

TECHNO FUNDA REPORT ON

September 05, 2018

GOLD

Gold can shine further



Moneywise. Be wise.

WEEKLY CHART OF MCX GOLD



Source: Reuters

Recommendation

Buy Gold Oct at CMP target of 30600 with SL closing below 30100

Note:

- These long term fundamental calls are for duration of three to four weeks time frame and do not confuse these with intraday calls.
- It is assumed that investor takes position in two lots and square off position in one lot on partial profit booking and trail stop loss to buying/selling price for second lot.

WEEKLY CHART OF COMEX GOLD



Source: Reuters

Overview and outlook

In the month of August, bullion counter traded on negative path in initial part of the month but some short covering was witnessed during second half of the month. Overall gold traded in range of 29268-30359 in MCX and \$1167.10-1233.90 in COMEX. The Fed has raised rates twice this year and is widely expected to tighten policy again this month after leaving rates unchanged at their last meeting. Federal Reserve policymakers broadly agree that U.S. interest rates should rise further this year and next, despite U.S. President Donald Trump's displeasure with such a plan.

In the month of September, gold can continue its lower level buying on domestic bourses aided by weaker local currency rupee and economic uncertainty in Turkey and Argentina. Moreover greenback can also dip towards 94 levels thereby supporting yellow metal. The WGC reports stronger demand from China and Iran, two nations faced with geopolitical tensions with the United States.

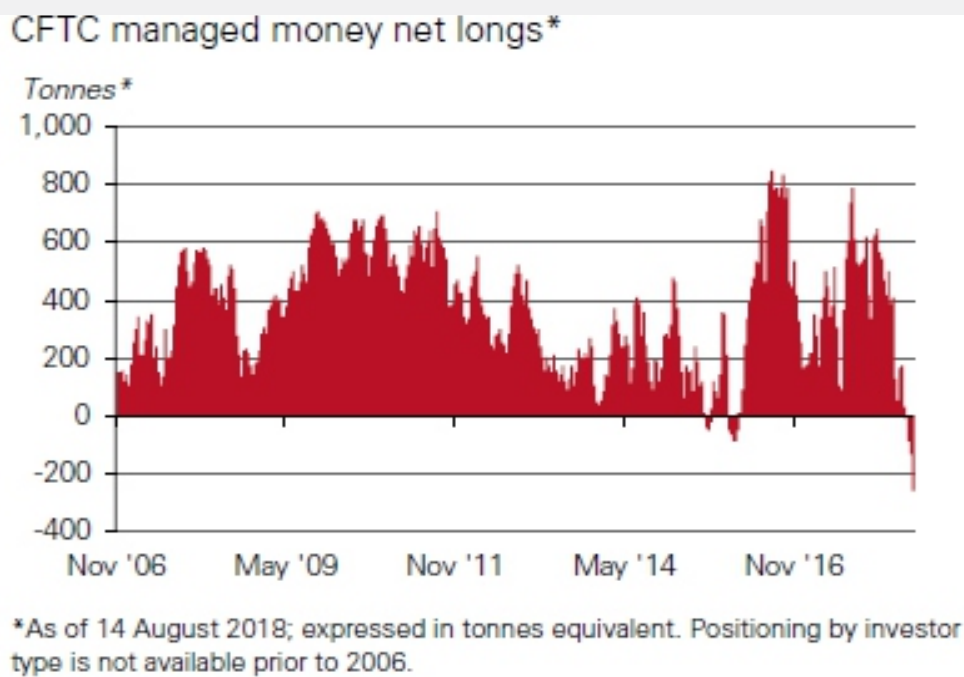
Bullish factors impacting Gold

Turkey and Argentina crises can support Gold

After a 16-percent slide in the peso, Argentine President Mauricio Macri announced new taxes and steep cuts to spending in an "emergency" bid to balance next year's budget. Meanwhile, Turkey's central bank signalled that it would take steps to combat "significant risks" to price stability.

