2,947 tonnes. US funds hold nearly half of these ETFs with funds from the UK, Germany and Switzerland accounting for another 45 per cent. Given the uncertainty over growth in these countries, investors could be trying to diversify some money into gold ETFs. If we consider the monthly inflows into these funds since 2018, inflows have spiked in months when there was negative news flow affecting global growth such as April 2018, December 2018, June and August 2019. Total additions to holding of gold ETFs in 2019 was 401.1 tonnes, the highest since 2016.

Yellow metal: Good asset in times of uncertainty

Gold is long considered a beneficial asset during periods of uncertainty. Historically, it generated long-term positive returns in both good times and bad. Looking back almost half a century, the price of gold has increased by an average of 10% per year since 1971 when the gold standard collapsed.

Gold has delivered positive returns over the long run, outperforming key asset classes
Average annual return of key global assets in US dollars*



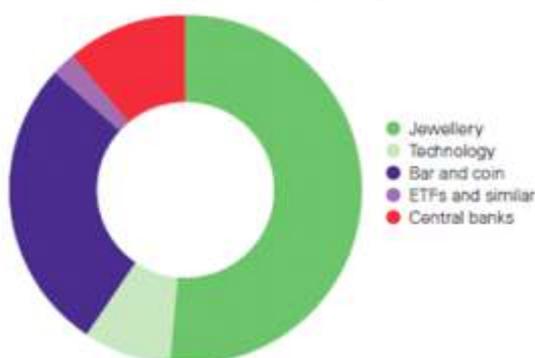
Gold unique diversifier

Perceptions of gold have changed substantially over the past two decades, reflecting increased wealth in the East and a growing appreciation of gold’s role within an institutional investment portfolio worldwide. Gold’s unique attributes as a scarce, highly liquid and un-correlated asset highlight that it can act as a genuine diversifier over the long term. Gold’s position as an investment and a luxury good has allowed it to deliver average returns of approximately.

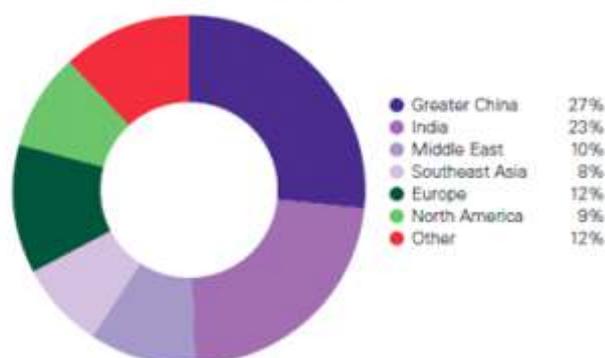
Demand diversity underpins gold’s low correlations

Gold is bought around the world for multiple purposes – as a luxury good, a component in high-end electronics, a safe-haven investment or a portfolio diversifier.

(a) 10-year average gold demand by source*



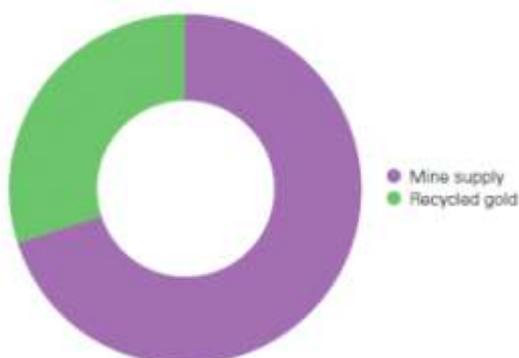
(b) 10-year average gold demand by region*



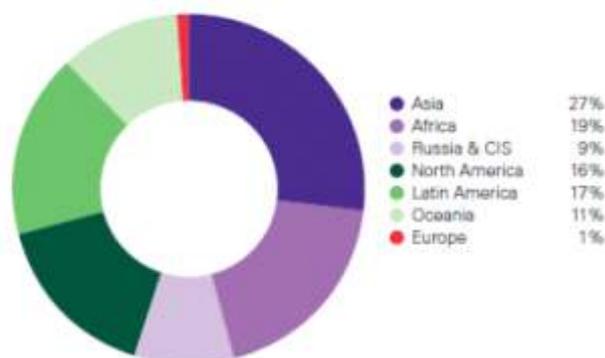
*Computed using annual demand from 2010 to 2019. Regional breakdown excludes central bank demand due to data availability.
Source: ETF company filings, Refinitiv GFMS, Metals Focus, World Gold Council

Gold supply is a combination of mined and recycled gold; mine production is evenly spread across continents, contributing to gold’s low volatility relative to commodities

(a) 10-year average gold supply by source*



(b) 10-year average gold-mine production by region**



*Computed using annual demand from 2010 to 2019.
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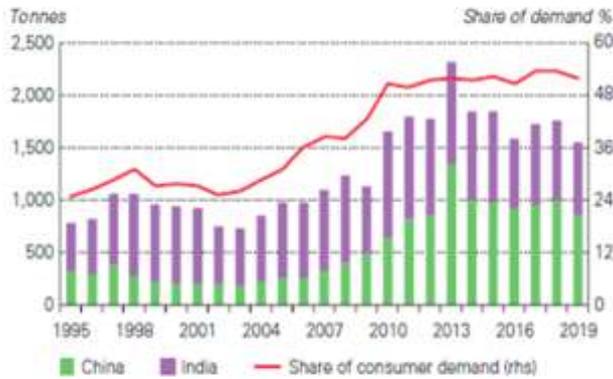
Three trends have reshaped gold demand

