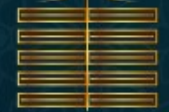


GOLD



SPECIAL DIWALI REPORT-2023

Nov 09, 2023





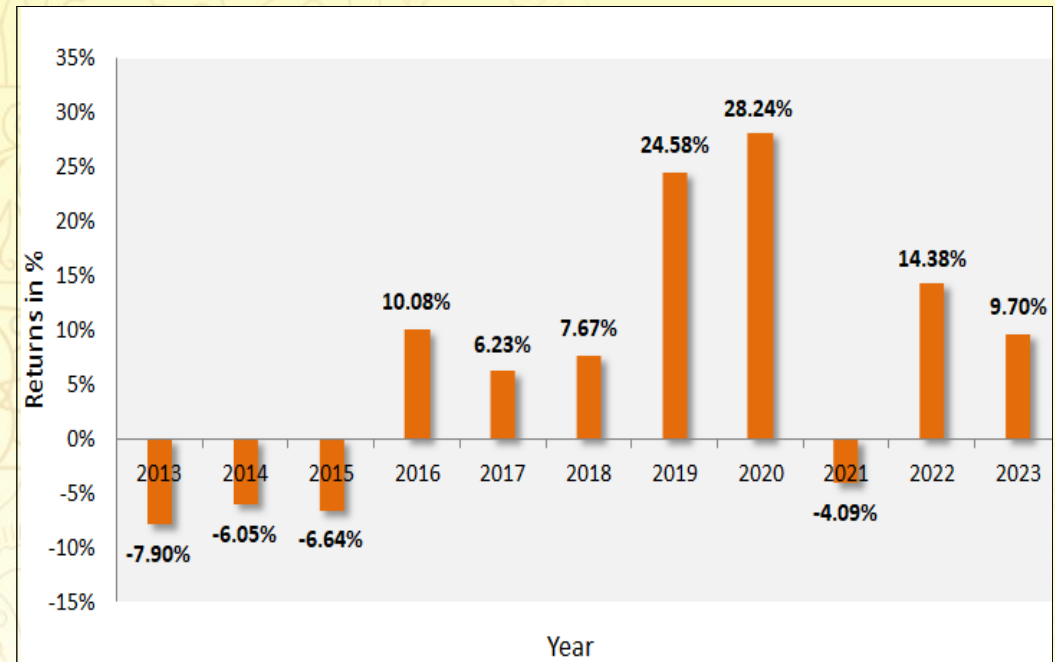
Gold Special Report: Diwali, 2023

Diwali, the festival of lights, holds immense cultural and religious significance in India, and it is a time when gold assumes a special role. Gold is not just a precious metal; it is a symbol of wealth, purity, and prosperity. The buying of gold jewelry, coins, and gifts during this period is seen as a way to attract wealth and financial stability. It is believed that acquiring gold during Diwali brings good fortune and prosperity to the household.

Traditional options like gold jewelry and coins are not only symbols of prosperity but also cherished possessions. In addition to these instruments, modern options such as Gold Exchange Traded Funds (ETFs) and Sovereign Gold Bonds (SGBs) offer convenient and secure ways to invest in gold without the need for physical storage.

We have touched upon the key factors which may positively influence the gold prices in the coming months.

Gold Annual Returns (2013-2023)



Wishing you all a very happy & prosperous Diwali!



Key drivers to watch for:

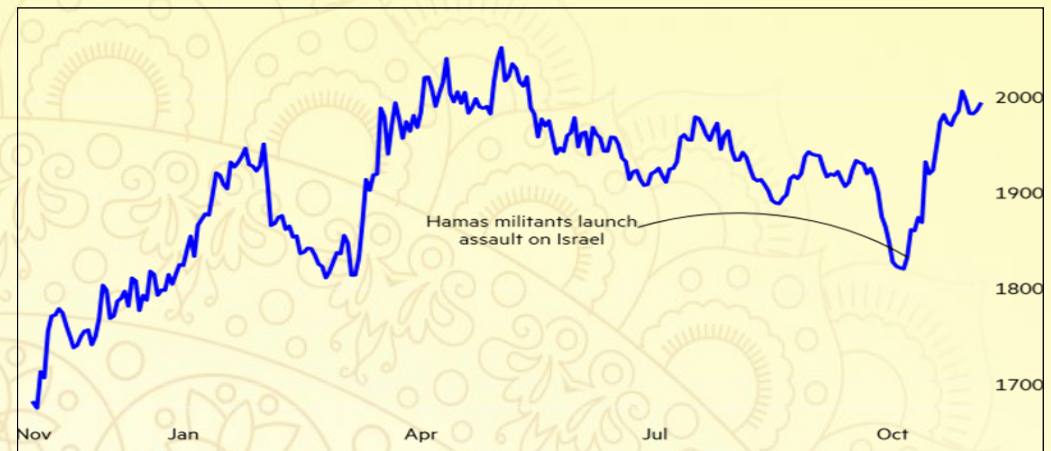
Geo-Political Concerns

Gold prices have been rising since October after the Middle east tensions emerged following the Israel-Hamas war. While there has been some reduction in hostilities between the two nations, the lingering uncertainty about a swift resolution to the conflict continues to pose supply shock risks from a broader perspective. Consequently, given the influence of global tensions on investor sentiment, the demand for gold as a safe haven asset is expected to maintain a positive trend in the weeks to come.

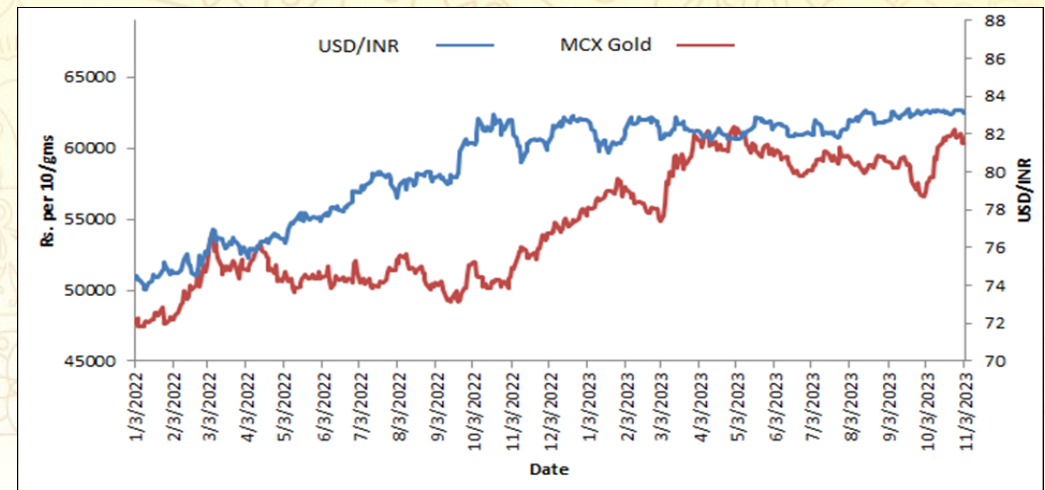
Rupee Depreciation

Deprecation in the rupee has supported the gold this year, in addition to the fundamental factors. The rupee has depreciated from 82.60 since January 23 and presently hovers around the 83.25 level. There is no sign of reversal in the rupee trend so far which may continue supporting the gold market.

Gold has surged since the conflict broke out in the middle east



MCX Gold Prices v/s USDINR

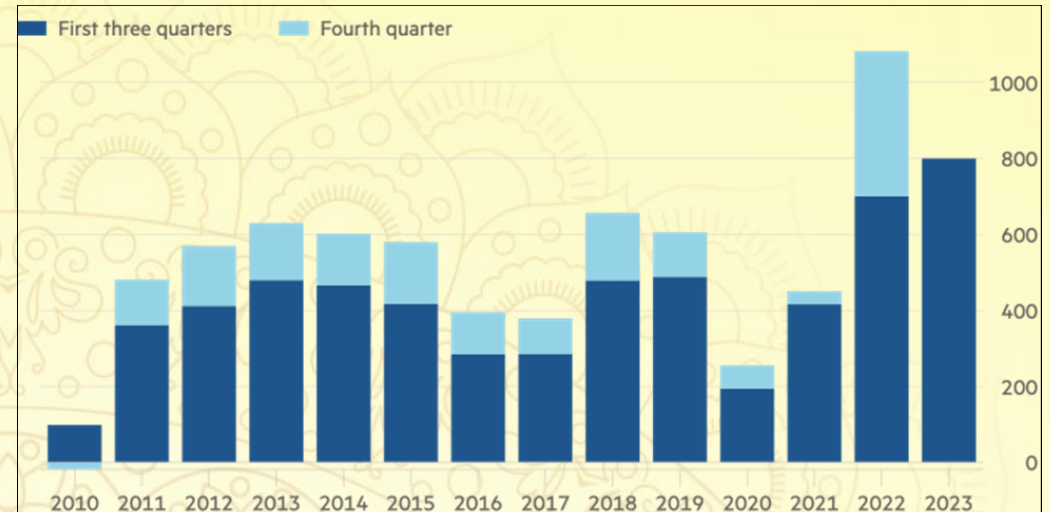




Central Bank Buying

As per the latest WGC report, central bank buying of 337t remained robust in Q3'23, although failed to match the exceptional 459t from Q3'22. The apex banks have bought 800t in the first nine months of the year so far, which is up by 14 % YoY basis. Earlier, the demand shot to an 11-year high in 2022 due to record purchases by the central banks worldwide. China has spearheaded record levels of central bank purchases of gold globally in the first nine months of 2023. And we may see a similar trend in other geographies also to reduce their reliance on the dollar.

