



Weekly Digest

KCSPL Research

MARKET ANALYSIS

- MCX Gold October contract trades near Rs.30500/10 gram after a 1.2% gain last week. There is a disconnect between domestic and international market due to persisting weakness in rupee. Indian rupee has depreciated by 1% to hit a fresh record low level of 72.4875. Rupee is under pressure amid contagion fear in emerging market economies, higher crude oil price and trade worries. Domestic gold price ended at a premium of about \$6.5/oz to international price Friday due to weaker rupee outlook and some pickup in domestic buying ahead of festival season. As per GFMS data, Indian imports stood at 92 metric tons in August as against 41 tons same month last year. On the occasion of Dhanteras last year, the festival of wealth, MCX launched Options on Gold futures. Trade volumes stood at about 1560 crores on Day 1 but weakened later. Volumes got a boost after SEBI allowed Liquidity enhancement scheme in April end. Volume averaged 705 crores last week. Total OI was at 2011 lots with maximum OI on call side at 30500 and on put side at 30400 strike. The Put call ratio stood at 1.27 as against 1.22 a week ago. The ratio rose as put positions rose more than call.
- While domestic gold price are supported by weaker rupee, international gold price has been trading in a broad range amid lack of fresh cues. Gold hit a low of near \$1160/oz in mid-August but has recovered and has been trading in a broad range near \$1200/oz since then. While price are largely in a range, weighing on market sentiment is positive outlook for US dollar, general selling pressure in commodities and continuing ETF outflows. The US dollar index hit a low of 94.87 but managed to recover and end with a 0.2% gain at 95.37. The US dollar remains supported by optimism about US economy and Fed's monetary tightening stance. US non-farm payrolls report released last Friday noted a 201,000 increase in US jobs as against market expectations of 190K increase. The bigger than expected rise in jobs along with bigger than expected rise in earnings boosted confidence for US economy further strengthening the case for Fed's interest rate hike this month. The US dollar is also supported by safe haven buying amid trade war worries and contagion fear in emerging market economies. We expect US dollar to remain supported by optimism about US economy and Fed's rate outlook however trade related development and economic data could result in volatility which will affect commodities as well.

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- Commodities in general including gold are under pressure due to trade worries and contagion fear in emerging markets and concerns about Chinese economy. Trade worries have intensified as US President Donald Trump has threatened to impose import tariffs on all Chinese goods. The period of public comment on imposition of 25% import duty on \$200 billion Chinese goods ended September 6 but there has been no announcement from US yet. In addition to it, US President on Friday announced that he's ready to target a sum of goods equal to virtually all imports from China. Adding to trade worries, talks between US and Canada over NAFTA agreement have not yielded much result yet. Meanwhile, US President has also threatened to take up trade issues with Japan. Emerging markets equity and currency markets are under pressure as sell-off in Turkey and Argentina has spread to other markets as well. Mixed Chinese economic data has kept concerns high about health of Chinese economy. Gold is additionally under pressure due to continuing ETF flows. Funds with SPDR ETF have hit the lowest level since Feb.2016.
- COMEX Silver trades near \$14.1/oz after a sharp 2.7% decline last week. Silver has fallen sharply last few days and tested the lowest level since Jan.2016. Concurrent losses in gold and industrial metals has led to a sharp sell-off in silver. ETF inflows however show buying interest in silver. The spot gold silver ratio rose from 82.8 to 84.8 last week as silver fell more than gold. The ratio has tested the highest level since 1995 and could remain on the higher side.

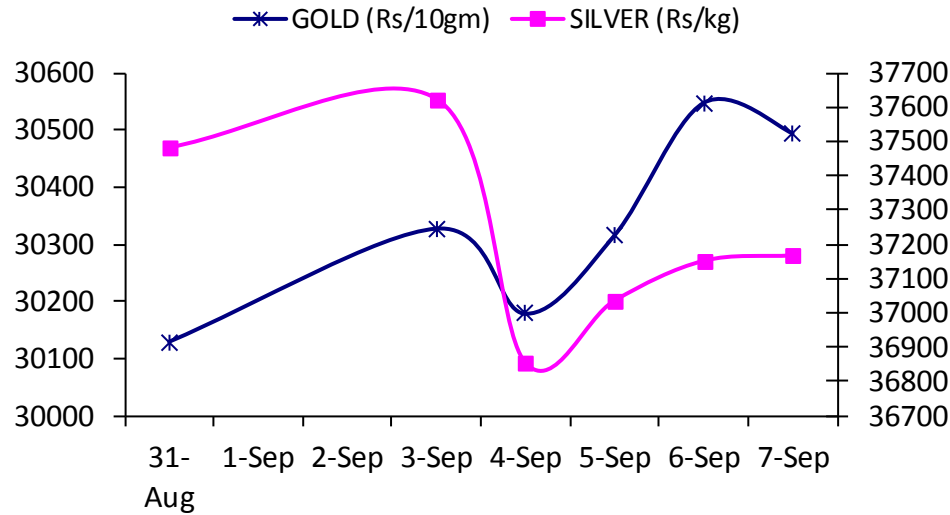
FUTURES (03rd Sept. to 07th Sept 2018)

