

SPECIAL REPORT ON

DIWALI AND DHANTERAS

GOLD.....A Safe Boon for Investor



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Diwali and Dhanteras are around the corner and euphoria returned in bullions, especially, in the physical market with buyers rushing to snap up bars and coins in smaller quantities, which can be given as gifts. It neither disappoint as gift options given to the loved ones nor investors who buy it to multiply the return. Despite the monetary tightening by Fed and other Central Banks it gave almost 20% return if do comparison between last Diwali till date. Gold and silver prices have swung sharply this year due to fundamental changes like central bank policies, geopolitical uncertainties, debate between hard and soft landing, higher buying interest in riskier assets and volatility in the Dollar Index and bond yields. Gold has scaled its all-time high levels both in the local (Rs.61,000-63,000 per 10 gms) as well as global markets (\$2,048 per ounce). Silver too was close to its all-time high of around Rs.77,000 per kg, earlier in the year.

Some of the factors which will give significant impact on gold prices in remaining 2023 and 2024 are explained below:

Rising interest rate scenario: Historic aggressive interest rate hike by Central Banks with the Fed leading the charge by raising rates 525 bps since last year, curbing inflation. The fluctuating probability of further rate hikes this year and cuts next year have caused considerable volatility in safe haven assets. If the Fed begins monetary expansion by autumn 2023, bond yields will be falling and, assuming it moves before the European Central Bank and other major central banks, we could see the US dollar depreciate at a faster rate and it will support the bullion.

Recession fear: Above mentioned aggressive interest rate hike is most likely to leading towards recession. Economy like China is already facing slowdown. The Fed's current path could far overshoot their inflation target and take the U.S. economy into recession. If weakness continue then safe haven buying will return in gold especially investment demand will boost up.

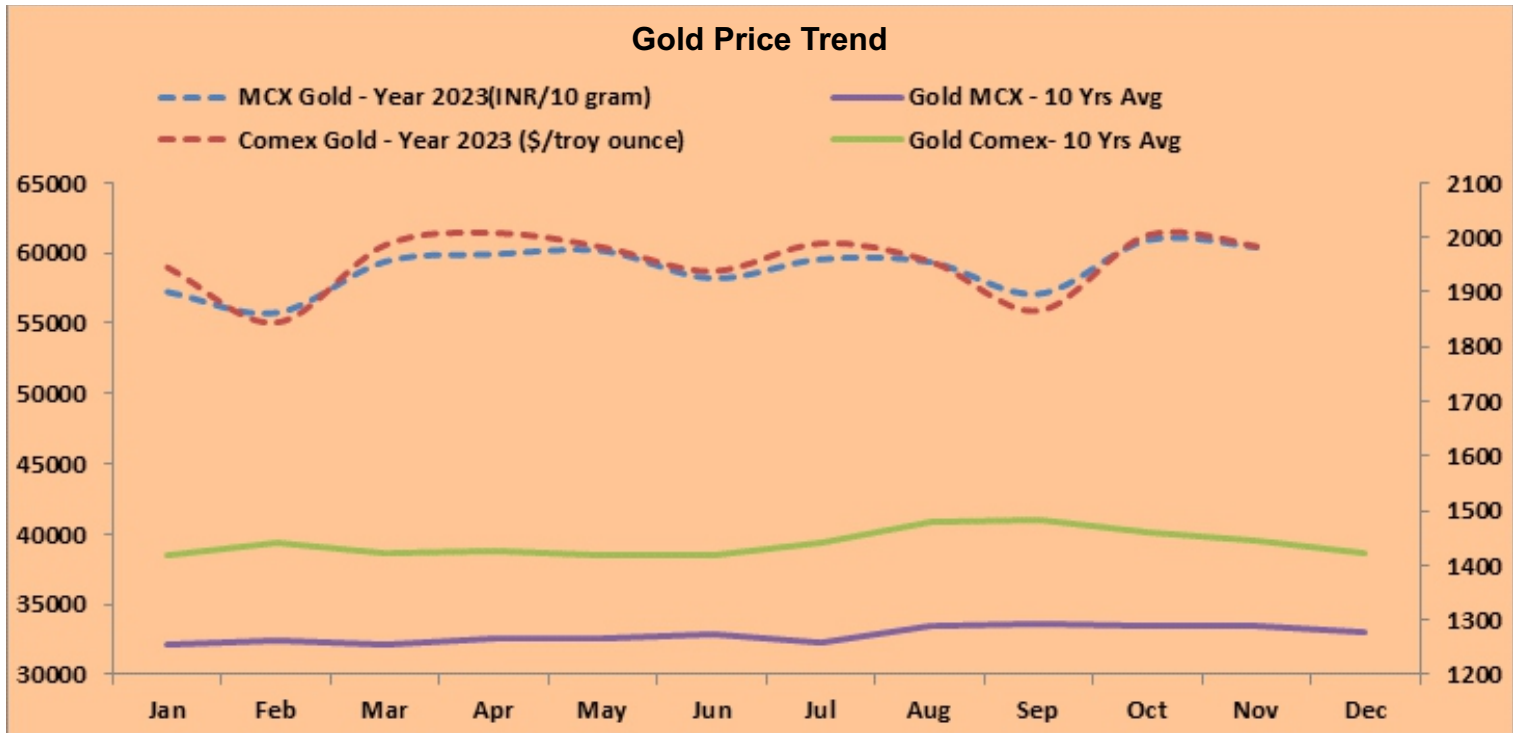
Demand: Typically, gold demand in India strengthens towards the end of the year, coinciding with the traditional wedding season and major festivals such as Diwali and Dusherra, where purchasing gold is considered auspicious. However, the soaring prices could potentially reduce the demand.

