

GOLD REPORT

05 August 2024



Gold spot hovered slightly below the record levels amid growing expectations of a dovish move from Fed soon this year. Additionally, some downbeat economic numbers from U.S. and widening Middle East tensions also boosted bullion's allure.

Global Economy

- Global equity gauges were mostly over negative terrain last week, except China's SSE index.
- The Federal Reserve held interest rates steady at 5.25%-5.50% in the last week's policy meeting, but signalled a potential rate cut at its September 17-18 meeting.
- U.S. Non-Farm Payrolls increased by 144,000 in July of 2024. The Unemployment rate jumped to 4.3%.
- U.S. ISM manufacturing PMI fell to 46.8 in July from 48.5 in the prior month.
- China's NBS Manufacturing PMI fell to 49.4 in July marking a third straight monthly contraction amid weak demand, persisting deflation risks, a protracted property downturn.

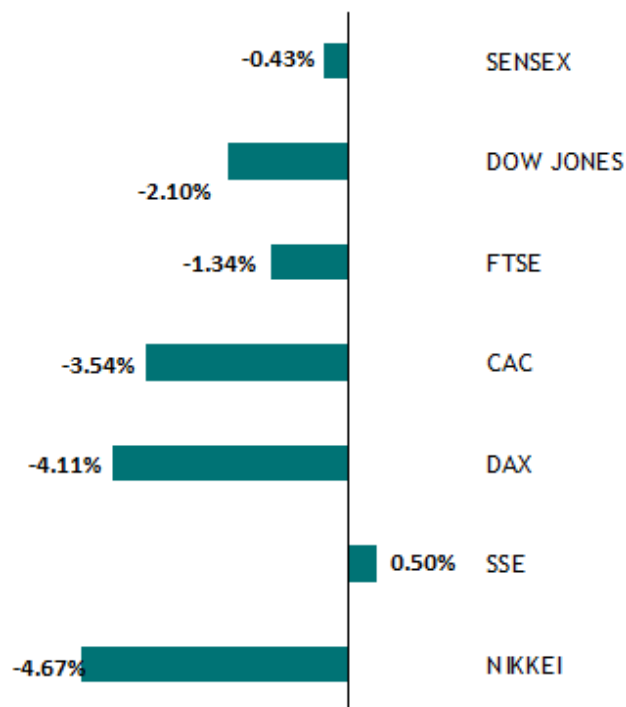
Currencies

- U.S. Dollar shed 1.06% last week against a basket of currencies last week, amid rate cut bets.
- Euro gained 0.47% against USD last week, Japanese yen gained 4.90% while Chinese yuan gained 1.26%.
- Indian rupee slipped 0.11% to near 83.794 against the USD last week.

Gold

- Spot gold gained 19.12% thus far in 2024, beating other asset classes.
- The global gold demand in the Q2-2024 was 1,258.2 metric tonnes, the highest on record for a second quarter and some 4% above the same period in 2023. - World Gold Council
- Gold's Jewelry demand in Q2 slumped due to record prices. China saw jewelry demand slump 35% in the second quarter to 86.3 tonnes, while India recorded a 17% fall to 106.5 tonnes. - World Gold Council

Indices



Currency

Currencies	Close	WoW % Chg
Dollar Index Spot	103.208	-1.06%
Euro/US Dollar	1.0908	0.47%
US Dollar/ Japanese Yen	146.54	4.90%
US Dollar/ Indian Rupee	83.794	-0.11%
US Dollar/ Chinese Yuan	7.16	1.26%

*Currency rates mentioned above are Friday closing rates

Key Data/Events for the week

Day	Data/Events
Tuesday	China - Trade Balance
Friday	China - Inflation (PPI & CPI)



Gold spot hovers near record highs

Gold prices edged closer to record levels hit in July, driven by expectations of a dovish pivot by the US Federal Reserve and escalating tensions in the Middle East. The precious metal's appeal as a safe-haven asset was boosted after Israel and Iran clashed following the killing of a Hamas leader, sparking fears of regional instability. Meanwhile, the latest U.S. jobs data revealed a slowdown in non-farm payrolls growth to 114,000 in July, alongside a rise in the unemployment rate to 4.3%. This weakening momentum in the labor market has increased the likelihood of interest rate cuts by the Fed this year, further supporting gold's rally. Gold has emerged as the top-performing commodity this year, with prices surging 19.12% on the London Spot platform and reaching a record high. Meanwhile, gold prices in India post monthly decline after the government cut import duty of gold in order to support jewellery manufacturing and to boost retail demand.

