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Gold remains on track for weekly gains due to geopolitical tension, economic uncertainty

Gold prices climbed to a three-week high on Friday, driven by safe-haven demand amid escalating geopolitical tensions in Gaza and Ukraine, and heightened economic uncertainty stemming from the upcoming US presidential inauguration. While initial gains were tempered, prices remain on track for a weekly increase. The World Gold Council forecasts a more moderate price appreciation in 2025, considering factors such as economic growth and inflation. The market awaits key US economic data to assess the future path of interest rates. Concerns over potential trade wars and inflationary pressures stemming from the incoming administration's policies further underpinned gold's appeal as a safe-haven asset.

WTI Crude Oil prices remained relatively stable near \$72.8 per barrel on Friday, on track for weekly gains following a recent two-month high. This upward trend is supported by anticipated economic stimulus in China and the possibility of further interest rate cuts by the Federal Reserve. China's recent wage increase for government employees signals potential economic support measures, while lower U.S. interest rates are expected to stimulate economic growth and fuel oil demand. However, U.S. crude oil inventories declined less than projected last week, potentially tempering bullish sentiment.

LME base metals experienced a downward trend today, primarily driven by strength in US dollar. The dollar surged to a multi-year high, fueled by anticipated US economic strength and a less dovish Federal Reserve. This dollar appreciation increased the cost of dollar-denominated commodities for holders of other currencies. Furthermore, weaker-than-expected Chinese manufacturing data, particularly the Caixin/S&P Global Manufacturing PMI, dampened demand prospects in the world's leading copper consumer. However, market sentiment received some support from Chinese authorities' commitment to more proactive macroeconomic policies and potential interest rate cuts, mitigating the overall bearish pressure. LME Copper is trading flat on \$8805 per ton while Aluminium, Lead and Zinc is down by more than 0.50%

European natural gas futures on course for a third consecutive weekly gain, nearing €50 per megawatt-hour on Friday amidst thin holiday trading, reflects concerns over depleting stockpiles and tighter supply following the cessation of Russian gas deliveries via Ukraine on New Year's Day. Storage levels are at their fastest depletion rate since the 2021-2022 energy crisis, now at 72% full compared to 86% last year. Colder weather further exacerbates the situation, increasing withdrawal rates. While an immediate shortage is unlikely, the tight market conditions this winter will complicate stockpiling efforts for the upcoming heating season

Traders will now closely monitoring ISM Manufacturing PMI, for insights into the Fed's policy direction.

Date	IST	Currency	Data	Forecast	Previous
03-Jan-25	20:30	USD	ISM Manufacturing PMI	48.2	48.4
	20:30	USD	ISM Manufacturing Prices	51.5	50.3
	21:00	USD	Natural Gas Storage	-127.B	-93B
	21:30	USD	FOMC Member Barkin Speaks		

Source: Forex factory

	Commodity	Support 3	Support 2	Support 1	LTP	Resistance 1	Resistance 2	Resistance 3
Commodities	Spot Gold	2616.7	2638.5	2645.2	2656.1	2667.0	2673.8	2695.6
	MCX Gold Feb	76788	77272	77422	77664	77906	78056	78540
	Spot Silver	28.98	29.39	29.52	29.73	29.93	30.06	30.47
	MCX Silver Mar	87835	88808	89108	89595	90082	90382	91355
	MCX Copper Jan	785.8	791.7	793.5	796.5	799.4	801.2	807.1
	MCX Zinc Jan	268.2	271.3	272.2	273.7	275.2	276.1	279.2
	MCX Lead Jan	175.0	175.9	176.2	176.7	177.1	177.4	178.3
	MCX Aluminium Jan	235.6	237.4	237.9	238.8	239.7	240.2	242.0
	MCX Crude Oil Jan	6119	6192	6215	6251	6287	6310	6383
	MCX Natural Gas Jan	272.88	290.20	295.54	304.20	312.86	318.20	335.52

Source: Bloomberg, KS Commodity Research

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RATING SCALE FOR DAILY REPORT

BUY	We expect the commodity to deliver 1% or more returns
SELL	We expect the commodity to deliver (-1%) or more returns
SIDEWAYS	We expect the commodity to trade in the range of (+/-)1%
NOTE - The recommendations are valid for one day from the date of issue of the report, subject to mentioned stop loss, if any	

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