SPECIAL MONTHLY REPORT ON

BULLIONS

JULY 2023

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BULLIONS

BULLIONS PERFORMANCE (June 2023) (% change)

Source: Reuters & SMC Research

BULLIONS PERFORMANCE (January - June 2023) (% change)

Source: Reuters & SMC Research

In June, gold prices registered their first quarterly decline in three as expectations of more interest rate hikes by the U.S. Federal Reserve and its global peers dimmed the outlook for bullion. Gold dropped more than 2% on Comex & almost 3% in MCX , as a slew of data through the week painted a picture of a resilient U.S. economy and cemented bets for more policy tightening. With inflation remaining a concern and central banks signalling the continuation of rate hikes, gold is losing some of its shine as the opportunity cost of holding it rises. Federal Reserve Chair Jerome Powell said most of the central bank's policymakers expect they would need to raise interest rates at least twice more by year-end with U.S. inflation well above the 2% goal and a labor market that's still very tight. U.S. consumer spending stagnated in May, while the Fed's preferred core PCE price index, excluding food and energy, increased 4.6% on a year-on-year basis in May after advancing 4.7% in April.

Investors see an 84% chance of a 25-basis-point hike in July, according to CME's Fedwatch tool, pricing in another 25 bps rate hike in November, bringing rates into the 5.5%-5.75% range before cuts are seen in 2024.

Outlook

- Looking ahead in July, gold & silver prices will continue to trade with high volatility. Market dynamics will not be favourable for gold in the near term. The Federal Reserve is expected to continue raising interest rates in an effort to combat inflation. This could make gold less attractive to investors. While strong economic data could see the Fed hawkish in the short term, the ending of its hiking cycle in the second half of 2023 could be structural support in the medium and long term.
- Gold is facing a difficult environment as real yields are going up and will stay up for a prolonged period as central banks keep interest rates elevated
- Federal Reserve Chair Jerome Powell's message of at least two more rate hikes this year filtered through the market, weighing gold down and pushing the U.S. dollar higher
- This uncertainty could continue to grow as consumers globally face rising food prices and central banks tightening credit conditions. People are getting squeezed, and economic growth is being choked from both sides, which will continue to ferment social unrest, according to market and political analysts.
- The steady rise in U.S. jobless claims suggests that the economy is slowing down, and if the Federal Reserve continues to raise interest rates, it could lead to a recession. In a recession, gold is often seen as a safe haven asset, and its price could rise. However, in the short term, gold could be volatile as investors assess the economic outlook.
- The struggling Chinese economy, weak Yuan, hawkish Federal Reserve, rallying risk assets, decent US data, and consequently buoyant yields are bearish for the yellow metal.
- In addition, global gold ETFs have recorded net outflows in nineteen out of the last twenty days.

Weekly Gold Price Movement in MCX

Source: Reuters

Weekly Gold Price Movement in COMEX

Source: Reuters

Weekly Silver Price Movement in MCX

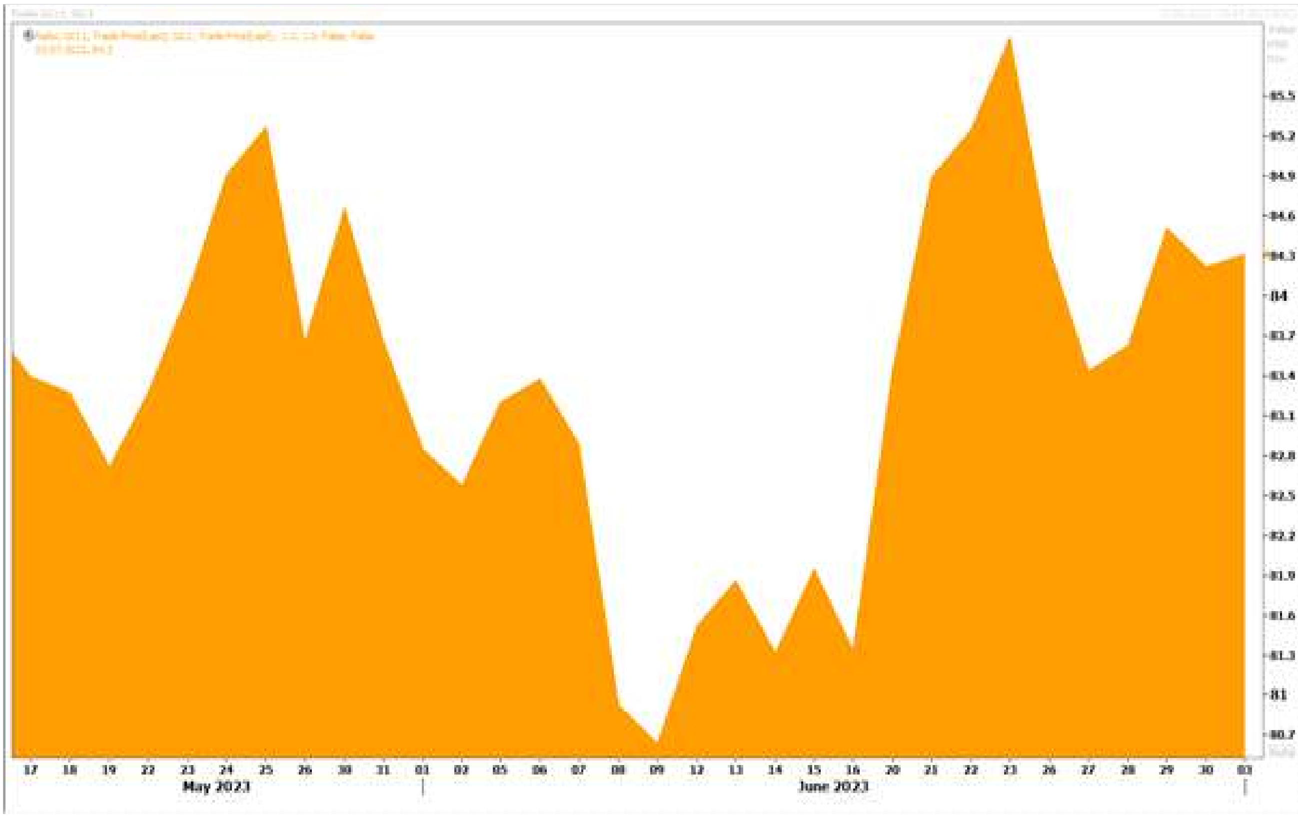
Source: Reuters

Weekly Silver Price Movement in COMEX

Source: Reuters

In July, gold prices may continue to witness sell side movement and possible range would be 56500-60000. On the other hand, Silver may trade in the range of 66000-73500.

Gold-Silver Ratio on COMEX



Source: Reuters

Analysis: In July, the ratio may move in the range of 78-90.

SMC COMMODITY RESEARCH DESK

smc 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