CONTRACT	EXCHANGE	QUOTE	CLOSE	CHANGE	% CHANGE	HIGH	LOW
GOLD AUG	COMEX	USD/OZ	1195.1	-6.5	-0.5	1207.4	1190
SILVER JUL	COMEX	USD/OZ	14.17	-0.387	-2.7	14.590	14.035
GOLD AUG	MCX	RS/10GM	30494	365	1.2	30700	30070
SILVER JUL	MCX	RS/KG	37167	-315	-0.8	37650	36641

SPOT

COMMODITY	QUOTE	CLOSE	CHANGE	% CHANGE	HIGH	LOW
GOLD	USD/OZ	1196.9	-6.69	-0.6	1207.1	1189.7
SILVER	USD/OZ	14.173	-0.368	-2.5	14.555	14.010

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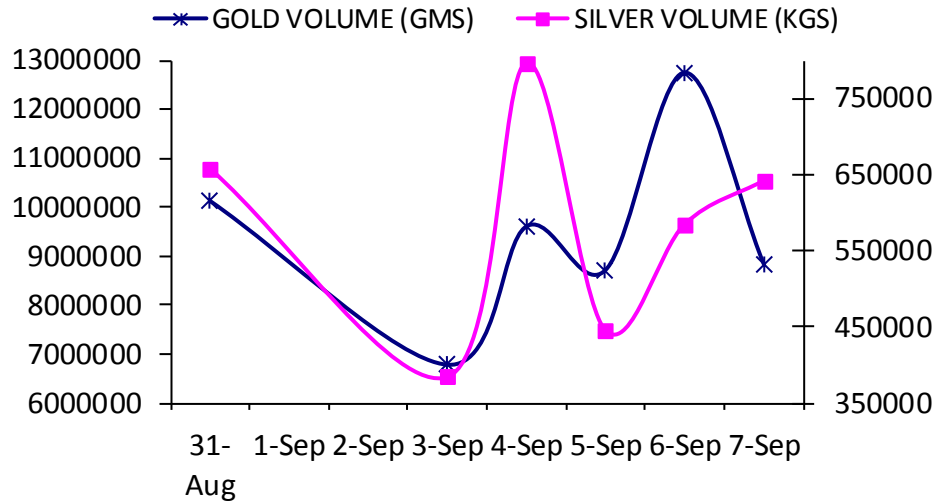


MCX Gold Silver Price Movement

MCX Gold October contract ended with a 1.2% gain as losses in international market were offset by weakness in rupee. COMEX gold fell 0.5% last week on gains in US dollar, upbeat US economic data and continuing ETF outflows. Indian rupee depreciated by 1% on contagion fear in emerging market economies. MCX Gold ended at a premium of nearly \$6 to international price amid pickup in domestic demand and weaker outlook for rupee.. Gold imports in India have risen for last two months indicating pick up in demand.

MCX Silver December contract fell 0.8% last week as COMEX Silver plunged 2.7% and Indian rupee depreciated against the US dollar. COMEX Silver fell sharply amid concurrent losses in gold and industrial metals.. Domestic silver price are trading at a marginal premium of about 22 cents to international price showing uptick in demand. Rupee fluctuations has also affected the spread.

