



FOR PRIVATE CIRCULATION ONLY

28 July 2017

MARKET OUTLOOK

MCX Gold and silver may note mixed trade in line with international market but bias remains positive. COMEX gold trades near \$1260/oz after testing over 1-month high. Weighing on gold price is optimism about US economy amid some upbeat economic data. ETF outflows also show continuing exodus by investors. However, supporting price is Fed's cautious tone on inflation which has caused uncertainty about future monetary policy stance. Global equity markets are also under pressure today amid lack of fresh cues to extend recent rise. Gold is likely to witness choppy trade amid mixed cues and position squaring ahead of weekend and month end hence we suggest waiting for lower levels to go long.

COMEX Silver trades weaker amid rangebound movement in gold and weakness in industrial metals. Stability in US dollar and weakness in equity markets has put pressure on commodities at large. Silver ETF investors remain on sidelines indicating no buying interest. The spot gold silver ratio is also steady near 75.8 levels as both gold and silver has stalled near recent highs. Silver has risen sharply in last few days and some position squaring is likely hence fresh longs should be at lower levels only.

Focus will continue to be on US economic data which will affect US dollar as well as general risk sentiment. Development relating to Trump will also affect risk sentiment.

Commodity	Close	Support	Resistance	Trend
Gold	28476	28350	28600	Sideways
Silver	38263	37800	38600	Sideways

COMEX as on 27-Jul-17

Gold (US dollar per troy ounce)

Contract	High	Low	Close	Change	% Change
Aug-17	1265.0	1253.9	1260.0	10.6	0.8%
Oct-17	1268.1	1257.1	1263.2	10.7	0.9%

Silver (US dollar cents per troy ounce)

Sep-17	1681.0	1654.0	1657.3	11.4	0.7%
Dec-17	1690.5	1664.5	1667.0	11.4	0.7%

MCX as on 27-Jul-17

Gold (Rupees per 10 grams)

Aug-17	28607	28367	28476	92	0.3%
Oct-17	28850	28642	28748	113	0.4%

Silver (Rupees per kilogram)

Sep-17	38699	38179	38263	172	0.5%
Dec-17	39274	38786	38903	159	0.4%

Volume and OI Analysis (MCX)

	Gold	Vol (lots)	Change (%)	OI (lots)	Change (%)
Aug-17		9932	27.2	4532	-14.4
Oct-17		1823	125.9	2655	8.8
Sep-17		19982	31.9	17658	-1.2
Dec-17		250	9.6	1340	3.2

MCX Spread Matrix (Regular 1 KG)

Gold	Aug	Oct	Dec	Feb
Aug	0	-272	-479	-811
Oct			-207	-539
Dec				-332
Feb				0

MCX Spread Matrix (Regular 30 KG)

Silver	Sep	Dec	Mar	May
Sep	0	-640	-1272	-1694
Dec			-632	-1054
Mar				-422
May				0

Spot Price (Source NCDEX)	Current	Previous	Change
Gold-Ahmedabad	28,577	28,368	209
Silver-Ahmedabad	38,530	38,000	530

Source: NCDEX



SPREAD ANALYSIS

Spread Monitor (Rs per 10 gram)

Gold	1kg	Mini	Guinea	Petal	Global	N-Hedge	N- Gold
1kg	0	-1	196	206		2543	#N/A
Mini		0	197	207		2544	#N/A
Guinea			0	10		2347	#N/A
Petal				0		2337	#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	1260.0
USDINR JUL	64.123
CUSTOMS DUTY	2659
LANDED COST	28505
MCX GOLD	28476
PREMIUM (USD/oz)	-1.4

The spread between MCX Gold June and NCDEX Gold hedge narrowed from Rs.2677/10 gram to Rs.2543/10 gram as MCX Gold rose less. Slack trading is affecting NCDEX prices. The latest gold import tariff stands at \$396/10 grams or about Rs.2660/10 gram.

The gap between MCX Gold and NCDEX gold should reflect tariff value but no major trading happening on NCDEX. COMEX gold rose to 1-month on weakness in US dollar post FOMC decision. The gap between domestic and international futures (August) was near \$1.5/oz yesterday. Volatility in rupee is affecting the spread between domestic and international price. Market focus now is on impact of GST. Government has imposed 3% GST on gold. While there is clarity on rates there are reports of confusion over rates on sale of old gold and jewellery repairs. GST concerns, higher inventory, slack monsoon demand and restriction on cash transaction will keep spot demand weak. Market players are also awaiting new gold policy as proposed by IBJA. Volatility in gold price has affected silver as well. Domestic silver prices are trading at a marginal premium to international prices. The premium is likely to remain steady.

Spread Monitor (Rs per kg)

Silver	30 kg	Mini	Micro	1000	Hedge
30 kg	0	-25	-26	30	#N/A
Mini		0	-1	55	#N/A
Micro			0	56	#N/A
1000				0	#N/A
Hedge					#N/A

All contracts are first month contract; Hedge is NCDEX contract

SILVER PARITY CALCULATOR

COMEX SILVER	16.573
USDINR AUG	64.348
CUSTOMS DUTY	3479
LANDED COST	37765
MCX SILVER	38263
PREMIUM (USD/oz)	0.24

FUTURES MARKET ANALYSIS

Gold- COMEX gold trades mixed near \$1260/oz after a 0.8% gain yesterday. Gold hit a high of \$1265/oz in intraday trade yesterday, the highest level since June 15, but shed some of the gains to end at \$1260/oz. Gold has turned rangebound amid mixed cues. Stability in US dollar index, upbeat US economic data and ETF outflows is weighing on gold price. However, Fed uncertainty and weakness in equity market has lent support. Mixed factors and positioning ahead of US GDP data today may keep gold price choppy but bias remains positive. Focus today will be on US economic data and Fed comments, which will affect US dollar and risk sentiment.

The US dollar index trades near 93.9 levels after a 0.2% gain yesterday. The index hit a low of 93.152 yesterday, the lowest level since June 2016. The US dollar fell to 13-month low this week as Fed's cautious tone on inflation caused uncertainty about future monetary policy stance. The US currency recovered amid some upbeat economic data and sharp decline in Swiss Franc. US durable goods orders rose 6.5% in June as against forecast of 3.7%. Jobless claims rose by 10000 to 244,000 for the week ended July 22 as against forecast of 240K. Chicago Fed Nat activity index stood at 0.13 as against forecast of 0.37. Kansas Fed index stood at 10 as against forecast of 12. Swiss Franc has fallen sharply amid widening gap between monetary policy of major central banks. Swiss National Bank is still supporting loose monetary to support the economy while ECB, BOE have hinted to monetary tightening. Franc fell to 17-month against the euro.

Asian equity markets trade largely lower today while US futures show possibility of negative opening. Equity markets came under pressure amid profit taking amid lack of fresh cues to extend recent gains. US equity market hit record high level yesterday. Also weighing on risk sentiment are concerns about Trump administration amid continuing debate on healthcare bill. ETF outflows also show weaker investor interest. Gold holdings with SPDR ETF fell to 791.87 tonnes, lowest level since March 2016.

Silver- COMEX Silver trades near \$16.5/oz after a 0.7% gain yesterday. Silver trades lower amid rangebound movement in gold and weakness in industrial metals. Weakness in equity markets and stability in US dollar has put pressure on commodities. ETF flows show weaker buying interest in silver at current levels. Mixed trade in gold and industrial metals may keep silver price choppy.



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

Karan Shah- Manager	shah.karan@kotakcommodities.com
Bhavin Shah- Manager	bhavins.shah@kotakcommodities.com
Rohan Patil- Manager	rohan.patil@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