SPECIAL MONTHLY REPORT ON

BULLIONS

MARCH 2024

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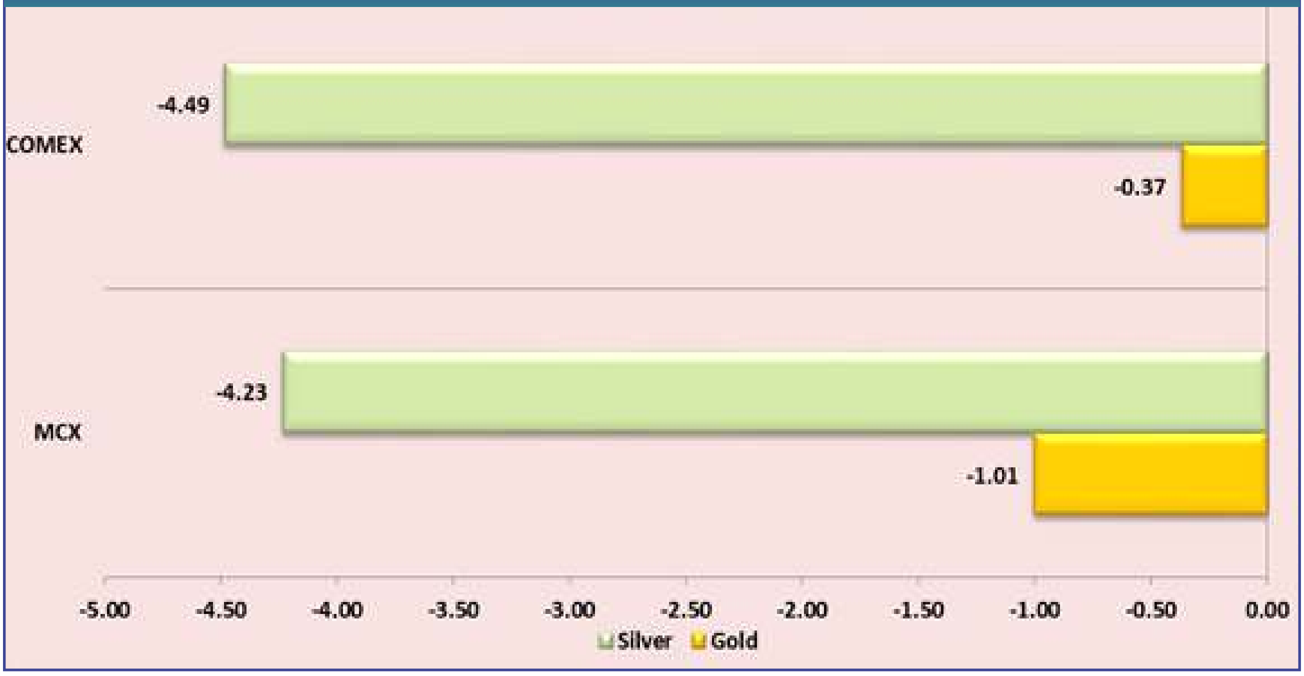
BULLIONS

BULLIONS PERFORMANCE (February 2024) (% change)

Source: Reuters & SMC Research

BULLIONS PERFORMANCE (January - February 2024) (% change)



Source: Reuters & SMC Research

In February, gold prices traded in a flat-to-low range on COMEX, as anxiety over higher-for-longer U.S. interest rates persisted. The yellow metal was also pressured from Federal Reserve officials that the bank needed to do more work to bring down inflation. This followed a chorus of officials stating that the Fed was in no hurry to begin cutting interest rates early. Concerns over higher-for-longer interest rates kept gold trading squarely within a $2,000 to $2,050 an ounce trading range for nearly two months, as traders balked at a potentially higher opportunity cost of investing in the yellow metal. Some safe haven demand for gold helped limit losses in the yellow metal. Signs of a recession in Japan and the UK, coupled with continued geopolitical disruptions in the Middle East fed into safe haven demand.

Outlook

- Gold has started March with a noticeable uptick, reaching a two-month high driven by growing expectations of a U.S. interest rate cut by June. Gold's prospects look positive, with expectations of easing monetary policy by mid-year. If economic data continues to underperform, gold prices could reach record highs in the next three to four months.
- Strong central bank purchases of gold are a notable market support. Despite the Federal Reserve's balance sheet decisions, their focus remains on controlling inflation and meeting their dual mandate. Fed Governor Chris Waller's recent comments separate balance sheet policies from interest rate decisions, indicating a cautious approach to asset holding reductions.
- The persistent geopolitical risks and uncertainty associated with the Middle East may add a "premium" to gold prices, reflecting the risk premium investors are willing to pay for a safe haven asset.
- Inflation prints for February and March are now largely expected to determine the trajectory of precious metal prices in the coming months, given that they have moved in line with U.S. rate expectations over the past two years.
- The indication of slowing economy after disappointing manufacturing data may to continue to grow, that can create further safe-haven demand for the precious metal.
- Analysts expect Powell to reiterate his stance that the Fed will need more convincing that inflation is moving back towards the bank's 2% annual target, with the Fed chair widely expected to maintain a hawkish tilt.
- China's government set a 5% annual or so GDP growth target, which was stronger than most expected and viewed sceptically by the marketplace.
- Central banks added 39 tonnes (t) to global gold reserves in January. Turkey and China again led the charge among buyers, while significant sales were virtually non-existent.
- The Reserve Bank of India added nearly 9t. This is the first monthly increase in its gold reserves since October 2023 and the largest since July 2022; its gold holdings now total 812t.

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 March, gold prices may continue to witness higher volatility and possible range would be 60000-66000. On the other hand, Silver may trade in the range of 70000-75500.

SMC COMMODITY RESEARCH DESK

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