



Market Commentary

Gold prices along with silver had a fantastic run in the past week and the yellow metal was just shy of fresh record levels following escalating tension between the US and China and expectation of announcement of fresh stimulus package from the US. Silver too breached levels like flowing water hence boosting market participant's confidence. Deepening negative yields and dollar index trading near one month lows also fueled a frenetic rally in gold boosting the precious metal toward record level. Central bank stimulus measures, rapid increase in COVID-19 cases, US- China trade war and other geo political uncertainties gave wind to the raging forest fire. Supply/demand dislocation is also lending support to both gold and silver prices.

Decision of lifting restrictions on lockdown taken by many countries is proving wrong just as it was feared. COVID cases are increasing at a rapid pace, and have affected more than 16 lakh people and have claimed more than 6 lakh lives. Many countries are struggling to control the spread of virus and many are also eyeing "a second wave" soon, creating more damage to the already derailed global growth. Even though the recovery rate is high and many companies have claimed about reaching very near towards the search of vaccine as all trials conducted are giving positive results. Central banks and government are trying their best to figure out a way to fight against COVID-19 and stand strong although there is a lot of menace already created. Recovery might take some time unless and until there is some breakthrough in vaccine against COVID-19.

The heat between the US and China trade battle seems to be increasing every week with some or other announcement

Gold- Weekly Market Data			
Exchange	Gold Spot	COMEX	MCX
Open	1886.3	1884.9	50809
Close	1900.98	1897.5	51035
Change	14.6	87.5	2068
% Change	5.09%	4.83%	4.22%
Pivot	1896.0	1894.2	50930
Resistance	1910.9	1907.9	51289
Support	1886.1	1883.8	50675

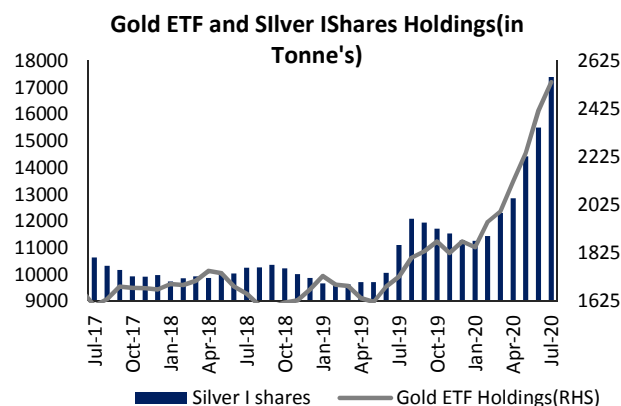
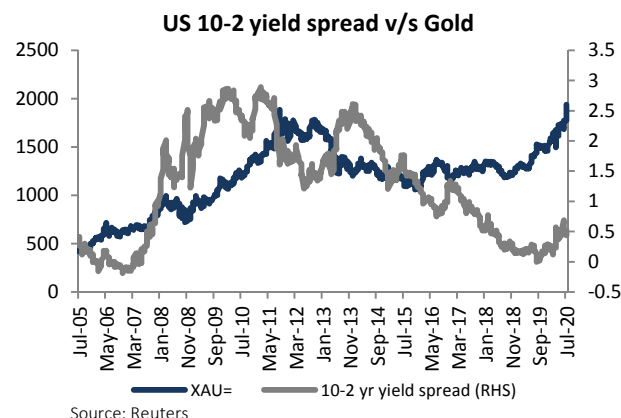
Silver- Weekly Market Data			
Exchange	Silver	COMEX	MCX
Open	22.67	22.91	61137
Close	22.74	22.82	61223
Change	0.07	-0.09	8324
% Change	17.76%	15.79%	15.74%
Pivot	22.68	22.83	61187
Resistance	22.96	23.12	61864
Support	22.46	22.53	60546

Ratios	
Gold/Silver	82.27
Gold/Oil	45.91

from both the end to pressurise each other has been keeping precious metal higher. Trump is blaming China for the spread of virus, leaders of power countries are now starting to question the existence of phase one deal and this has also put the future of phase 2 deal in jeopardy. US interfering in the Hong Kong issue, announcement of closing the respective consulates and several other events have increased the tussle between the two. Friction between US and Iran has also increased and there are rumors of certain attacks again. There has been a lot of uncertainty thereby shifting market participants focus from riskier assets to safe havens.