Geopolitical tensions & War: Considering the geopolitical situation now also becomes quite critical, as gold is also recognized as a crisis hedge. Any uncertainty in the market has always benefitted bullions; last year we had the Russia-Ukraine war and currently Israel and Hamas dispute, which has improved enthusiasm for gold, despite a rate hike scenario.

Amazing love affairs of Central Banks: With fragile currency environment and war situation amid recession is compelling Central Banks buying and since long they are net buyer. The pace of buying so far this year suggests that central bankers are on track for yet another strong annual addition.

Y-O-Y DIWALI RETURNS FROM COMMODITIES				
Commodity	24th October, 2022	08th November, 2023	Change in Rs.	Change in %
BULLION				
GOLD	50580.00	60009.00	9429.00	19%
SILVER	57748.00	71050.00	13302.00	23%
ENERGY				
CRUDE OIL	7047.00	6274.00	-773.00	-11%
NATURAL GAS	423.20	257.20	-166.00	-39%
BASE METALS				
ALUMINIUM	194.40	207.95	13.55	7%
COPPER	649.95	704.00	54.05	8.32%
LEAD	177.70	187.25	9.55	5%
ZINC	272.75	228.45	-44.30	-16%

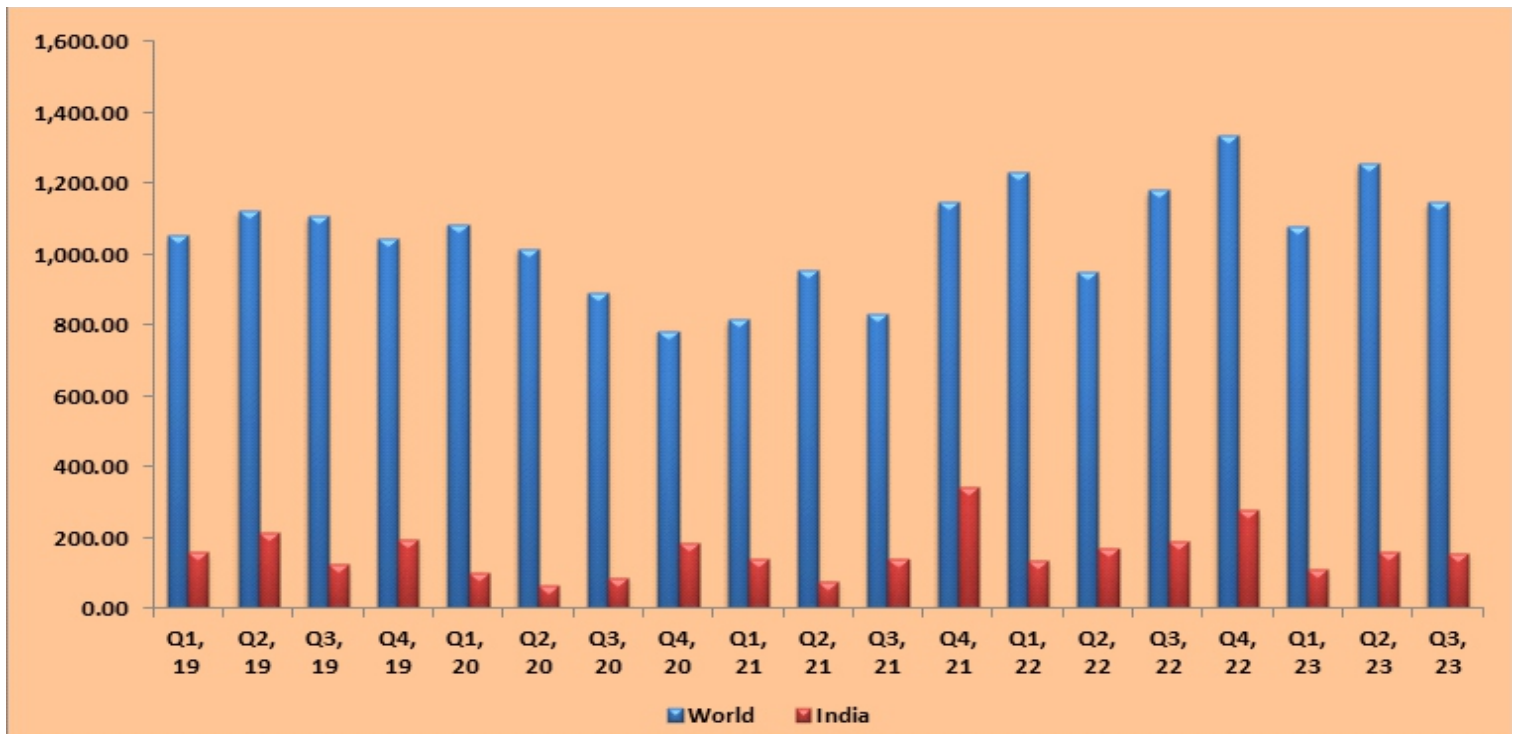
Source: Reuters & SMC Research



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Gold demand

- As per World Gold Council, global gold demand declined by six per cent to 1,147.5 tonne during the third quarter of 2023.
- Global jewellery demand declined by one per cent to 578.2 tonne in the third quarter of this year from 582.6 tonne in the year-ago period.
- Global bar and coin demand fell 14% to 296.2 tonne during the third quarter from 344.2 tonne a year ago.
- Gold demand for usage in technology fell three per cent to 75.3 tonne from 77.3 tonne.
- According to the report, central banks' gold buying also declined 27% to 337.1 tonne in the third quarter from 458.8 tonne in the year-ago period.



Source: WGC

Gold Supply

- As per report, the total gold supply increased six per cent to 1,267.1 tonne during the third quarter from 1,190.6 tonne a year ago.
- Mine production hit a record 971 tonne in Q3; recycled gold rose year-on-year to 289 tonne in the said period.

In Tonnes	Q3'22	Q3'23	Y-o-Y Change
Total supply	1,190.6	1,267.1	6%
Mine Production	949.1	971.1	2%
Net Producer hedging	-26.8	7.2	-
Recycled	268.3	288.8	8%
Source: WGC			

