

TECHNO FUNDA REPORT ON

January 07, 2016

GOLD

Yellow metal can witness recovery



Moneywise. Be wise.

DAILY CHART OF MCX GOLD (FEB)



Source: Reuters

Recommendation

Take fundamental buy position in Gold (Feb) at current price for the target of 27000 with stop loss of closing below 25500

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.

COMEX DAILY CHART OF GOLD



Source: Reuters

Bullish factors

Greenback near resistance zone

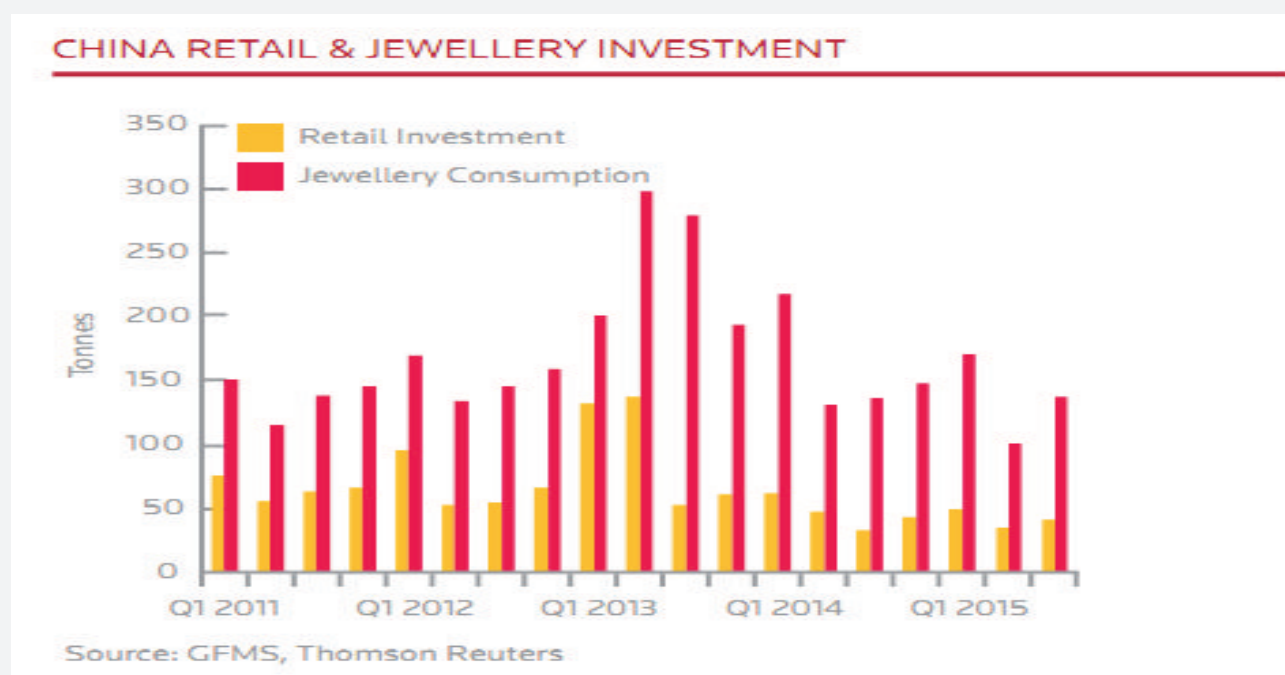
Dollar index can face resistance near 100 levels which can lead to profit booking and dip towards 96-95 levels and any decline in greenback is bullish for gold.

Latest FOMC Minutes

Federal Reserve officials expressed trepidation as they decided last month on a historic interest-rate increase. The decision to raise rates, which the Fed kept near zero for seven years, was unanimous. But minutes of the Fed's December policy meeting, released Wednesday, revealed that some officials expressed concern that inflation would linger below their 2% objective. That, in addition to the stifling effects on the U.S. economy of a strong U.S. dollar and slow growth overseas, could restrain the Fed's desire to follow through with additional rate increases in 2016.

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.



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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