



FOR PRIVATE CIRCULATION ONLY

9 January 2018

MARKET OUTLOOK

MCX Gold and Silver may note mixed trade in line with international market but sell on rise is suggested. COMEX gold continues to trade in a narrow range near \$1320/oz amid lack of fresh cues. Supporting gold price is uncertainty about Fed's monetary policy as Fed officials urge patience on raising interest rate. Also supporting price is tensions relating to Iran. However, weighing on price is recovery in US dollar from recent lows and continuing strength in equity markets. ETF outflows also show weaker investor interest in gold. Risk appetite improved also as Germany political parties started talks to form a coalition government. North Korea and South Korea are also expected to hold talks today on backdrop of winter Olympics. Gold has rallied sharply in last few days but lacks fresh positive factors to push price higher. Given the recovery in US dollar and gains in equity market we expect some correction in gold.

COMEX Silver trades near \$17.1/oz amid rangebound movement in gold and mixed trade in industrial metals. The rally seen in gold and industrial metals in last few days has come to a halt amid lack of fresh factors and this has affected silver as well. Recovery in US dollar has also put some pressure on commodities. ETF outflows also show weaker investor interest in silver. The spot gold silver ratio has also risen from 76.6 to 77.1 as silver underperformed. Mixed trade in gold and industrial metals may dissuade silver investors and some correction is likely.

Focus today will be on European and US economic data and comments from Fed officials which will affect currency movement. Development relating to North Korea, Iran and Germany will also affect risk sentiment.

Commodity	Close	Support	Resistance	Trend
Gold	29261	29100	29350	Sideways
Silver	39043	38750	39250	Sideways

COMEX as on 29-Dec-17

Gold (US dollar per troy ounce)

Contract	High	Low	Close	Change	% Change
Feb-18	1323.0	1315.7	1320.4	-1.9	-0.1%
Apr-18	1327.8	1320.7	1325.2	-1.9	-0.1%

Silver (US dollar cents per troy ounce)

Mar-18	1730.0	1706.5	1714.4	-14.1	-0.8%
May-18	1737.5	1715.0	1722.4	-14.1	-0.8%

MCX as on 08-Jan-18

Gold (Rupees per 10 grams)

Feb-18	29299	29165	29261	44	0.2%
Apr-18	29240	29106	29219	69	0.2%

Silver (Rupees per kilogram)

Mar-18	39245	38920	39043	-210	-0.5%
May-18	39704	39444	39543	-177	-0.4%

Volume and OI Analysis (MCX)

	Gold	Vol (lots)	Change (%)	OI (lots)	Change (%)
Feb-18		5638	-3.0	6349	5.7
Apr-18		267	-15.0	2738	3.2
	Silver				
Mar-18		11949	-8.0	17409	2.4
May-18		173	-1.7	575	1.1

MCX Spread Matrix (Regular 1 KG)

Gold	Feb	Apr	Jun	Aug
Feb	0	42	-89	128
Apr			-131	86
Jun				217
Aug				0

MCX Spread Matrix (Regular 30 KG)

Silver	Mar	May	Jul	Sep
Mar	0	-500	-1016	-1533
May			-516	-1033
Jul				-517
Sep				0

Options Monitor

	08-Jan-18	Previous	Change (%)
Call Volume (lots)	96	93	3.2
Put Volume (lots)	30	77	-61.0
Call OI (lots)	1001	1001	0.0
Put OI (lots)	361	359	0.6
PCR Volume	0.31	0.83	-62.3
PCR OI	0.36	0.36	0.6



SPREAD ANALYSIS

Spread Monitor (Rs per 10 gram)

Gold	1kg	Mini	Guinea	Petal	Global	N-Hedge	N- Gold
1kg	0	-9	-82	-19		2435	#N/A
Mini		0	-73	-10		2444	#N/A
Guinea			0	63		2517	#N/A
Petal				0		2454	#N/A
Global					0		#N/A
N-Hedge						0	#N/A
N-Gold							#N/A

All contracts are first month contract; N-Hedge is NCDEX, N-Gold is NCDEX gold

GOLD PARITY CALCULATOR

COMEX GOLD	1320.4
USDINR JAN	63.573
CUSTOMS DUTY	2757
LANDED COST	29610
MCX GOLD	29261
PREMIUM (USD/oz)	-17.2

The spread between MCX Gold Feb and NCDEX Gold hedge narrowed from Rs.2463/10 gram to Rs.2435/10 gram as MCX Gold rose less. Slack trading is affecting NCDEX prices. The latest gold import tariff stands at \$415/10 grams or about Rs.2750/10 gram. The gap between MCX Gold and NCDEX gold should reflect tariff

value but no major trading happening on NCDEX. Gold has turned choppy after testing 3 ½ year high amid lack of fresh cues. The gap between domestic and international futures (Feb) was near \$17/oz yesterday. The discount has widened amid reports that government could reduce import duty at the Budget. Rupee variability has also affected parity between domestic and international price. Rupee has tested the highest level since July 2015 on higher bond yields and general weakness in the US dollar. Higher imports show robust domestic demand. As per GFMS estimates, India's gold imports surged 67% in 2017 from the previous year to 855 tonnes. Premium of silver futures over international prices has also fluctuated in last few days on changes in demand expectations and rupee volatility. The premium was nearly 15 cents yesterday

Spread Monitor (Rs per kg)

