

# GOLD REPORT



**Special Diwali Report 2024**

**October 25, 2024**

Research Report :  
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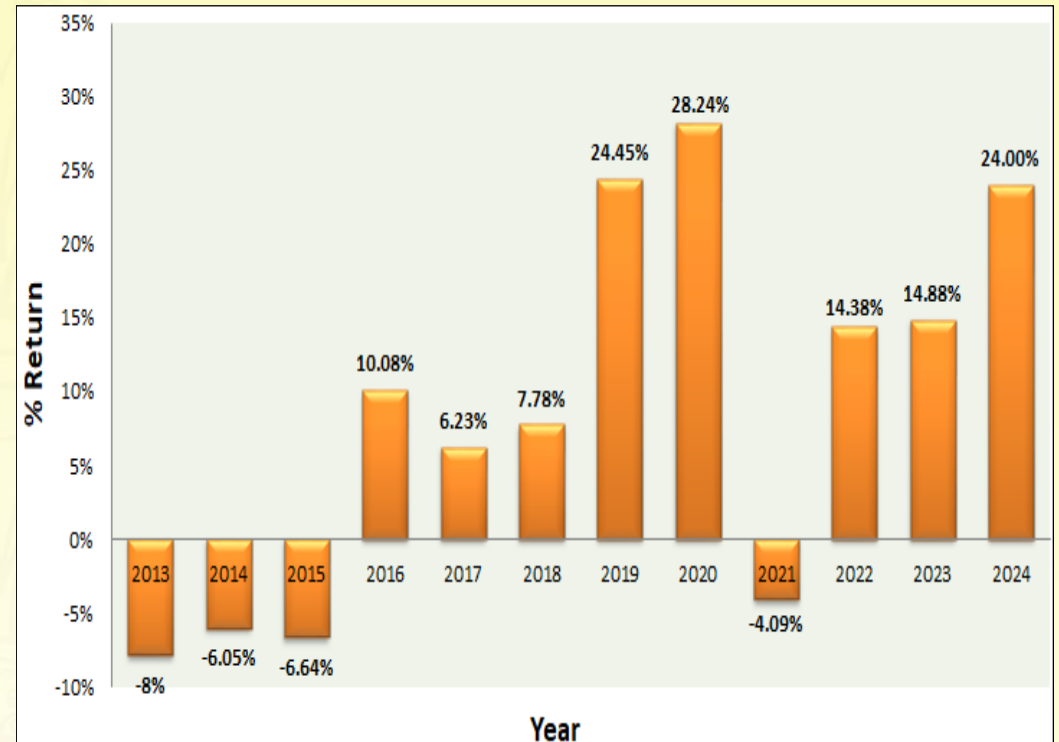
**Gold Special Report: Diwali, 2024**

Diwali, the Festival of Lights, is a time of joy and celebration, but it also holds special significance for investing in gold in India. As Diwali 2024 approaches, the cultural and economic importance of gold remains unmatched. Traditionally, gold purchases during Diwali symbolize wealth, prosperity, and good fortune, deeply rooted in Indian customs. Whether in the form of jewelry, coins, or bars, gold is considered a sacred and valuable.

In 2024, the backdrop for gold investment is particularly intriguing. The global economic landscape has been dynamic, shaped by fluctuating market conditions, geopolitical tensions, and shifting interest rates, all impacting gold prices. Despite these challenges, gold has maintained its status as a safe haven asset. Its strong performance in recent years, including notable returns in 2023, underscores its resilience and continued appeal to investors.

Here are some key factors that are likely to affect gold prices in the upcoming months.

Gold Annual Returns (2013-2024)



*Wishing you all a very happy & prosperous Diwali!*



### Geo-Political Concerns

Ongoing geopolitical tensions are posing a serious threat to global financial stability. The Israel-Hamas conflict is exacerbating regional instability, disrupting global supply chains, and driving inflationary pressures. At the same time, China's military presence in the South China Sea and its ongoing trade disputes with the U.S. add to the challenges. Consequently, non-military confrontations in the South China Sea are expected to increase across the Asia-Pacific region. Additionally, the risk of further escalation in the Middle East, particularly with potential Israeli and Houthi militant attacks on Red Sea shipping routes, could further strain supply chains. These factors are expected to keep demand for bullion strong.

