



COMMODITY
INSIGHT
GOLD

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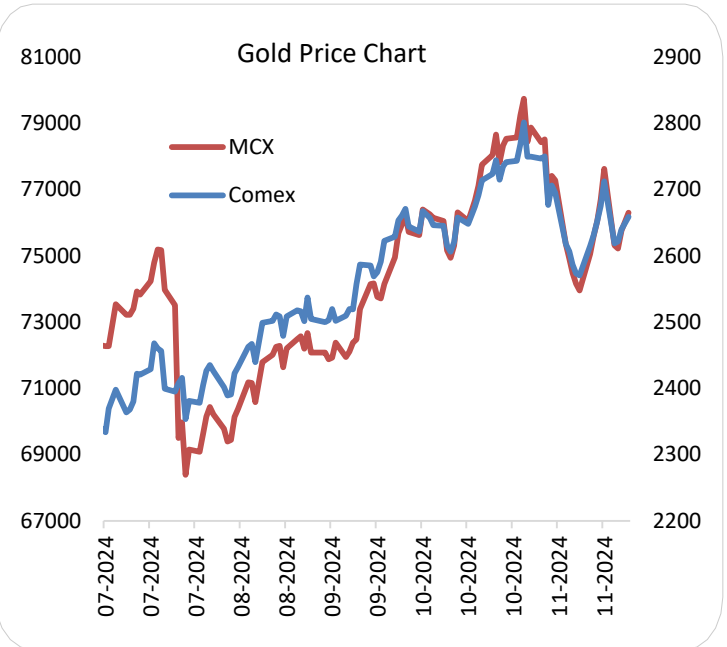
Navigating the shift in Gold Market:

Global markets have seen significant fluctuations in recent months, with Gold emerging as a central focus against a backdrop of economic uncertainty and geopolitical tensions.

From late July through October, Gold prices surged by an impressive 20%, as investors took shelter under the precious metal in search of safety.

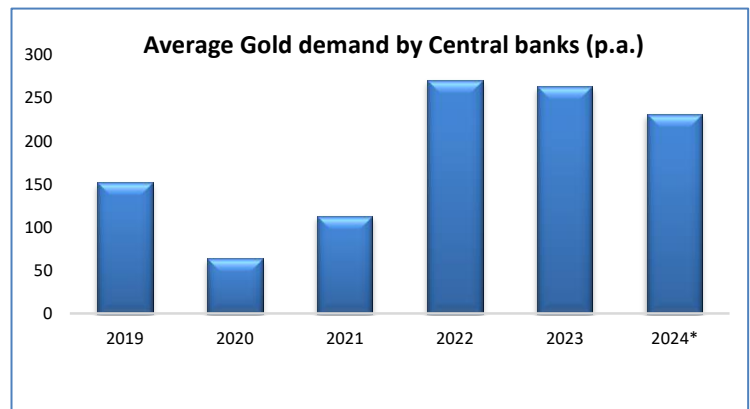
However, November marked a turning point, as the rally lost momentum and markets experienced a notable pullback. Gold prices witnessed a 6% correction from the all time high levels hit in the end of October.

Lets glance over the factors behind the rally in Gold until October, the reason behind the recent pullback and the potential way ahead for the Yellow metal...



Let's begin with the primary positives which fuelled the rally in Gold in 2024:

- Central banks diversifying reserves by increasing Gold holdings levied a steady support for the yellow metal. Additionally, an accommodative stance by major central banks and soaring inflationary levels further elevated Gold prices.
- Heightened geopolitical risks and economic concerns drove investment in the safe haven asset, Gold, boosting ETF and futures activity.
- Seasonal demand from India during festivals and weddings amid recovery in rural demand, supported by a strong monsoon and improved crop yields, enhanced Gold buying, although elevated prices posed some challenges.



What led the fall?

- **Fed Policy Expectations:** The U.S. Federal Reserve implemented two rate cuts in 2024, lowering the federal funds rate to a range of 4.5%-4.75%, down from its peak of 5.5%. Tightening interest rates reflecting the easing inflation levels and resilience of the U.S. economy raised bets of a prolonged hawkish tone from the Federal Reserve, dampening the outlook for the safe haven asset.