Fed opens door for a Dovish step

The Federal Reserve held interest rates steady at 5.25%-5.50% in the last week's policy meeting, but signalled a potential rate cut at its September 17-18 meeting, citing progress towards its 2% inflation target. Inflation is now considered "somewhat elevated," a downgrade from the previous assessment of "elevated," as the personal consumption expenditures price index rose 2.5% in June, down from 7% in 2022. The Fed also removed language indicating it was "highly attentive to inflation risks," replacing it with a statement acknowledging attention to "risks on both sides of its dual mandate," which includes maintaining maximum employment consistent with stable prices.

Gold demand firm; Record prices curtailed Jewellery consumption - World Gold Council

Gold demand excluding OTC in Q2 was down 6% year on year to 929 tonne as a sharp decline in jewellery consumption outweighed mild gains in all other sectors. Adding in OTC investment to total gold demand yields a 4% yoy increase to 1,258 tonne - the highest Q2 in WGC data series back to 2000. The record gold price environment took its toll on Q2 jewellery consumption: volumes fell 19% yoy to a four-year low of 391 tonne. Central bank net gold buying was 6% higher yoy at 184 tonne. A minor 7 tonne decline in global gold ETF holdings in Q2 compared positively with the 21 tonne drop in Q2-2023. Retail bar and coin investment was 5% lower at 261 tonne. Gold used in technology jumped 11% yoy.

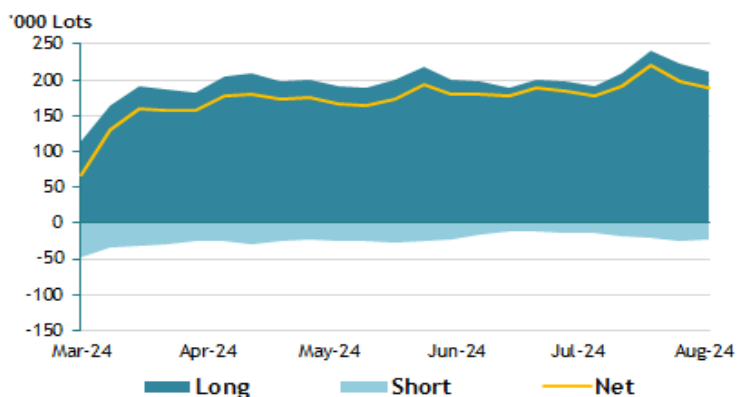
SPDR gold backed ETFs Physical holdings up in July

The SPDR gold backed ETFs physical holdings increased 2.05 percent in July. Currently, the physical holdings with SPDR gold trust is 271 million ounces as on the week ended August 02.

Money Mangers reduced net longs in COMEX Gold F&O

Hedge funds and money managers reduced net long positions in COMEX gold futures and option contracts at the week ended August 02, US Commodity Futures Trading Commission reported.

Money Managed Gold F&O Positions in COMEX



Spot Market Prices

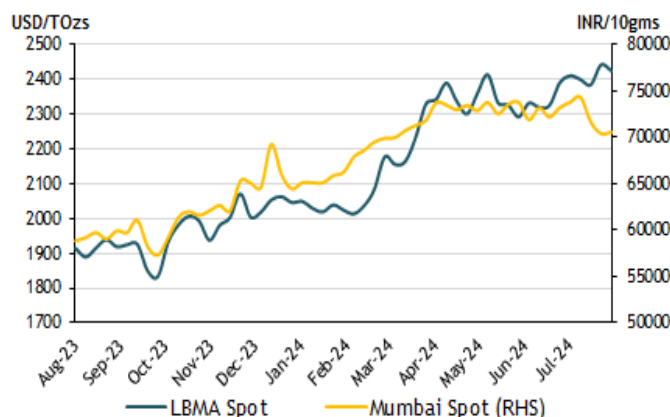
Market	Close Price	Monthly % Chg	YoY % Chg
LBMA	2425.77 (\$/Ozs)	1.43%	23.50%
Mumbai	70580 (RS/10gm)	-3.64%	17.44%

