



FOR PRIVATE CIRCULATION ONLY

23 May 2017

MARKET OUTLOOK

MCX GOLD JUNE CONTRACT

MCX Gold may note some gains tracking cues from international exchange but upside is limited. COMEX gold trades near \$1260/oz after yesterday's gain. Supporting gold price are concerns about Trump and Brexit and geopolitical tensions. Concerns about President Donald Trump rose further amid reports that Trump asked intelligence chiefs to publicly deny any collusion between his campaign and Russia. Geopolitical tensions rose amid reports of a suspected terror attack in UK. North Korea said it is ready to start mass-producing a new medium-range missile, a day after conducting fresh tests. ETF inflows also shows pick up in buying interest. However, weighing on price is continuing gains in US equity market, rise in US bond yields and expectations that Fed may maintain its rate hike stance. Gold remains supported by safe haven buying but stability in equity market could restrict upside hence we suggest going short at higher levels. Focus today will be on US economic data and Fed comments which will affect US dollar and risk sentiment. Also in focus will be development relating to Trump.

Last Close	Support	Resistance	Trend
28785	28600	28950	Sideways

MCX SILVER JULY CONTRACT

MCX Silver may witness mixed trade tracking cues from international exchange. COMEX Silver trades near \$16.6/oz after yesterday's decline. Silver has turned choppy after failing to test \$17/oz levels. Mixed trade in gold and industrial metals on risk sentiment has also kept price volatile. ETF inflows however show buying interest in silver. We expect risk sentiment to affect gold and industrial metals differently and this will keep silver price choppy. We suggest waiting for lower levels to consider fresh buying

Last Close	Support	Resistance	Trend
39874	39400	40150	Sideways

COMEX as on 22-May-17

Gold (US dollar per troy ounce)

Contract	High	Low	Close	Change	% Change
Jun-17	1262.6	1251.6	1261.4	7.8	0.6%
Aug-17	1265.8	1254.8	1264.8	8.0	0.6%

Silver (US dollar cents per troy ounce)

Jul-17	1721.0	1684.0	1719.1	39.5	2.4%
Sep-17	1727.0	1691.5	1726.2	39.5	2.3%

MCX as on 22-May-17

Gold (Rupees per 10 grams)

Jun-17	28800	28564	28785	150	0.5%
Aug-17	28917	28740	28911	114	0.4%

Silver (Rupees per kilogram)

Jul-17	39920	39123	39874	763	2.0%
Sep-17	40336	39607	40299	732	1.9%

Volume and OI Analysis (MCX)

	Gold	Vol (lots)	Change (%)	OI (lots)	Change (%)
Jun-17	Gold	8151	-15.4	4054	-0.6
Aug-17	Gold	324	-26.7	1369	7.9
Jul-17	Silver	16327	13.4	17070	-6.3
Sep-17	Silver	305	-16.9	1495	8.1

MCX Spread Matrix (Regular 1 KG)

Gold	Jun	Aug	Oct	Dec
Jun	0	-126	-256	-384
Aug			-130	-258
Oct				-128
Dec				0

MCX Spread Matrix (Regular 30 KG)

Silver	May	Jul	Sep	Dec
May	0	-425	-1048	-1665
Jul			-623	-1240
Sep				-617
Dec				0

Spot Price (Source NCDEX)	Current	Previous	Change
Gold-Ahmedabad	28,652	28,720	-68
Silver-Ahmedabad	39,392	39,050	342

Source: NCDEX



SPREAD ANALYSIS

Spread Monitor (Rs per 10 gram)

Gold	1kg	Mini	Guinea	Petal	Global	N-Hedge	N- Gold
1kg	0	2	-699	-425		2718	#N/A
Mini		0	-701	-427		2716	#N/A
Guinea			0	274		3417	#N/A
Petal				0		3143	#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	1261.4
USDINR MAY	64.590
CUSTOMS DUTY	2682
LANDED COST	28746
MCX GOLD	28785
PREMIUM (USD/oz)	1.9

The spread between MCX Gold June and NCDEX Gold hedge May widened from Rs.2587/10 gram to Rs.2718/10 gram as MCX Gold ended higher. Slack trading is affecting NCDEX prices. The latest gold import tariff stands at \$400/10 grams or about Rs.2680/10 gram. The gap

between MCX Gold and NCDEX gold should reflect tariff value but no major trading happening on NCDEX. COMEX gold rallied sharply in last few days as concerns about Trump administration increased safe haven demand. The gap between domestic and international futures (June) was near \$2/oz. Increased buying and firmer rupee supported domestic prices. Focus now is on development relating to GST. Government plans to roll out GST in July but decision is yet to be taken on taxation rates for bullion. Last week's GST council meeting ended without any decision on bullion. Council is next expected to meet in June.

