GOLD

Yellow metal can witness recovery









Source: Reuters

Recommendation

Investors can take fundamental Buy position in Gold (Oct) at current prices for the target of 26900 and stop loss of closing below 25400.

Note

- $\bullet \ \ These long term fundamental calls are for duration of three to four weeks time frame and do not confuse \ these with intraday calls.$
- 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.



Source: Reuters



Bullish factors

Decline in Greenback

Dollar index can dip towards 95 levels and any decline in greenback in bullish for gold.

Safe haven buying amid China Yuan devaluation and falling stock markets

Concerns persisted over a weaker yuan after China devalued its currency with the uncertainty likely to increase bullion's safe-haven appeal. The weaker yuan could still prompt the U.S. Federal Reserve not to raise interest rates as soon as next month, as many had expected previously, despite continued signals of a strengthening U.S. economy. China's currency devaluation is helping gold shine in the midst of a collapse in commodities and a pullback in stocks. Last week the Chinese government has allowed its currency, the yuan, to decline in value by about 4 percent against the US dollar. The move has renewed a long-simmering debate about China's exchange rate and whether a cheap yuan will be harmful to the US economy. In the wake of the 2008 financial crisis, critics faulted the Chinese government for intervening in the market to make its currency artificially cheap. A cheap yuan gave Chinese exporters an advantage in world markets, which critics said was harming US businesses.

SPDR Gold holdings

Short covering in the SPDR gold ETF was seen recently where there were purchases of 4.173 tonnes of gold.

Surge in Gold Coin Sales – U.S. Mint

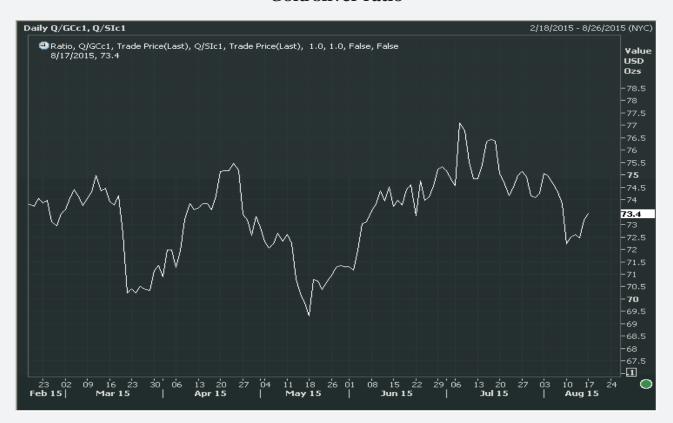
United States Mint gold sales climbed higher recently. Gold coins moved up 13,500 ounces after last week's 6,000 ounces. Sales splits include 10,500 ounces in American Gold Eagles compared to 5,000 previously and 3,000 ounces in American Gold Buffalo coins compared to 1,000 ounces previously.

India Gold demand to increase in second half of 2015 -WGC

India's gold demand in the second half of 2015 could rise by more than a quarter from a year before as lower prices encourage buying during the peak festival season towards the year-end, the World Gold Council (WGC). Demand for gold jewellery is usually robust in the final quarter as the country celebrates festivals such as Diwali and Dussehra, when buying the metal is considered auspicious. Rural demand for gold accounts for nearly two-thirds of India's total.



Gold silver ratio



Analysis: Gold silver ratio may again head higher towards 75 levels from 73.4 levels as gold can outperform silver in near term.

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