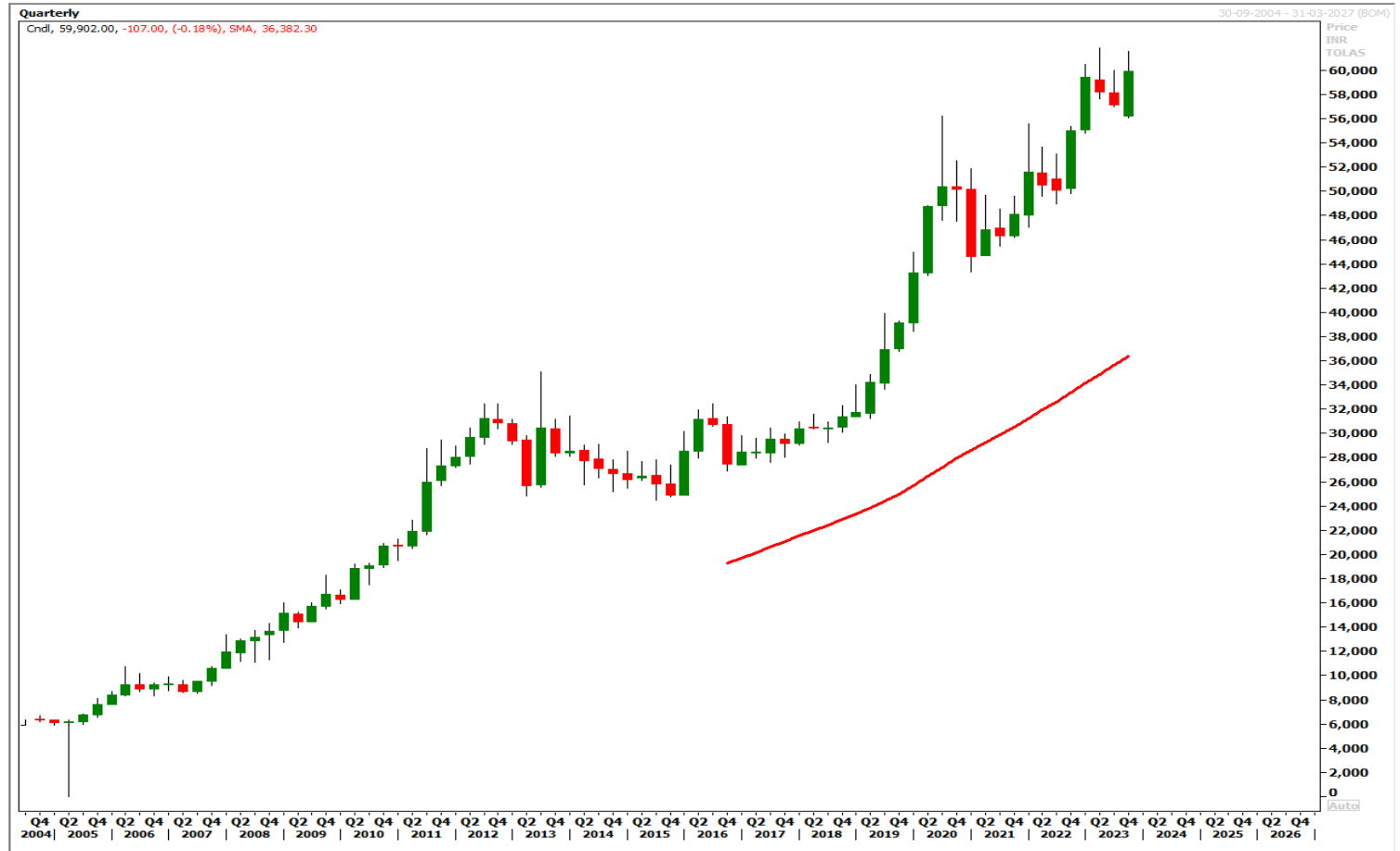
Mining costs of gold

- Despite higher production, mining costs have increased in 2023. In Q1 – the latest data available – average all-in sustaining costs (AISC) rose to **US\$1,358/oz**. This figure represents a 10% increase y/y.

**Average all-in
sustaining costs
(AISC) of gold**

US\$1,358/oz

Technical Corner



Source: Reuters

The gold prices on the technical quarterly charts are moving in a pattern of higher highs and higher lows. The current higher high is at 61845, and the higher low is at 56075. These levels are likely to act as near-term support and resistance.

If the prices break above 61845 and sustain that level for a week, the trend will turn positive, and they may move towards 62500 and 64000. Failing to sustain above these levels will likely push the prices down towards 56075. The chances of breaking below 56075 are relatively low, but if that happens, it could be considered a good buying opportunity.

Overall, the trend is positive, and it is advisable to buy on dips.

SILVER..... Industrial Demand will be on new high

Silver has seen a sharp jump of around 23% from last Diwali as industrial demand is expected to improve significantly. Recent dip in the prices should be utilized as buying opportunity. As the world progresses along the energy transition curve, the rapid expansion of solar photovoltaic (PV) technology is a key constituent. Solar panels have emerged as a critical player in transitioning to clean, sustainable, secure energy sources. Silver's return in rupee terms over the past 15 years is 15.5% CAGR.

Silver demand & Supply in 2022

Global demand for silver rose by 18% in 2022 to a record high of 1.24 billion ounces, creating a huge supply deficit, even predicting more shortages in the years to come. Silver recorded a deficit of 237.7 million ounces in 2022, the highest supply shortage on record. Further, the Silver Institute predicted that the shortage of silver in 2023 would be 142.1 million ounces.

Supply Outlook 2023

Global silver mine production is expected to grow further in 2023, with output forecast to rise by 2% y/y to 842.1Moz. Recycling is set to increase for a third straight year in 2023 with a minor gain.