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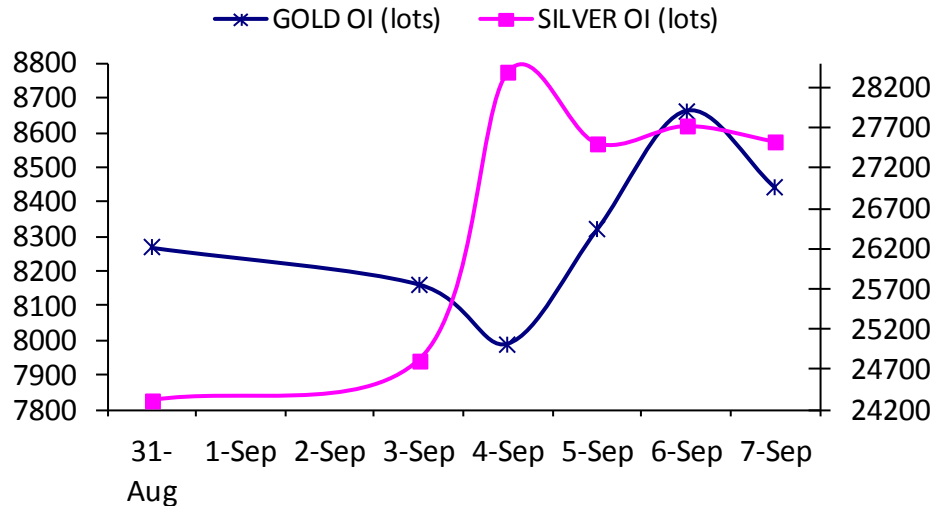


MCX Gold Silver Volume Trend

Trade volumes for MCX Gold October contract and MCX Silver December contract varied last week but lower moderately over the week.

On the week, trade volume for MCX Gold October contract fell from 10126 kilograms to 8844 kilogram and averaged 9338 kilograms. Volume for MCX Silver December contract fell from 657.63 tonnes to 641.91 tonnes and averaged 570.47 tonnes. Gold volumes wavered as international price held in a range while domestic price were affected by rupee variability. MCX Gold October contract traded in a range of Rs.428/10 gram (Rs.29528-29956/10 gram). MCX Silver September contract traded in a range of Rs.701kg (Rs.37736-38437/kg)

MCX Gold Options started trading on October 17, 2017. Volumes averaged about 2312 lots last week or about 705 crores. Volumes witnessed a brief surge to near 2000 crores post introduction of LES scheme. Price volatility has kept trade volumes high. Silver trade volumes averaged 180 lots or about 20.7 crores. Volumes have failed to improve significantly despite price volatility.

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MCX Gold Silver Open Interest Trend

Open interest for MCX Gold October contract rose from 8267 contracts to 8441 contracts, an increase of 2.1%. Price rose last week and open positions increased which indicates buildup in long positions. The move was however not supported by higher trade volumes. There is a general disconnect between domestic and international price because of sharp losses in rupee.

OI for MCX Silver December contract rose from 24317 contracts to 27528 contracts, an increase of 13.2%. OI in December contract has risen amid shift from September contract to December contract. OI rose while price ended lower last week which indicates buildup in short positions. The move was however not supported by higher trade volumes.

For Gold Options, open interest stood at 2011 lots at end of last week as against 1387 a week ago. Max OI for Call options was at 275 lots for 30500 strike while maximum OI for Puts was at 216 lots for 30400 strike. Price currently trades near Rs.30500/10 gram and we could see a shift in OI concentration only once price moves out of current range. Silver OI stood at 777 lots as against 397 lots a week ago. Max call OI is at 243 lots for 39000 strike level while max Put OI is at 59 lots for 37000. Silver is trading near 37200 levels and we could see a shift in OI concentration if the lower end is breached.

INVESTMENT INTEREST

Gold remained under pressure amid continuing ETF outflows. Gold holdings with SPDR ETF fell by 9.72 to 745.44 tonnes. This is the lowest holding with the fund since February 2016. Global ETF saw a net outflow of about 6.12 to 2109.23 tonnes. Silver ETF on other hand saw a net inflow as price neared a key \$14/oz level. Silver holdings with iShares ETF rose by 88.99 to 10348.67 tonnes. Global ETF saw a net inflow of about 137.25 to 16616.67 tonnes.