Consumer demand is fuelled by transformational economic growth in China and India. In the early 1990s China and India accounted for 25% of global gold demand. Today, increased wealth has boosted their combined share to more than 50%. Expansion of wealth is one of the most important drivers of gold demand over the long run, fuelling jewellery consumption, investment in technology and the acquisition of gold bars and coins. Among institutional and retail investors the introduction of gold-backed ETFs and similar products has had a material impact on demand for and exposure to gold.

March 2020

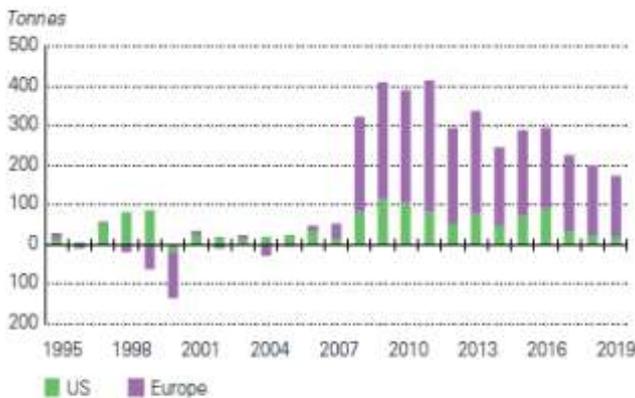
India and China have doubled their gold market share in less than two decades

Emerging market economic development has created consumer demand and market share in India and China*



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

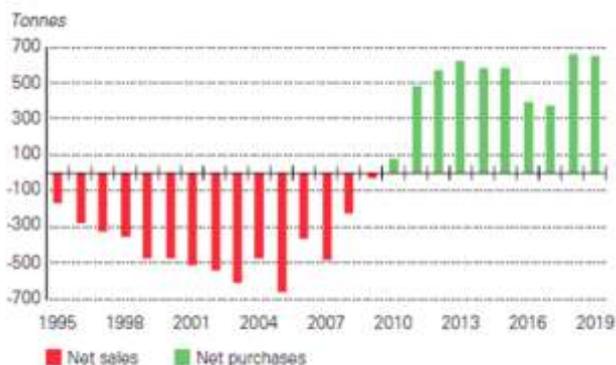
The bar and coin market in the US and Europe strengthened in the wake of the financial crisis



*Europe excluding Russia and ex-CIS countries.
Source: Refinitiv GFMS, Metals Focus, World Gold Council

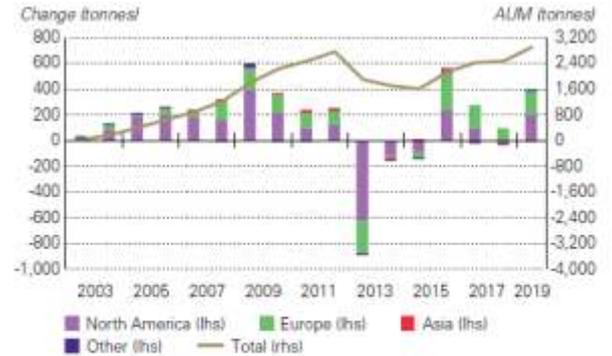
Central banks have been a steady net source of demand since 2010, led by emerging markets

Net global central bank gold demand



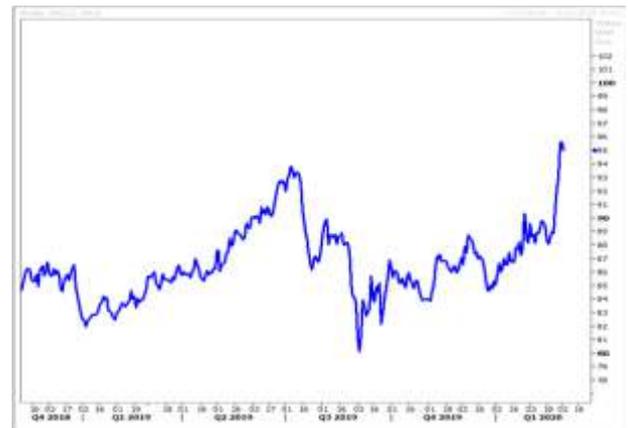
Source: Refinitiv GFMS, Metals Focus, World Gold Council

Gold-backed ETFs have introduced new investors to gold across the world



*Includes gold-backed ETFs and similar products. For more details, visit the gold-backed ETF holdings and flows section at Goldhub.com
Source: Bloomberg, ETF regulatory fund filings, World Gold Council

Gold Silver ratio



Source: Reuters and SMC research

Analysis: Gold silver ratio jumped sharply higher as it rocketed higher from 88 to above 95 recently as silver underperformed gold. This ratio can further move in range of 91-98 in the month of March.

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 move towards \$180-270 in near term.

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