Demand Outlook 2023

Industrial demand is forecast to rise 4%. Silver has more weight in the industrial industry as 46% of silver's yearly consumption comes from the sector versus just 6% for gold. Robust demand from the solar industry and limited supply growth from mines will buoy silver prices once the period of higher global interest rates is over. Silver is both an investment and is consumed in the manufacture of jewellery, electronics and electric vehicles, as well as solar panels which has been gaining traction amid the global green energy transition.

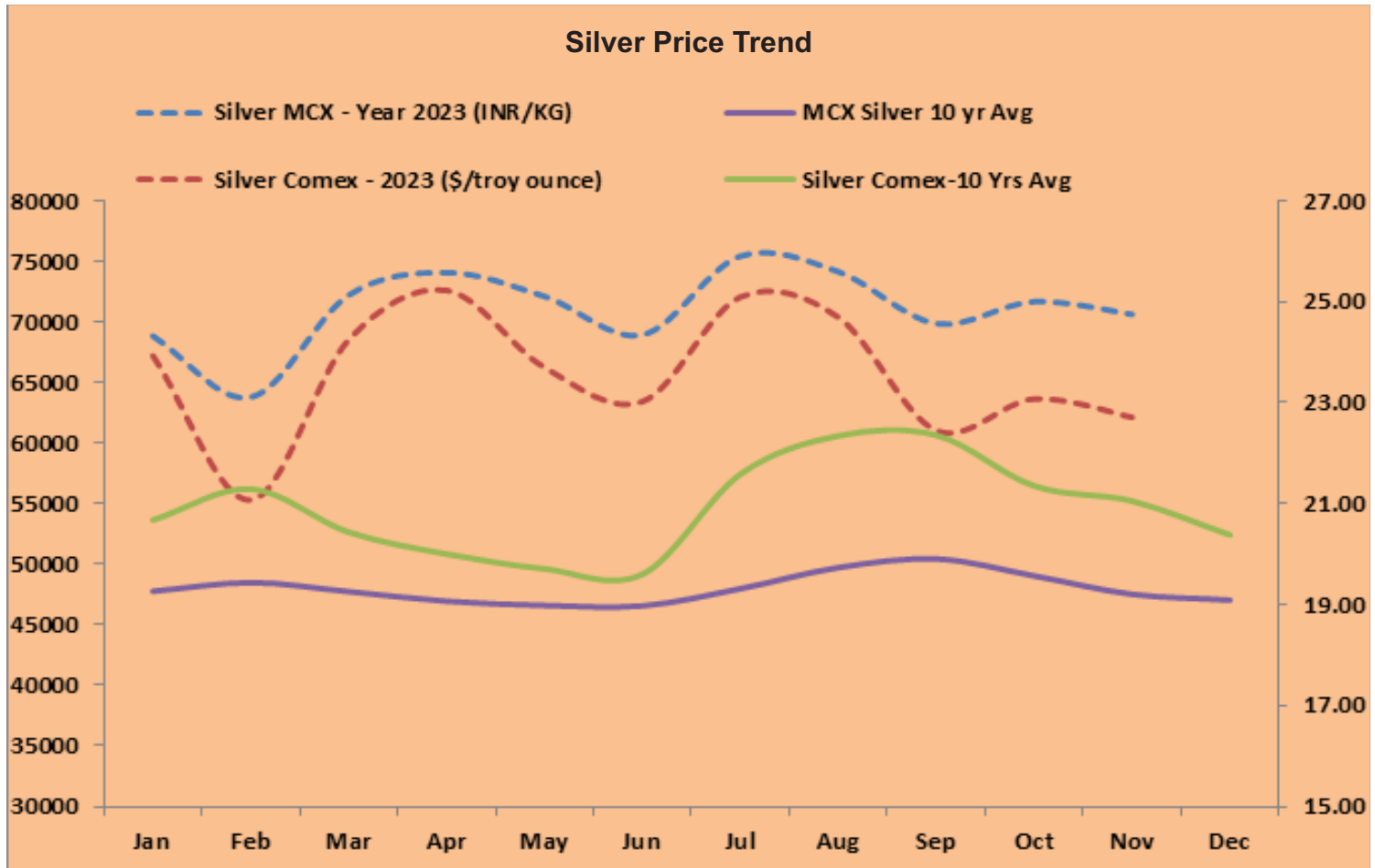
Industrial demand is forecast to rise 4%