ETF HOLDINGS					
COMMODITY	FUND	07 Sept	31 Aug	CHANGE	% CHANGE
GOLD	SPDR	745.44	755.16	-9.72	-1.3
GOLD	Total ETF	2109.23	2115.35	-6.12	-0.3
SILVER	ISHARES	10348.67	10259.68	88.99	0.9
SILVER	Total ETF	16616.67	16479.42	137.25	0.8

SPECULATIVE POSITION

Gold price held in a narrow range near \$1200/oz while speculators remained net short for the fourth consecutive week. Firmer outlook for US dollar amid optimism about US economy and Fed's rate hike has pressurized gold price and there are little chance for a reversal soon. As per US CFTC report for the week ended September 4, non-commercial traders for gold futures cut long positions by 3.7% and raised short positions by 1.3%. Net short position more than tripled to record high level of 13497 contracts. Similar to gold, silver speculators have also raised net short position to fresh record levels. Non-commercial traders for silver futures cut long positions by 4% and raised short positions by 8.6%. Net short position rose by 74.6% to 28974 contracts. The weaker outlook for gold and industrial metals has pressurized silver as well and it is unlikely that we may see a change in trend soon enough.

SPECULATIVE POSITION (for the week ended 04 September)						
Non-commercial	QUOTE	LONG	SHORT	NET POSITION	CHANGE	CHANGE(%)
GOLD	CONTRACTS	199762	213259	-13497	-10434	340.6
SILVER	CONTRACTS	83061	112035	-28974	-12376	74.6
EURO	CONTRACTS	173335	165372	7963	15182	-210.3
DOLLAR INDEX	CONTRACTS	43987	10501	33486	-1085	-3.1

GLOBAL 10-YEAR BOND YIELDS					
	CLOSE	CHANGE	% CHANGE	HIGH	LOW
US	2.939	0.08	2.74	2.948	2.853
UK	1.459	0.03	2.24	1.480	1.391
Germany	0.387	0.06	18.71	0.398	0.313
Canada	2.288	0.06	2.69	2.294	2.209

CURRENCIES (spot)					
CURRENCY	CLOSE	CHANGE	% CHANGE	HIGH	LOW
DOLLAR INDEX	95.37	0.22	0.2	95.74	94.87
EURO/USD	1.155	-0.005	-0.4	1.166	1.153
USD/INR	71.74	0.74	1.0	72.11	70.73

OTHER ASSET CLASSES					
	CLOSE	CHANGE	%	HIGH	LOW
CRB INDEX	190.36	-2.60	-1.35	193.4	189.0
DJIA INDEX	25916.54	-48.28	-0.19	26073.7	25806.0

CORRELATION MATRIX					
GOLD VS.	SILVER	CRUDE OIL	DOLLAR	DJIA	
Last Week	0.95	0.30	-0.88	0.07	
2018	0.83	-0.57	-0.88	0.02	
2017	0.28	0.05	-0.74	0.55	
2016	0.87	0.33	-0.62	0.24	

US ECONOMIC CALENDAR (source- Briefing.com)						
Date	IST	Release	For	Actual	Consensus	Prior
Sep-04	1930	ISM Index	Aug	61.3	57.6	58.1
Sep-04	1930	Construction Spending	Jul	0.1%	0.50%	-0.8%
Sep-05	1800	Trade Balance	Jul	-\$50.1B	-\$50.6B	-\$45.7B
Sep-06	1745	ADP Employment Change	Aug	163K	186K	217K
Sep-06	1800	Initial Claims	01-Sep	203K	214K	213K
Sep-06	1930	Factory Orders	Jul	-0.8%	-0.60%	0.70%
Sep-06	1930	ISM Services	Aug	58.5	56.5	55.7
Sep-07	1800	Nonfarm Payrolls	Aug	201K	187K	147K
Sep-07	1800	Unemployment Rate	Aug	3.9%	3.90%	3.90%

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Gold- COMEX gold trades near \$1195/oz amid lack of fresh cues however weighing on price is general positive outlook for US dollar, general selling pressure in commodities and continuing ETF outflows hence we maintain sell on rise view. The US dollar is likely to be supported by optimism about US economy and safe haven buying amid trade worries. US jobs report last week was better than expected and US equity market has also managed to hold firm in global turmoil. Trade worries and emerging market contagion fears are unlikely to fade soon and this will also keep US dollar underpinned. On trade front, US and Canada are holding talks but it is unlikely that a deal may be struck soon. US-China trade conflict has deepened further with Trump's threat to impose duty on all Chinese goods. Focus will also be on US-Japan trade development. Focus this week will be on US economic data, central bank meeting and trade related development. US economic data is likely to be mixed to positive. ECB and BOE will keep monetary policy unchanged but future outlook will affect US dollar. Trade related development will also affect US dollar as well as risk sentiment. Amid other factors, ETF flows may continue unless we see some price recovery or some positive development relating to gold. Overall, we expect to see choppy trade in gold amid lack of fresh cues but sell on rise is suggested as general outlook is still positive for US dollar. The trading range for the week could be \$1180-1210/oz.