Central banks gold buying



Figures in Tonnes

Inflation

The annual inflation rate for the United States was at 3.7% for the 12 months ended September, according to U.S. Labor Department data published on Oct. 12, 2023. The inflation has reduced drastically yearly basis yet remains above the Fed's target inflation rate of 2 percent. This suggests that the investment demand for gold shall remain strong since gold has been a savior in times of economic distress.

US Inflation





Investment Demand

Global gold exchange-traded fund (ETF) witnessed its outflows falling to 139t in the third quarter this year which was down from 244t in the same period last year on declining European demand while elevated inflation spurred gold bar and coin investment. Global Jewellery demand eased 2% year-on-year to 516t amid continued gold price strength but some support was provided by the Chinese demand that rose marginally to 247t in Q3 this year from 242.7t in the year-ago period. Looking at the overall scenario e.g. rising Chinese demand, conflict between countries and Fed movement, investment demand is likely to pace up.

Investment demand statistics

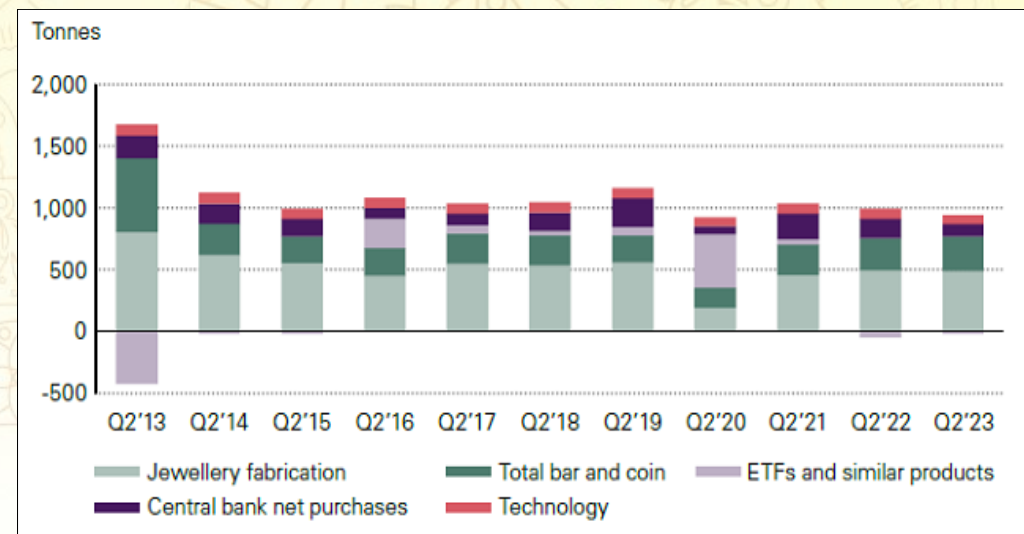
Particulars	Q3'22	Q3'23	y/y change
Jewellery consumption	525.7	516.2	-2%
Gold demand			
India	191.7	210.2	9.6%
China	242.7	247	1.7%
Gold-backed ETFs	-243.7	-139.3	-

Figures in Tonnes

Physical Gold Demand

According to the WGC, global gold demand in Q3 was 8% ahead of its five-year average, on the back of stronger demand from China and Turkey. When combined both, bar and coin investment increased by 6% year-on-year to 277t in Q2 from 261t with the respective quarter last year where Turkey remained a major driver of growth. This trend is expected to continue into the December quarter if prices remain at their current level.