Global Demand forecast

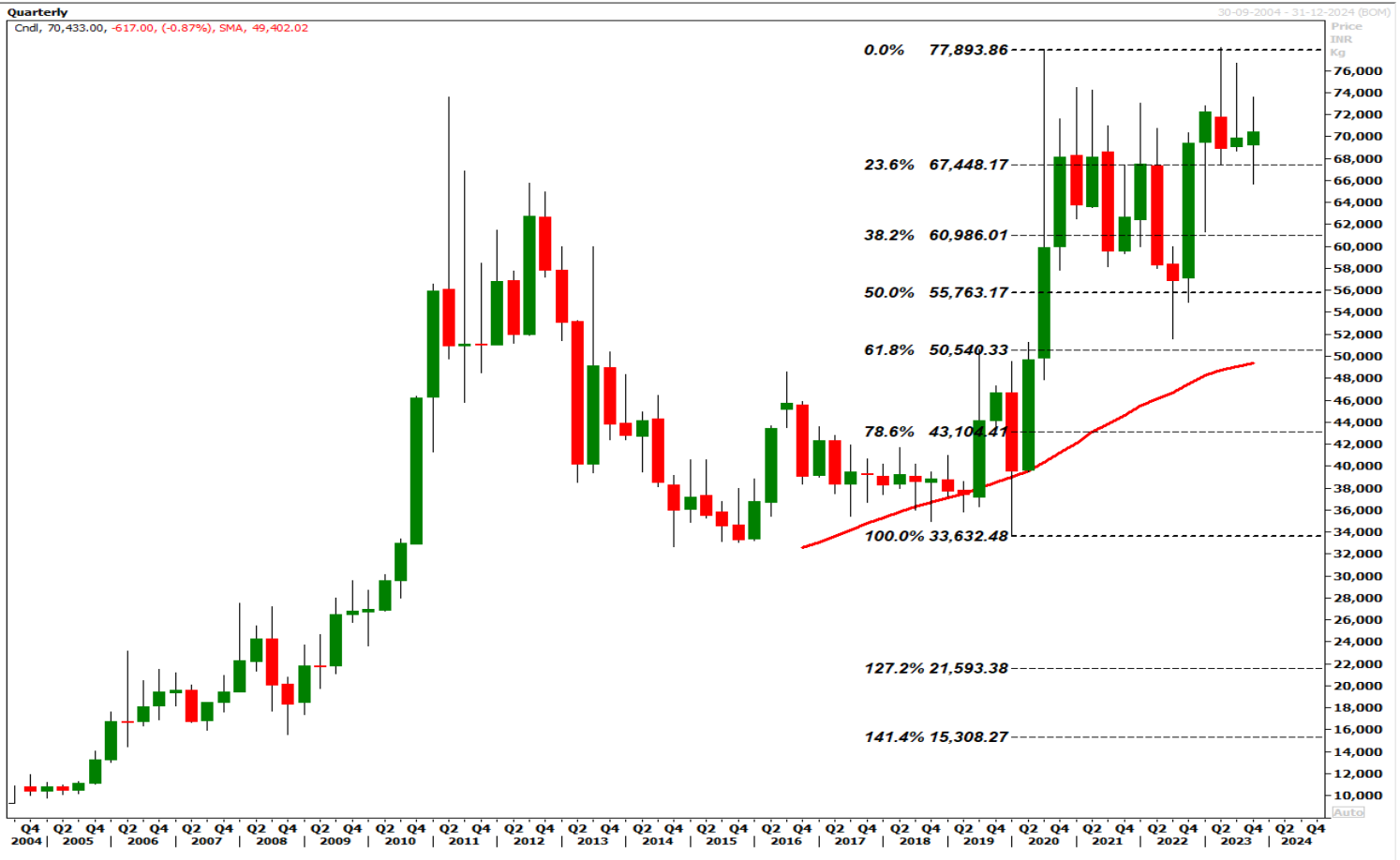


Source: The Silver Institute

Silver ETP Holdings



Technical Corner



Source: Reuters

Silver prices have been stuck in a range between 52000 and 78000 since 2020. The 78000 level serves as a strong resistance for silver, and as long as prices are trading below this level, the chances of trading within this range remain high. On the lower side, 52000 acts as a robust support level.

The prices are currently trading above the 50-day Simple Moving Average (SMA), which is a positive sign. However, for fresh entry, it would be wise to wait and consider buying on dips. In the COMEX market, silver prices are in a consolidation zone and have been trading in a range of 21 to 30 dollars.

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