On the domestic front, MCX Gold October contract may trade in a range of Rs.30150-30780/10 gram and one should wait for corrective rebound before creating fresh shorts. Domestic gold price are supported by weaker rupee hence one must wait for higher levels to create short positions. Rupee is under pressure due to choppiness in equity market amid trade and contagion worries and general outlook is weak. Demand in physical market will also affect the gap between domestic and international price. Demand has shown some signs of pickup ahead of festivals however higher domestic price remain a dampener.

Silver-COMEX Silver is consolidating near \$14/oz after testing the lowest level since Jan.2016. We expect to see choppiness in silver but the general trend is on the downside. Unless we see stability in gold or industrial metals we may not see a sustained recovery in silver. Gold is pressurized by general optimism about US economy and Fed's rate hike stance. Industrial metals are pressurized by concerns about Chinese economy. ETF inflows show some buying interest in silver however the pace has been modest so far and not enough to support a rebound in price. The sharp sell-off in silver has pushed the gold silver ratio to 85 levels, a level not seen since 1995. While it is a critical level to watch for the ratio is generally expected to be on the higher side. For gold, focus will be on US economic data, central bank decisions and development relating to trade policies. Industrial metals will be affected by US and Chinese economic data and trend in equity markets. For the week we could see price trading in a range of \$13.8- 14.5/oz and fresh selling should be considered only at higher levels.

Tracking cues from international exchange, MCX Silver September contract may trade in a range of Rs.36600-37800/kg and selling could be considered only at corrective rebound. Trend in rupee will also affect domestic silver price. Domestic silver may continue to trade at a marginal premium over international price. A note of caution is that Silver September OI is near the highest level for the contract. It shows bearishness but could result in a bout of short covering if there is no fresh negative factor.

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PIVOT LEVELS						
COMMODITY	EXCHANGE	QUOTE	SUPPORT	SUPPORT	RESISTANCE	RESISTANCE
GOLD OCT	COMEX	USD/OZ	1180	1188	1205	1215
SILVER DEC	COMEX	USD/OZ	13.71	13.94	14.50	14.82
GOLD OCT	MCX	RS/10GM	29791	30143	30773	31051
SILVER DEC	MCX	RS/KG	36144	36655	37664	38162

These levels are determined by mathematical calculation based on previous week's price movement