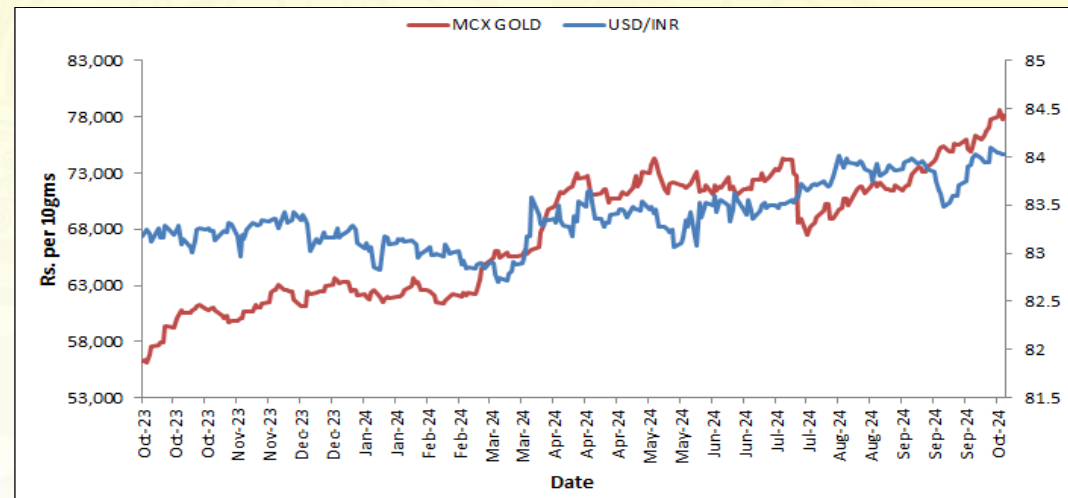
### Rupee Depreciation

The Indian Rupee, which recently breached the 84 mark against the U.S. dollar, hitting a new record low, continues on a downward trajectory. Geopolitical risks have driven up oil prices, and outflows from equity markets, partially due to a shift toward China, have added further pressure. The rupee depreciated by 0.3% in the first half of October 2024, and on a year-over-year basis, it has weakened by roughly 1%. The Reserve Bank of India (RBI) is expected to allow further depreciation of the rupee in response to record-high gold prices and the strengthening U.S. dollar. Additionally, persistent inflation poses a risk of increased imported inflation. As a result, continued pressure on the Indian rupee is likely, and a weakening rupee typically supports higher gold prices.