Volatility in gold price has affected silver as well. Domestic silver prices are trading at a marginal premium to international prices. Premiums/discount will vary amid policy uncertainty.

Spread Monitor (Rs per kg)

Silver	30 kg	Mini	Micro	1000	Hedge
30 kg	0	-24	-22	13	#N/A
Mini		0	2	37	#N/A
Micro			0	35	#N/A
1000				0	#N/A
Hedge					#N/A

All contracts are first month contract; Hedge is NCDEX contract

SILVER PARITY CALCULATOR

COMEX SILVER	17.191
USDINR JUN	64.835
CUSTOMS DUTY	3554
LANDED COST	39388
MCX SILVER	39874
PREMIUM (USD/oz)	0.23

FUTURES MARKET ANALYSIS

Gold- COMEX gold trades in a narrow range near \$1260/oz after yesterday's 0.6% gain. Gold remains supported by safe haven buying amid uncertainty about Trump and geopolitical tensions. ETF inflows also show some buying interest. However, weighing on price is stability in US equity market and expectations that Fed may maintain rate hike stance. Uncertainty about Trump is likely to continue in the near term however we expect focus to shift to US economic data and Fed's monetary policy stance. Market reaction to Trump concerns have also subsided as is evident from gains in US equity market. We do not expect a substantial rise in gold price hence once could consider going short at higher levels. Near term cues will come from US economic data and Fed comments which will affect US dollar and risk sentiment.

Financial markets are trading mixed as market players try to assess recent developments. Asian equity markets trade mixed today after a modest 0.4% gain in US market yesterday. The US dollar index trades near 96.9 after a 0.2% decline yesterday. The US 10-year bond yield rose from 2.23% to 2.25%. Reuters CRB index ended with 0.5% gain yesterday

There have been spate of accusations against Trump and this has fueled concerns that Trump's much coveted growth and tax reforms may be delayed. The latest issue came in form of a Washington Post report that President Donald Trump asked intelligence chiefs to publicly deny any collusion between his campaign and Russia. Risk sentiment weakened also amid suspected terror attack at a stadium in Manchester, UK. Tensions relating to North Korea rose after Pyongyang conducted another missile test on Sunday. A day later North Korea said it is ready to start mass-producing a new medium-range missile. Tensions relating to Trump are likely to persist with investigations underway however market reaction may subside. North Korea is likely to face flak from western leaders but we do not expect aggressive action by US. UK terrorist attack is likely to add to uncertainty regarding UK elections in June and UK Brexit negotiations with EU.

Silver- COMEX Silver trades weaker near \$17.1/oz after a sharp 2.4% gain yesterday. Silver rose yesterday as weakness in US dollar lent support to gold and industrial metals. The spot gold silver ratio dropped from 74.6 to 73.6 as silver outperformed gold price. ETF investors however remained on sidelines despite sharp gains in price. We expect Fed's rate hike stance to weigh on gold and thereby silver as well.



TECHNICAL OUTLOOK




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

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

Technical Team

Karan Shah- Research Analyst	shah.karan@kotakcommodities.com
Kiran Jani- Research Analyst	kiran.jani@kotakcommodities.com
Bhavin Shah- Research Analyst	bhavins.shah@kotakcommodities.com

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Registered Office: Kotak Commodity Services Private Limited, Nirlon house, 1stFloor, Dr. Annie Besant Road, Opp. Sasmira, Worli, Mumbai-25

CIN No. U65910MH1987PTC042230. Fax: +91 22 24924696. Customer care- 180010266776. Website- www.kotakcommodities.com