Segment wise gold demand



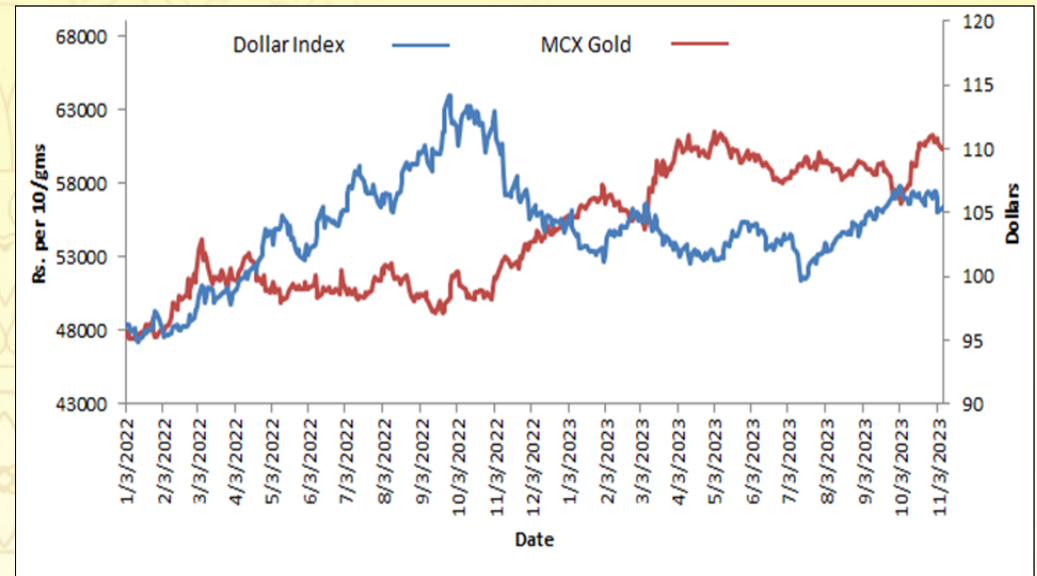


Rising Interest Rates & Dollar Index

The rate hikes by the US Federal Reserve during the early part of 2023 had checked the upside potential due to the rising dollar index. But the interest rate hike fears have come to a halt in recent months after the FED officials indicated a softer approach to the monetary policy following the easing of the US inflation. The US Fed has kept the rate unchanged for the second time this year at 5.25-5.50% and is on the much-expected lines in reflection of the uncertainty in the global economy. As long as the global economic uncertainty continues, it will favor an upward price move for gold.

The dollar index experienced a significant drop between July and July after the publication of cooler-than-expected inflation data. The dollar resumed its recovery path from August onwards and is still maintaining above the 104 level after testing the low of 99.57 in July. However there is persistent weakness in the dollar index in the medium term since the inflation is still above the FED's target zone of 2%, and this should be supportive for gold all in all.

MCX Gold Prices v/s US Dollar Index





Technical Outlook

- The yellow metal continued its upward journey, trading steadily this year, and it has delivered a return of ~9.70% on domestic bourses so far.
- A look at the weekly chart indicates a gradual up-move, with intermediate phases of consolidation in between. Currently, it is experiencing a pullback after a vertical up-move to the record high zone around Rs.61,539/10gms levels. We expect the corrective tone to extend further and likely to find support around Rs.59,300/10gms, which also coincides with the 20 SMA on the weekly chart. Furthermore, prices have bounced back from the 50-week SMA on multiple occasions since the start of the year, currently placed at the Rs.58,400/10gms mark. On the daily chart, gold is approaching the Fibonacci retracement of 38.2% at Rs.59,600/10gms from the recent swing high.
- On the downside, buyers will try to absorb the selling pressure until the swing low of Rs.56,500/10gms, and if sellers dominate beyond that, it would turn the tables in favor of bears.

MCX Gold Weekly Chart



Actionable Insight :Short to Medium Term

Participants can accumulate gold in a staggered manner near the Rs.59,300-59,500/10gms range for the upside potential of Rs.62,600/10gms initially and next at Rs.68,150/10gms levels. On the flip side, a decisive break below the previous swing low of Rs.56,500/10gms would subside the positive tone and open the doors for Rs.52,600/10gms levels.



Research Team

Name	Email ID
Siddarth Bhamre	siddarth.bhamre@religare.com
Ajit Mishra	ajit.mishra@religare.com
Manoj M Vayalar	manoj.vayalar@religare.com
Nirvi Ashar	nirvi.ashar@religare.com
Gaurav Arora	gaurav.arora3@religare.com
Akshay Tiwari	akshay.tiwari@religare.com
Abhijeet Banerjee	abhijeet.banerjee@religare.com
Gaurav Sharma	gauravsharma2@religare.com
Rohan Shah	rohan.shah@religare.com
Riddhika Mirajkar	riddhika.mirajkar@religare.com
Ashwani Harit	ashwani.harit@religare.com



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		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		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		No
D.	I/we have received any compensation from the subject company in the past twelve months?		No
E.	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
F.	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
G.	I/we have received any compensation for products or services other than brokerage services from the subject company in the past		No
H.	I/we have received any compensation or other benefits from the subject company or third party in connection with the research re-		No
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

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

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

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