Silver	30 kg	Mini	Micro	1000	Hedge
30 kg	0	-14	-19	-86	#N/A
Mini		0	-5	-72	#N/A
Micro			0	-67	#N/A
1000				0	#N/A
Hedge					#N/A

All contracts are first month contract; Hedge is NCDEX contract

SILVER PARITY CALCULATOR

COMEX SILVER	17.144
USDINR FEB	63.788
CUSTOMS DUTY	3581
LANDED COST	38740
MCX SILVER	39043
PREMIUM (USD/oz)	0.15

FUTURES MARKET ANALYSIS

Gold- COMEX gold trades in a narrow range near \$1320/oz after a 0.1% decline yesterday. Gold traded in a narrow range of \$7.3/oz yesterday (\$1315.7-1323/oz) and ended little changed. Gold last week tested the highest level since Sept.2017 however price has turned rangebound amid lack of clear cues. The US dollar index has recovered from recent lows but remains pressurized by Fed uncertainty. US equity market corrected yesterday but is still near record high levels. Gold may continue to trade in a broad range amid lack of clear cues but sell on rise is suggested amid improved risk sentiment. Focus will continue to be on US and European economic data and comments from central bank officials.

The US dollar index trade marginally lower after 0.4% gain yesterday. The US dollar index 3 ½ month low last week but has recovered on lack of fresh cues. The US dollar also benefitted from rise in bond yields. The US 10-year bond yield rose to 2.49%, highest since March 2017. However, weighing on US dollar is mixed economic data and uncertainty about Fed's monetary policy. US non-farm payrolls data released last week was below expectations. FOMC minutes last week showed that Fed will maintain gradual rate hike stance. Comments from Fed officials however show a more patient stance. Atlanta Fed President Raphael Bostic urged policy makers to be patient in raising interest rates. Boston Fed President Eric Rosengren said that shifting away from an inflation target of 2% to a range could provide flexibility.

Gold rise is also challenged by gains in equity market. US equity market ended marginally lower yesterday after rally to record high level last week. Asian equity markets are trading higher today. Risk sentiment improved also as German political parties started five day talks to form a government. North Korea and South Korea are also scheduled to hold talks Tuesday on winter Olympics participation in a sign of cooperation and determining to lower tensions. Iran forces claims that protests are over but uncertainty persists. ETF outflows also show weaker investor interest. Gold holdings with SPDR ETF were unchanged at 834.86 tonnes after last week's decline.

Silver- COMEX Silver trades near \$17.1/oz after yesterday's 0.8% decline. Rangebound movement in gold and mixed trade in industrial metals has pressurized silver. Silver holdings with iShares ETF fell by 26.4 to 9877.7 tonnes. Gold Silver ratio rose to 77.1 as silver fell more than gold.



TECHNICAL OUTLOOK




Aurobinda Gayan- Vice President Research
aurobinda.gayan@kotakcommodities.com
Fundamental Team

Faiyaz Hudani- DVP	Oilseeds; Pulses	faiyaz.hudani@kotakcommodities.com
Madhavi Mehta- AVP	Bullion; Energy	madhavi.mehta@kotakcommodities.com
Priyanka Jhaveri- AVP	Base Metals	priyanka.jhaveri@kotakcommodities.com
Sunandh Subramaniam- Asst. Manager	Spices	sunandh.subramaniam@kotakcommodities.com

Technical Team

Ashok Kamrani- Senior Manager	Ashok.kamrani@kotakcommodities.com
Karan Shah- Manager	shah.karan@kotakcommodities.com

Disclaimer

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions.

This material is for the personal information of the authorized recipient and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or solicitation of an offer to buy any commodity or commodity derivative to any person in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Kotak Commodity Services Private Limited. It doesn't constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients.

We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed. Neither Kotak Commodity Services Private Limited, nor any person connected with it, accepts any liability arising from the use of this document. The recipients of this material should rely on their own investigations and take their own professional advice.

Price and value of the commodity referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions including those involving commodity derivatives involve substantial risk and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a commodity's price movement and trading volume as opposed to focusing on a commodity's fundamentals and as such may not match with a report on a commodity's fundamentals.

We do not have any information other than information available to general public. The report is based on information from sources like respective industry associations, FICCI, CII, companies, media and other public sources. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading may make trading decisions that are inconsistent with the recommendations expressed herein.

We and our affiliates, officers, directors, and employees worldwide may: (a) from time to time, have long or short positions in, and buy or sell the commodities mentioned herein or (b) be engaged in any other transaction involving such commodities and earn brokerage or other compensation or act as a market maker in the commodity/ (ies) discussed herein or have other potential conflict of interest with respect to any recommendation and related information and opinions.

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject commodity and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

No part of this material may be duplicated in any form and/or redistributed without Kotak Commodity Services Private Limited's prior written consent.

Registered Office: Kotak Commodity Services Private Ltd., Nirlon house, 1st Floor, Dr. Annie Besant Road, Opp. Sasmira, Near Old Passport Office, Worli, Mumbai-400030.

CIN No. U65910MH1987PTC042230. Fax: +912224924696. Customer care no. 1800 102 6776. Website: www.kotakcommodities.com.

SEBI registration no.: INZ000044135. NCDEX/TCM/CORP/0479. MCX/TCM/CORP/0026. NCDEX - 00155. MCX - 10440.

Trading in commodities is subject to market risk and one should read the Risk Disclosure Document carefully prior to trading