COMEX Gold



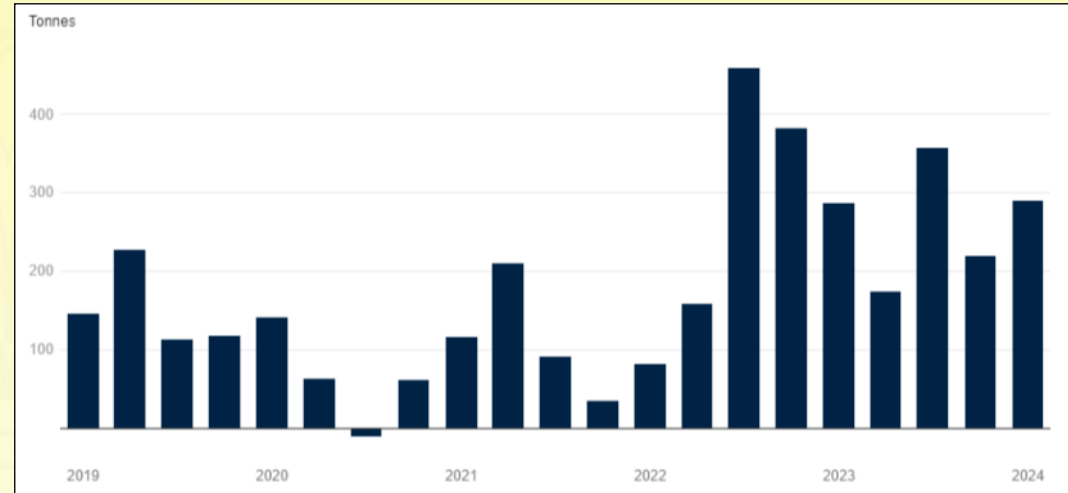
MCX Gold Prices v/s USDINR



### Central Bank Buying

Safe haven demand for gold remains strong, driven by ongoing economic uncertainty and the underperformance of domestic assets. According to the World Gold Council, global official reserves grew by 290 metric tons in the first quarter of the year, marking the largest first-quarter increase since at least 2000. In the second quarter, global central bank gold purchases rose by 6% to 183 tons. Notably, China's central bank purchased gold for a fifth consecutive month in September. Overall, global net gold purchases by central banks reached 483 tons in the first half of 2024, setting a new record.

Central banks gold buying



### Inflation

In September 2024, the Federal Reserve reduced its key interest rate by 50 basis points, marking the first rate cut since 2020, in response to declining inflation in the U.S. The Fed's current funds rate stands at 4.75-5%, down from 5.25-5.5% in September of the previous year. The annual inflation rate in the U.S. has slowed for the sixth consecutive month, reaching 2.4% in September 2024, its lowest level since February 2021, down from 2.5% in August. In contrast, the inflation rate was 3.7% in September 2023. Despite this downward trend, U.S. inflation remains above the Federal Reserve's 2% target. As a result, gold, traditionally considered a hedge against inflation, is expected to continue attracting demand in global markets.

US Inflation





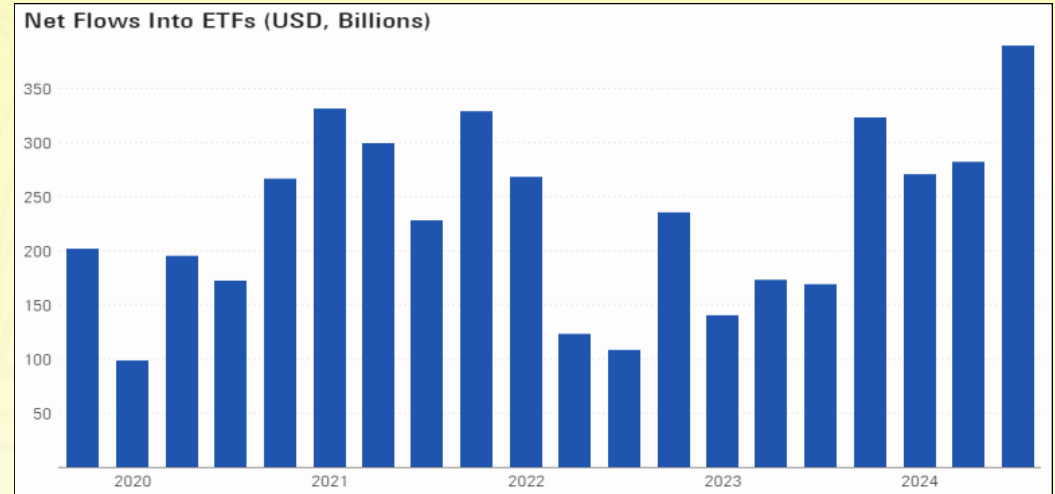
### Investment Demand

Global investment demand has also been a factor in driving the rise of gold prices in 2024. In Q2, investment demand for gold bars, coins, and gold ETFs remained relatively stable year-on-year at 254 tonnes. However, combined demand for gold bars and coins saw a 5% decline compared to the previous year, although gold bar investment rose by 12%. Meanwhile, outflows from global gold ETFs increased in Q2 2024, with holdings falling by just 7 tonnes, a smaller decline compared to the 21-tonne decrease in Q2 2023. Looking ahead, demand is expected to remain strong, likely supporting further price increases, driven by continued safe-haven interest in gold.

