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Gold...

Yellow metal can witness recovery

Bullish factors

Greenback near resistance zone

Dollar index can face resistance near 100 levels which can lead to profit booking and dip towards 96-95 levels and any decline in greenback is bullish for gold.

FOMC Minutes Still Show Fed Divided on Rate Hike

The minutes show Fed members continue to debate back and forth on the right call to make for the U.S. economy. The notes some members are still wary of hiking too soon and stifling the momentum of the economy. The flip side of that argument is made by members who believe the Fed could further miscommunicate its intentions to the market and take a bigger credibility hit that could jeopardize monetary policy going forward. The risks of keeping the rate unchanged are outweighing the potential damage done by hiking sooner rather than later but the fact that there is still internal debate reduces the probability of a rate hike in December.



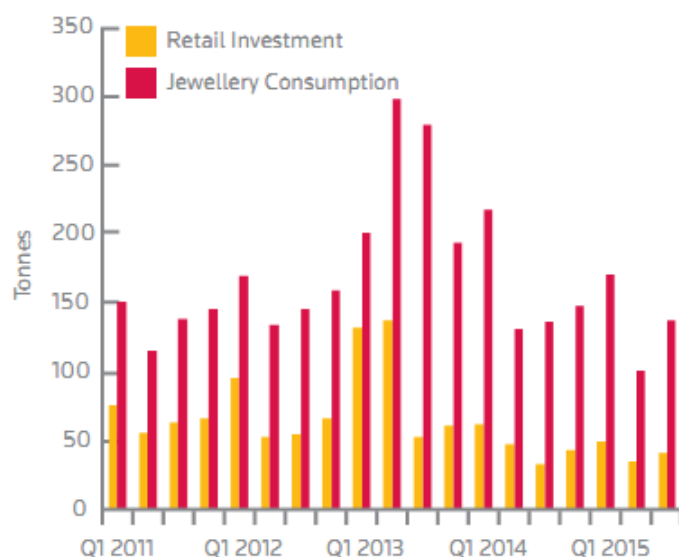
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Bounce back in China Gold demand in third quarter

After a lackluster second quarter this year, which was the lowest second quarter recorded since 2011, China's gold demand rebounded in the third quarter. Based on our latest estimates, China's total gold demand amounted to 196 tonnes for the period, a modest 3% year-on-year improvement. After a poor showing in May and further falls in June, China's jewellery demand started to pick up in mid-July, as the international gold price fell below the \$1,100 barrier. This upswing in momentum was then carried through August, and demand accelerated in September. Feedback from fabricators suggested that orders in August and September were on average 30% higher than those of May and June. Based on our latest estimates, China's gold jewellery fabrication for the third quarter this year was broadly in-line with the same period last year, reaching an estimated 137 tonnes.

CHINA RETAIL & JEWELLERY INVESTMENT



Source: GFMS, Thomson Reuters

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Jump in Indian Jewellery consumption in third quarter

Jewellery consumption in India increased 5% year-on-year to 193 tonnes in the third quarter of 2015, the highest since Q1 2011 and the highest third quarter demand since 2008. Meanwhile retail investment in India gained 30% year-on-year to 55 tonnes, the highest since Q4 2013. These gains are attributed to the fall in price to the lowest since August 2011.

India regained its top position as the largest overall consumer of gold this year through the third quarter. Total consumption amounted to 642 tonnes year-to-date, with China trailing by 63 tonnes.

Surge in US Gold coin demand

Physical gold coin and bar demand surged 161% in the third quarter from year ago levels, largely due to bargain buying among retail investors. The U.S. Mint halted sales of American Eagle bullion coins for three weeks in July due to depleted inventories after surprisingly strong demand when gold prices fell to multi-year lows that month.

US Investment demand

Investment demand is expected to remain elevated in the fourth quarter, but growth will moderate from Q3 levels. Jewellery consumption during the holiday season is expected to be strong. Consumers are expected to spend 5% more this holiday season than last year, according to a survey conducted by NPD Group, which will benefit discretionary purchases such as jewellery. Scrap supply is expected to fall year-on-year in Q4, albeit at a lower rate than in Q3.

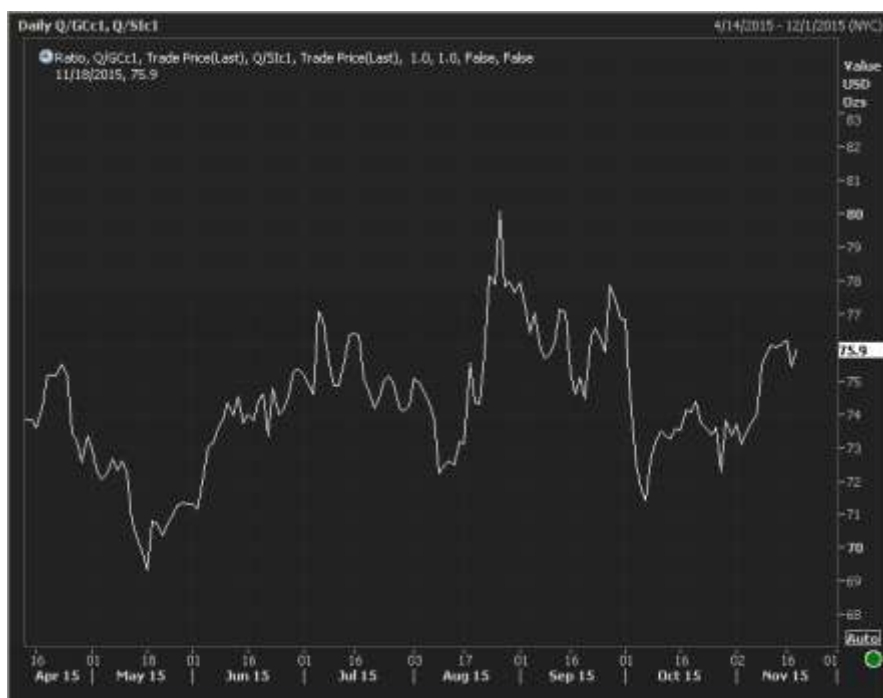
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Gold silver ratio



Analysis: Gold silver ratio can again head towards 77 levels as gold can outperform silver in near term.

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Daily chart of MCX Gold (Feb)



Source: Reuters

Recommendation

Take fundamental buy position in Gold (Feb) at current prices for target of 26400 with stop loss of closing below 24900

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.

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COMEX Daily chart of Gold



Source: Reuters

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SMC Global Securities Limited is proposing, subject to receipt of requisite approvals, market conditions and other considerations, a further public offering of its equity shares and has filed the Draft Red Herring Prospectus with the Securities and Exchange Board of India ("SEBI") and the Stock Exchanges. The Draft Red Herring Prospectus is available on the website of SEBI at www.sebi.gov.in and on the websites of the Book Running Lead Manager i.e., ICICI Securities Limited at www.icicisecurities.com and the Co- Book Running Lead Manager i.e., Elara Capital (India) Private Limited at www.elaracapital.com. Investors should note that investment in equity shares involves a high degree of risk and for details relating to the same, please see the section titled "Risk Factors" of the aforementioned offer document.

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