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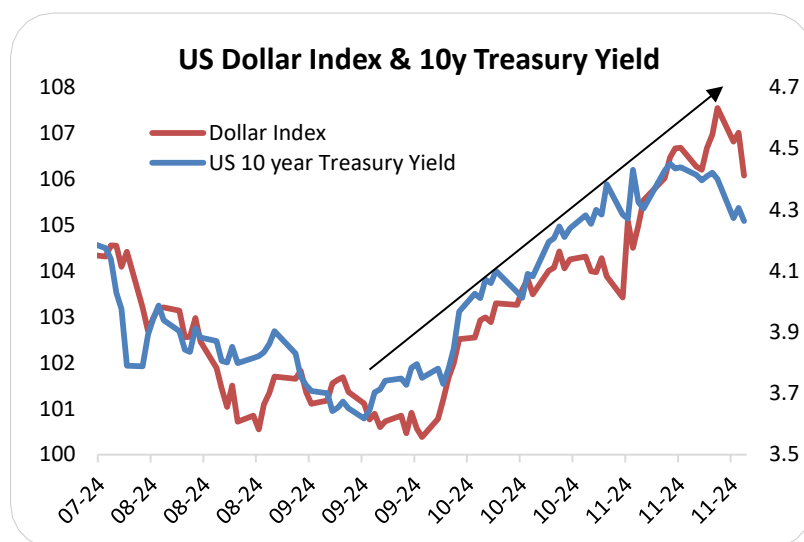
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What led the fall?

Strengthening Dollar & Bond Yields: Rising U.S. Treasury yields, driven by strong economic data coupled with the Dollar's strength, fueled by the optimism following Trump's victory, pressured Gold's appeal.

Potential easing Geopolitical Tensions: Gold's appeal further weakened with Donald Trump's return to the presidency, as his anticipated diplomatic efforts to ease global tensions may lower demand for the safe-haven asset.



The way ahead...

Key Demand drivers:

- Persistent geopolitical risks in the Middle East and Europe amid concerns over the durability of the agreement between Israel and Hezbollah might continue to support the Bullion metal.
- Market focus is on the U.S. Federal Reserve's meeting on December 17-18, 2024. CME Fed Watch tool shows a 76% chance of a 25-basis-point rate cut, up from 53% a week ago.
- Despite prevailing market sentiment, central banks might face challenges in taming inflation, which could prolong the bullish momentum for Gold.
- Global gold ETFs have experienced inflows for six consecutive months, driven by North American and Asian investments.
- Expectations of a slower pace of rate cuts from the Fed next year may limit further yield increases, boosting Gold's appeal as an investment.

Outlook: Gold demand is supported by geopolitical tensions, inflation concerns, and potential Federal Reserve rate cuts, boosting its appeal as a safe-haven asset. However, easing geopolitical tensions with Trump's return, a stronger US dollar, and weaker Gold purchases from China might be a headwind for the yellow metal.

The performance of Gold will largely depend on geopolitical risks, central bank policies, and broader economic conditions. While the outlook remains cautiously optimistic, we maintain a Bullish stance on Gold and recommend accumulating positions on any price corrections, with a target of 78,400 in the near term.

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Technical View

After peaking at \$2790 in October, Comex Gold has experienced a slight throwback. The price has rebounded strongly from the support level of \$2536. Despite this recovery, it has struggled to break through the resistance at \$2721.

The Dollar Index (DXY) has maintained its upward trend for the past two months. After a correction from its peak of 107.75, it has retested and held support above a bullish trend line.

MCX Gold future declined by more than 4% from the peak of 80282, continues to trade within an Upward Channel pattern on continuous charts. The price is trading over 50 and 100-Daily moving average levels placed at 75,838 - 74,494 respectively. The Daily SAR (Stop and Reverse) level is at 75,441, while immediate resistance level is situated at 77,713. The RSI levels remains over 50 level on all key timeframes.

Based on above analysis, Traders should look forward for Buy-on-dips opportunity from support levels. If price break through the hurdle level, price may test 78,475 in 1 month.



Support 2

Support 1

CMP

Resistance 1

Resistance 2

74,494

75,441

76,810

77,713

78,475

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