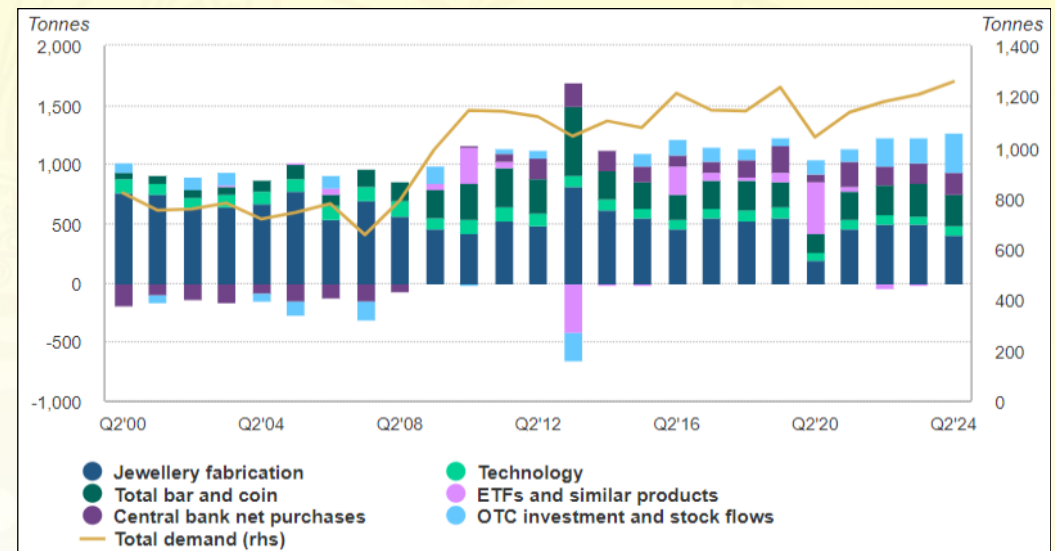
### Physical Gold Demand

Physical gold demand has surged significantly in 2024, largely driven by Over-the-Counter (OTC) investments and increased central bank purchases. When including OTC investment, total gold demand saw a 4% year-over-year rise, reaching 1,258 tonnes in Q2—the highest second-quarter demand since 2000. Central banks have accelerated gold buying as part of their strategy for portfolio protection and diversification in uncertain times. The National Bank of Poland (NBP) and the Reserve Bank of India (RBI) were the largest gold buyers in Q2 2024. Looking ahead, we anticipate that robust physical demand will persist, supporting gold’s continued strength.