Central banks continue to take all the necessary precautions against the virus impact which is hampering the growth of their respective economy, in the earlier week we witnessed ECB and BOJ's policy meet where both maintained a dovish stance and announced necessary stimulus packages with an objective to combat against the impact of virus. EU leaders proposed the EU's economic recovery package to lift the bloc out of a COVID-19 induced recession that includes €390bln of grants and €360 bln of loans. US too is expected to announce plans to seek another \$1tn in economic relief. Fed officials have said that Coronavirus relief bill will be introduced soon with an objective to support workers, kids going back to school. They believe that some parts of US are doing well and others are not.

Apart from preliminary PMI numbers expected from major economies, calendar was fairly light last week, although it was an event and a sentiment driven market rather than data influenced market hence giving a push to the bullions. Investment in gold increased for the week ended 26th July, 2020 and holdings currently stand at 1,227.05 tonnes compared to holding of 1,206.88 tonnes in the previous week. Holding in ishares ETF witnessed a great increase of ~1,119.64 tonnes and holdings currently stand at 17,379.84 tonnes. Speculators continue to increase their bullish positions in COMEX gold and silver contracts. With Investment demand, continuous gold buying from central bank is also helping in lifting the overall sentiment for the metal.



Outlook

This week economic docket have a few important 'look outs', core durable good order and GDP number is expected from the US, also inflation number from few major economies is also scheduled later this week; if reported positive could metal prices in check. Market participants will keep their eyes on FOMC policy meet scheduled later this week where comments and actions announced by the Fed Governor will be important to watch. Although the market participants will continue to keep an eye on the US-China trade relationship. Focus will also be on measures taken by the leaders in order to combat the COVID-19 as it remains a core driver for highly risk-sensitive markets like gold.

Technical Outlook:-

Gold

MCX Gold traded on a positive note last week and closed higher by approximately 4.21% at Rs.51035 level. MCX gold has broken out of the consolidation zone on weekly charts and have given weekly close above the same which indicates strength in the prices of the yellow metal. On the lower side Rs.49300 remains very strong short-term support for the metal and intermediate support for the metal is placed in the range of Rs.50300 - 50400 levels. Any price correction towards the intermediate support zone remains good buying opportunity. On the higher side the metal is likely to face stiff short term resistance at Rs.51600 level and daily close above the same is likely to result in further bullish momentum in the yellow metal. If it manages to give daily close above Rs.51600 level then it is likely to test higher resistance of Rs.52500 and Rs.53200 levels. Also 14-period RSI has been sustaining strongly above 50 mark which is signaling strength in the prices of the commodity. Buying on dips towards intermediate support zone is thus advised. Spot gold has strong short-term support at \$1805 whereas immediate resistance is placed at \$1921 level while major resistance is placed at \$2000 level.



Silver

MCX Silver traded on a positive note last week and closed higher by approximately 15.73% at Rs.61223 level. MCX silver has broken out of its upward sloping price channel on daily chart which indicates the strength in the prices of the precious metal. On the lower side Rs.57400 remains very strong short-term support for the metal and intermediate support for the metal is placed in the range of Rs.59700 - 60000 levels. On the higher side the metal is likely to test the resistance level of Rs.63500 initially and then Rs.66150 level. As said, on the lower side Rs.57400 remains strong short-term support and if silver manages to give daily close below Rs.57400 level then the metal may give further downfall till Rs.54500 level. However 14-period RSI is sustaining well above 50 mark which is signaling strength in the prices of the commodity. Buying on dips towards intermediate support zone is thus advised. Spot silver has strong short-term support at \$21 level while major resistance is placed at \$23.50 level.



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