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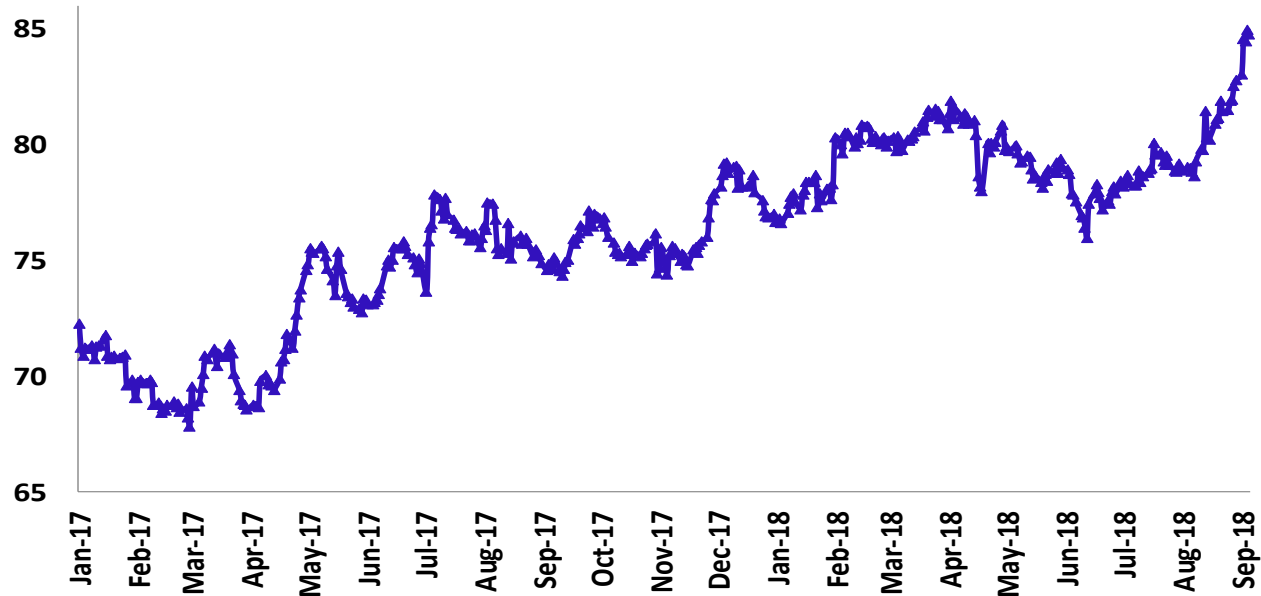
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Date	IST	Currency	Data	Forecast	Previous	Importance
10-Sep	14:00	EUR	Sentix Investor Confidence	14.3	14.7	Medium
		GBP	GDP m/m	0.10%	0.10%	Low
		GBP	Manufacturing Production m/m	0.20%	0.40%	Low
		GBP	Goods Trade Balance	-11.7B	-11.4B	Low
		GBP	Industrial Production m/m	0.20%	0.40%	Low
	Tentative	GBP	NIESR GDP Estimate		0.50%	Low
	21:30	USD	Fed Bostic Speaks			Medium
11-Sep	14:00	GBP	Claimant Count Change	3.6K	6.2K	Low
		GBP	Unemployment Rate	4.00%	4.00%	Low
	14:30	EUR	German ZEW Economic Sentiment	-13.5	-13.7	Medium
		EUR	ZEW Economic Sentiment	-10.9	-11.1	Medium
	19:30	USD	JOLTS Job Openings	6.675M	6.66M	Low
12-Sep	14:30	EUR	Industrial Production m/m	-0.50%	-0.70%	Low
	17:30	INR	CPI y/y	3.80%	4.20%	Medium
		INR	Industrial production	6.50%	7.00%	Medium
	18:00	USD	PPI m/m	0.20%	0.00%	Medium
	19:00	USD	Fed Bullard Speaks			Medium
	20:00	USD	Crude Oil Inventories		-4.3M	Medium
	22:15	USD	Fed Brainard Speaks			Medium
	23:30	USD	Beige Book			Low
13-Sep Indian Markets are closed for Ganesh Chaturthi; evening session is open						
13-Sep	11:30	EUR	German Final CPI m/m	0.10%	0.10%	Low
	16:30	GBP	Official Bank Rate	0.75%	0.75%	High
		GBP	Asset Purchase Facility	435B	435B	Medium
	17:15	EUR	Main Refinancing Rate	0.00%	0.00%	High
	18:00	EUR	ECB Press Conference			High
		USD	CPI m/m	0.30%	0.20%	Medium
		USD	Unemployment Claims	210K	203K	Medium
	19:30	USD	Fed Quarles Speaks			Medium
	20:00	USD	Natural Gas Storage		63B	Medium
	22:45	USD	Fed Bostic Speaks			Medium
14-Sep	7:30	CNY	Industrial Production y/y	6.20%	6.00%	High
		CNY	Retail Sales y/y	8.80%	8.80%	Medium
		CNY	Unemployment Rate		5.10%	Medium
	12:00	INR	Wholesale Prices y/y	4.65%	5.09%	Medium
	14:30	EUR	Trade Balance	16.2B	16.7B	Low
	15:30	GBP	BOE Gov Carney Speaks			Medium
	18:00	USD	Retail Sales m/m	0.40%	0.50%	Medium
	18:30	USD	Fed Evans Speaks			Medium
	18:45	USD	Industrial Production m/m	0.30%	0.10%	Medium
	19:30	USD	Prelim UoM Consumer Sentiment	96.8	96.2	Medium
		USD	Fed Rosengren Speaks			Medium

Spot gold silver ratio



Spot gold and silver values taken from Metastock

Spot Gold Silver Ratio

The spot gold silver ratio stood at 84.8 on Friday as against 82.8 a week ago and topped at 85 levels. The ratio is near the highest level since 1995. The ratio has hit multi year high as silver has fallen more than gold. Gold has been under pressure amid firmer US dollar and continuing ETF outflows. Silver has fallen more due to concurrent losses in gold and industrial metals. Industrial metals are under additional pressure due to concerns about health of Chinese economy and concerns about emerging market economies.

The ratio has rallied sharply in last few days as silver was hit by concurrent losses in gold and industrial metals. The ratio may continue to remain high as we may not see much recovery in silver unless gold or industrial metals stabilize. Trade worries and concerns about Chinese economy may weigh on commodities at large.

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