An unusually 'short' market

Gold speculative positioning in futures markets is increasingly short. CME managed money net long positions stand at a record low since 2006. Furthermore, net combined speculative positions, which go back further, are negative for the first time since December 2001. In recent years, a large increase in short positions has been followed by a sharp rally in gold. And while net shorts were more prevalent in previous decades, there have been structural changes that make these positioning levels different and likely short lived.



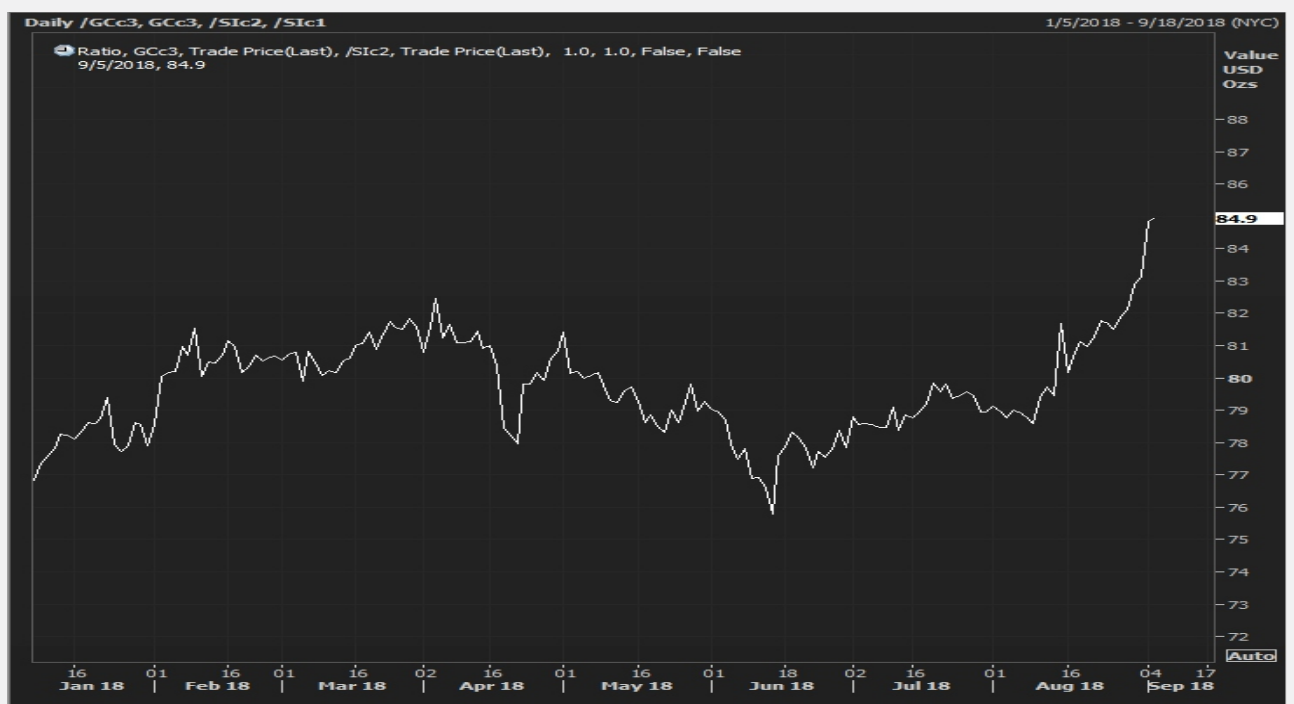
Weaker local currency rupee supporting Gold



Source: Reuters and SMC research

Analysis: Rupee dollar has been depreciating steeply amid stronger greenback and it can depreciate further towards 73 which will support gold on domestic bourses.

Gold Silver ratio



Source: Reuters and SMC research

Analysis: Gold silver ratio recovered from 80 to above 84.9 as Gold outperformed Silver This ratio can test 87-88 in near term.

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