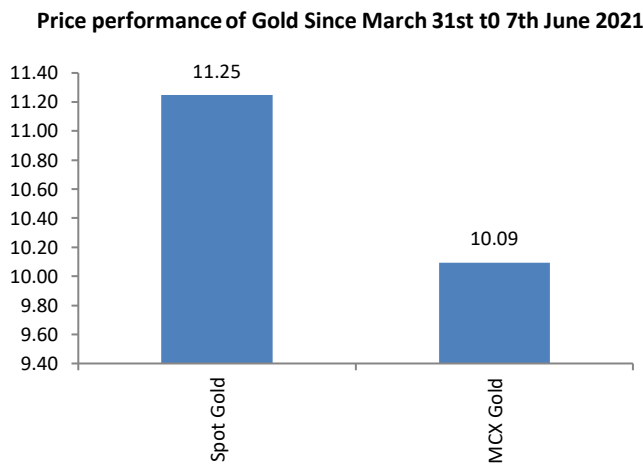


## Gold to move higher towards 50000 mark



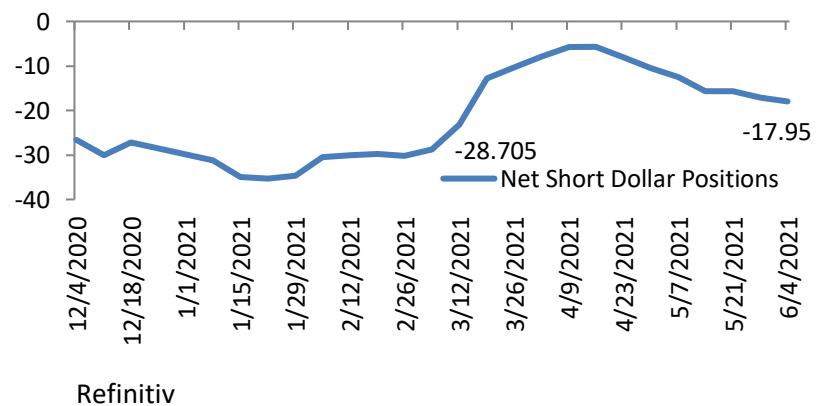
Source: Refinitiv, Angel Broking

Gold prices have gained 11 percent in the international markets and around 10 percent on the MCX futures in the time period 31<sup>st</sup> March to 7<sup>th</sup> June 2021. The factors surrounding the rise in the yellow metal is a combination of host of factors ranging from increased inflationary pressures, weakness in the dollar index, and the White house proposal of \$6 trillion to ramp up spending on infrastructure programmed to boost the economy.

## Investors interest rise in the Yellow Metal

The employment prospects in the US have shown signs of improvement with the recent Non-Farm Payroll data that was released on 4<sup>th</sup> June 2021. Nonfarm payrolls increased by 559,000 jobs last month (May 2021) after rising 278,000 in April. That left employment about 7.6 million jobs below its peak in February 2020. Economists polled by Reuters had forecast 650,000 jobs created in May. About 9.3 million people were classified as unemployed last month. There are a record 8.1 million unfilled jobs.

## Net Short Dollar Positions in Billion Dollars



Moreover, the weakness in the dollar index and its inverse co-relation with the gold has had a fair share in rising gold prices in the past two months. The dollar's index against a basket of six major currencies stood at 90.021 as on 8<sup>th</sup> June, not far from 89.533, a 4 1/2-month low touched late last month. In the dollar positions as reported by the CFTC, net dollar short positions have been falling over the past weeks in a sign of possible recovery and growth in the US economy.

## Inflation rising at a faster pace, What will FED Do?

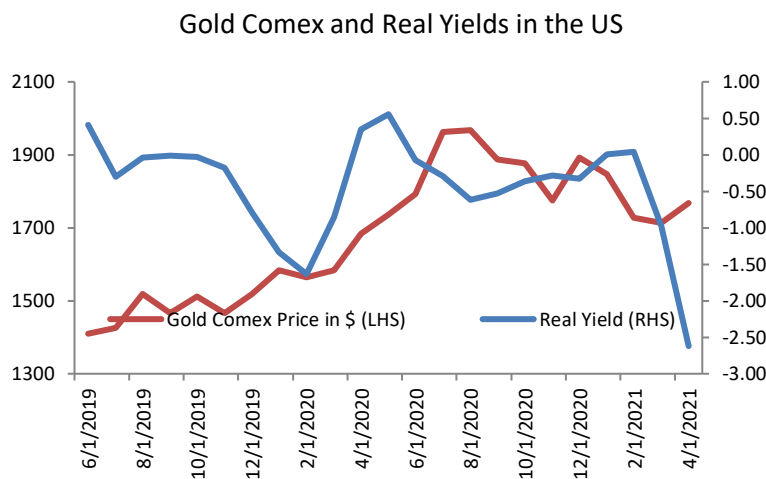
U.S. consumer prices increased by the most in nearly 12 years in April as booming demand amid a reopening economy pushed against supply constraints, which could add fuel to financial market fears of a lengthy period of higher inflation. The data suggests increasing periods of inflationary trends for the past 6 months. The data for May is due to be released on Thursday 10<sup>th</sup> June 2021, and is estimated to report a higher number at 4.7% as per Reuters Poll.

Period	Actual	
	Original Release Date	First Release
Apr 2021	12 May 2021 18:00	4.2%
Mar 2021	13 Apr 2021 18:00	2.6%
Feb 2021	10 Mar 2021 19:00	1.7%
Jan 2021	10 Feb 2021 19:00	1.4%
Dec 2020	13 Jan 2021 19:00	1.4%
Nov 2020	10 Dec 2020 19:00	1.2%
Oct 2020	12 Nov 2020 19:00	1.2%

Source - Refinitiv

Higher inflationary trends is already the talk of the town and the FED might consider to taper its Bond Buying Programme is a discussion in financial circles. We have recently seen Fed press release on 2<sup>nd</sup> June stating that they are considering winding down the portfolio of Secondary Market Corporate Credit Facility (SMCCF), a temporary emergency facility that closed on 31<sup>st</sup> December 2020. The SMCCF proved vital in restoring market functioning last year, supporting the availability of credit for large employers and bolstering the employment opportunities during the COVID-19 pandemic.

## Where is gold headed?



Source: Refinitiv

Real yields is nothing but the difference between the 10 year bond yield and the inflation and the curve is in negative trajectory for most of the past months which in turn has lead to rising investment in gold. Till the time the real yields are in a negative territory, the gold prices are projected to remain higher in the months ahead.

Although, the inflationary trend seems higher, the unemployment situation in the

US as per the recent Non-Farm Payrolls data indicate that the slack in the labor market is going to continue for longer period of time than markets expect. The FED might be on the discussion table to wind up the bond buying purchase programme, but, it will have to consider all the growth indicators before it actually moves towards winding up of QE.

**We expect MCX gold futures (CMP: As on 8<sup>th</sup> June2021:Rs.49056/10gms) prices to move higher towards Rs.50400/10 gms mark in a month time frame while Gold prices on the comex (\$1890/oz) to move higher towards \$1960/oz in the same time frame.**