Futures Market Prices

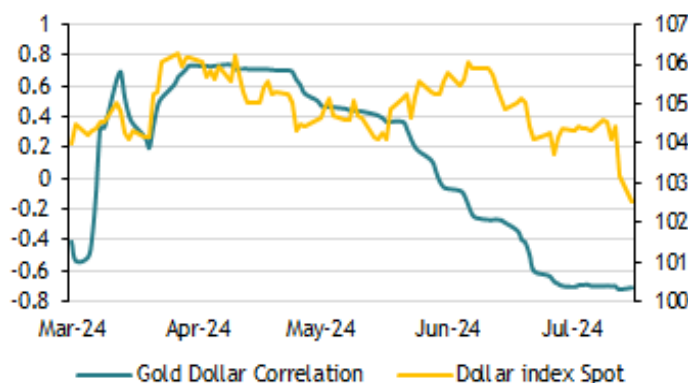
Market	Close Price	Monthly % Chg	YoY % Chg
COMEX	2435.50 (\$/Ozs)	1.97%	23.60%
MCX	70082 (RS/10gm)	-4.06%	17.65%

*Near month futures contracts in respective exchanges
*Prices mentioned above are of Tuesday 2.30pm IST

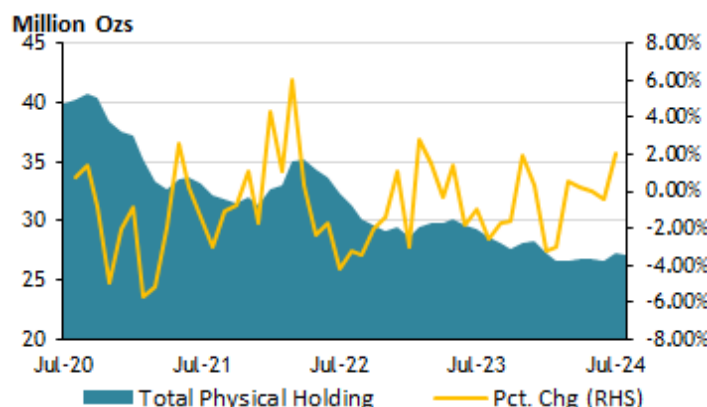
LBMA Vs Mumbai Spot Prices

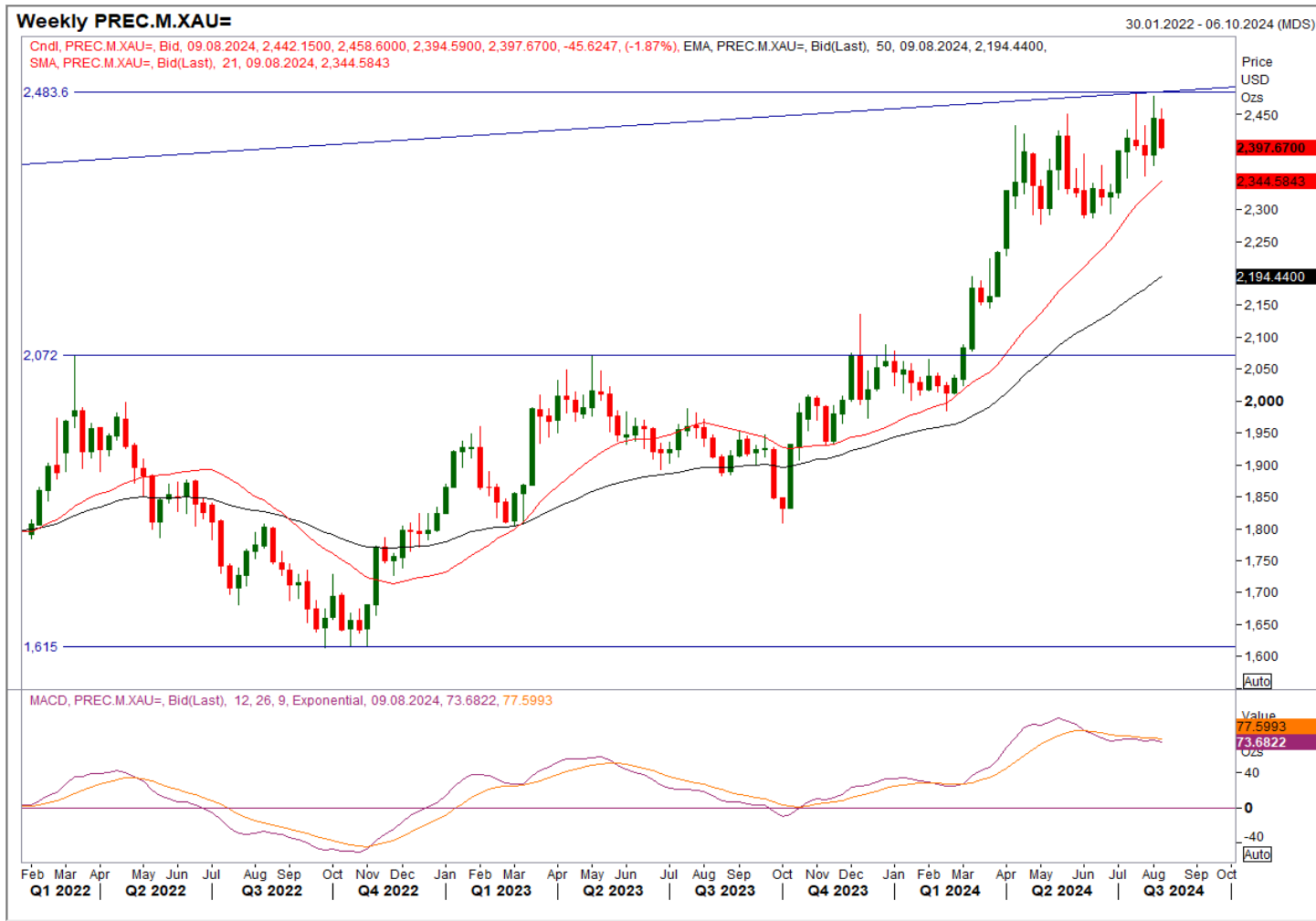


Gold - U.S. Dollar Correlation



SPDR ETF Gold Physical Holdings (Ozs)





Outlook

After a remarkable 19.12% gain thus far in 2024, gold prices expected to trade steady in the upcoming period considering the recent employment data that points to weakening labor market health, also if the U.S. inflation data for July confirm a further slowdown and easing towards Fed’s 2.0% target. The Federal Reserve acknowledged progress towards its 2% inflation target, with moderating inflation assessment to “somewhat elevated” from “elevated”. After maintaining the interest rates steady at the 5.25%-5.50% range, the central bank signaled a possible rate cut at its next meeting in September. Weak industrial data from U.S. and China, the world’s two largest economies offered support for safe haven gold. The prices may get additional support if the lingering geopolitical tensions in Middle East further worsen.