### Investment demand statistics



### Segment wise gold demand



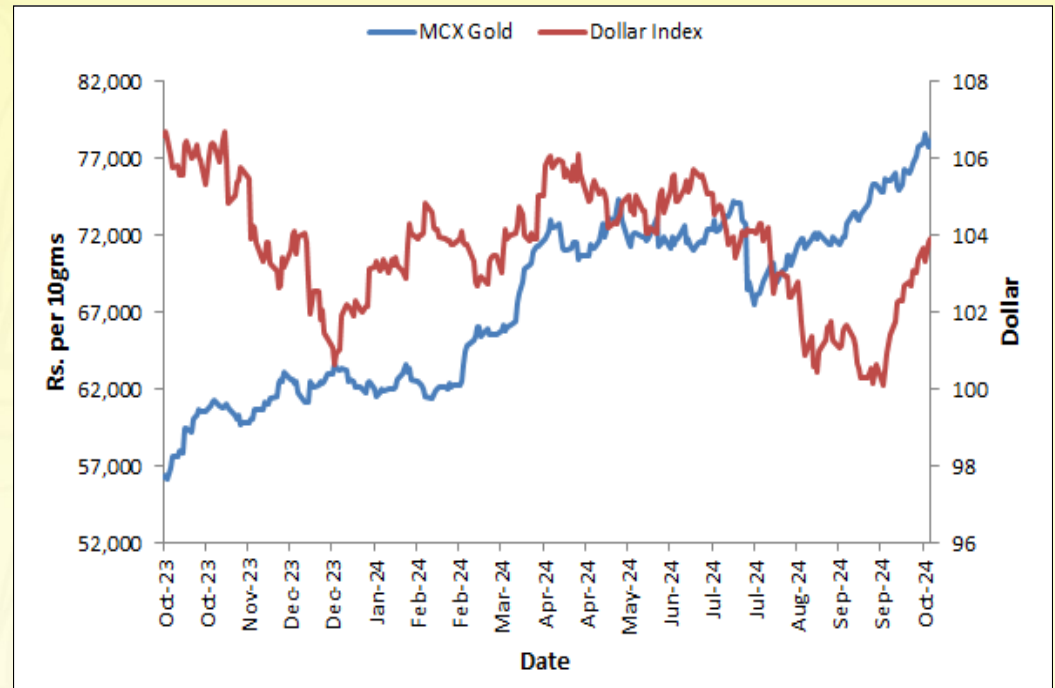


**Dollar Index and Interest Rates**

The relationship between the dollar index, global interest rate cuts, and gold prices is quite intriguing. Gold and the dollar index typically share an inverse correlation, as gold is often viewed as a hedge against inflation. Over the past six months, the dollar index has fallen from 106.50 to 100.15, contributing to gold prices reaching all-time highs. Despite a recent rebound in the dollar index, gold has managed to maintain its positive momentum.

Typically, when central banks—particularly the U.S. Federal Reserve lower interest rates, gold prices tend to rise. This is because lower interest rates reduce the opportunity cost of holding gold, making it a more appealing investment. In September, the Fed initiated its first rate cut in four years, reducing rates by 50 basis points. The Fed is also forecasting a further 100-basis-point cut next year, with an additional 50 basis points expected in 2026, which could continue to support gold prices and potentially drive them higher in the coming months.

**MCX Gold Prices v/s US Dollar Index**





## Technical Outlook

- Since the start of 2024, gold has experienced a significant upward surge, reaching record-high prices and delivering an impressive return of 24% on domestic exchanges to date.
- This sharp rally has driven prices to levels where buyers are now looking for opportunities to re-enter the market. Currently, gold is trading near the upper trend line of its upward channel on the weekly chart, with all technical indicators showing overbought conditions. This suggests that prices may face short-term resistance around Rs.79,800 per 10 grams (\$2,800 per ounce). Technically, we expect the rally to encounter some hurdles before continuing its upward momentum. Additionally, prices are trading well above moving averages, such as the 50 and 100 EMAs, on the weekly chart, indicating the possibility of a short-term correction toward Rs.76,700 per 10 grams (\$2,675 per ounce).

## Actionable Insight: Short to Medium Term

Traders can start accumulating gold around Rs. 76,500 per 10 grams and can continue accumulating until Rs. 74,800 per 10 grams, aiming for an initial upside target of Rs. 83,000 per 10 grams, followed by a potential rise to Rs. 86,000 per 10 grams. On the other hand, a decisive break below the previous swing low of Rs. 72,300 per 10 grams would weaken the bullish sentiment and could lead to a further decline toward Rs. 70,000 per 10 grams.

MCX Gold Weekly Chart





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S.No.	Statement	Answer (Tick appropriate)	
		Yes	No
A.	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
B.	I/we or any of my/our relatives, have actual/beneficial ownership of one percent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
C.	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
D.	I/we have received any compensation from the subject company in the past twelve months?		No
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I.	I/we have served as an officer, director or employee of the subject company?		No
J.	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F (j) below, are given separately].

Nature of Interest ( if answer to F (a) above is Yes : .....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]