Technical View:

London Spot: Prices witnessing a correction from below record high levels. Liquidation pressure would sustain only with fall below SMA support at \$2340 region. Holding the same support can induce pullbacks.

MCX: The momentum in prices may strengthen above the resistance of Rs.70700 region. Liquidation below SMA support of Rs.69000 could trigger weakness.

Trading Outlook		
Periodicity	London Spot	MCX Kg Oct
Short Term	MILD POSITIVE	MILD POSITIVE
Medium Term	MILD POSITIVE	MILD POSITIVE
Long Term	POSITIVE	POSITIVE
Technical Levels		
Trading Range	\$2235-2485	Rs 66300-71300
Resistance 1	2450	70700
Resistance 2	2485	71300
Resistance 3	2500	72500
Pivot	2340	69000
Support 1	2275	67800
Support 2	2235	66300
Support 3	2190	65000

*Short term - Upto 3 months, Medium term - 3 months to 1 year, Long Term - Above 1 year



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Compliance Officer

Ms. Indu K.

Geojit Financial Services Limited,

34/659 P, Civil Lane Road, Padivattom, Kochi – 682 024

Tele: 0484 2901367

Fax: 0484 2979695

Email: indu_k@geojit.com

Grievance Officer

Mr Nitin K .

Geojit Financial Services Limited,

34/659 P, Civil Lane Road, Padivattom, Kochi – 682024

Tele: 0484-2901363

Email : grievances@geojit.com

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