



Weekly Digest

KCSPL Research

MARKET ANALYSIS**Market Analysis**

Other Indicators

Outlook

Fundamental

Technical

Economic
Calendar

Spread & Ratio

- MCX Gold June contract trades near Rs.28600/10 gram level after a sharp 2.2% gain last week. Gold price rose last week amid sharp gains in international market and weakness in rupee against the US dollar. Rupee briefly dipped below 64 levels but saw a sharp fall on Thursday led by reports of RBI dollar buying near 64 levels. Equity market volatility also affected the currency. The rupee recovered again on Friday amid progress over GST and recovery in global equity market. We expect rupee has formed a near term base near 64 levels. Near term trend will determined by equity market trend. GST council met last week and finalized rates for most commodities. However there is no decision yet for gold. Market players are expecting GST in a range of 2-4% for bullion. However, what remains to be seen is whether it will be compensated by reduction in import duty. We do not expect any change in import duty. Also while additional tax will increase the cost for gold, it will not have a major impact on demand. With robust domestic growth and firmer rupee, gold demand may remain robust.
- In international market, gold trades near \$1250/oz after a sharp 2.1% gain last week. Gold rose as high as \$1265/oz last week but ended near \$1253/oz. Gold rose sharply last week as accusations against US President Donald Trump increased demand for safe haven assets. Trump was accused of sharing confidential intelligence with Russian officials. He was also accused of hampering a federal investigation against former National Security Adviser Michael Flynn. The accusations fuelled worries that Trump could be charged with obstruction of justice and could face impeachment. Market players were also worried that accusations against Trump could delay his plans for growth and tax reforms. Some also believed that political uncertainty may also cause Fed to be cautious on future rate hikes. Trump's link with Russia have been a cause of concern from the time he took office and it is unlikely that US policymakers will let the issue subside without thorough investigation. However, fear of Trump's impeachment seem little overstretched.
- Uncertainty about Trump led to a sharp sell-off in US equity market, US dollar index and bond yields. The US DJIA index fell 0.4% last week to 20804.8 points but was well above intra week low of 20553.4. The US dollar index hit a low of 97.08, the lowest level since Nov.2016. The US 10-year yield fell from 2.33% to 2.23%. Market reaction has however subsided since then.

- In the near term, market sentiment will continue to be determined by development relating to Trump. If the matter escalates with new accusations, safe haven demand could resume. If risk sentiment improves, correction in gold cannot be ruled out. Amid other factors, focus will also be on Fed's monetary policy. Fed has been optimistic about US economy despite recent signs of slowdown. Market players now want to see if there will be any change in Fed's stance due to uncertainty about Trump. Market players will now look at US economic data, FOMC minutes and comments from Fed officials to gauge Fed's next move. Market expectations are still high that Fed may consider an interest rate hike in June. Other factors affecting gold will be political development in Europe. Political uncertainty has ebbed in France post Emmanuel Macron's win. However, uncertainty persists about UK elections in early June. Negotiations on Brexit will also result in choppiness in financial markets.
- COMEX Silver also witnessed sharp volatility but ended with a sharp 2.4% gain. Silver benefitted from gains in gold price and most industrial metals. Gold rose on safe haven buying and weaker US dollar on Trump concerns. Industrial metals managed to gain as concerns about China were offset by weakness in US dollar. Late recovery in equity market also lent support to price. ETF inflows also showed buying interest in silver however pace was slow. The gold silver ratio was little changed over the week as both gold and silver ended higher. Going ahead, risk sentiment could affect gold and industrial metals differently resulting in choppiness in silver.

Market Analysis

Other Indicators

Outlook

Fundamental

Technical

Economic
Calendar

Spread & Ratio

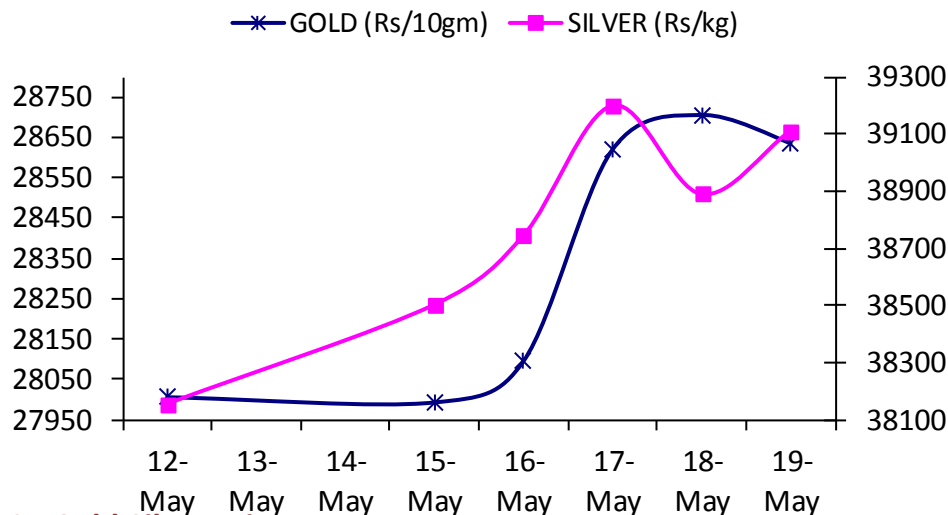
FUTURES (15th May to 19th May 2017)

CONTRACT	EXCHANGE	QUOTE	CLOSE	CHANGE	% CHANGE	HIGH	LOW
GOLD JUN	COMEX	USD/OZ	1253.6	25.9	2.1	1,265.00	1,226.80
SILVER JUL	COMEX	USD/OZ	16.796	0.394	2.4	17.035	16.41
GOLD JUN	MCX	RS/10GM	28,635	630	2.2	29,004	27,982
SILVER JUL	MCX	RS/KG	39,111	956	2.5	39,375	38,231

SPOT

COMMODITY	QUOTE	CLOSE	CHANGE	% CHANGE	HIGH	LOW
GOLD	USD/OZ	1,255.93	27.5	2.2	1,265.08	1,227.02
SILVER	USD/OZ	16.87	0.4028	2.4	17.04	16.43

- Market Analysis**
- Other Indicators
- Outlook
- Fundamental
- Technical
- Economic Calendar
- Spread & Ratio



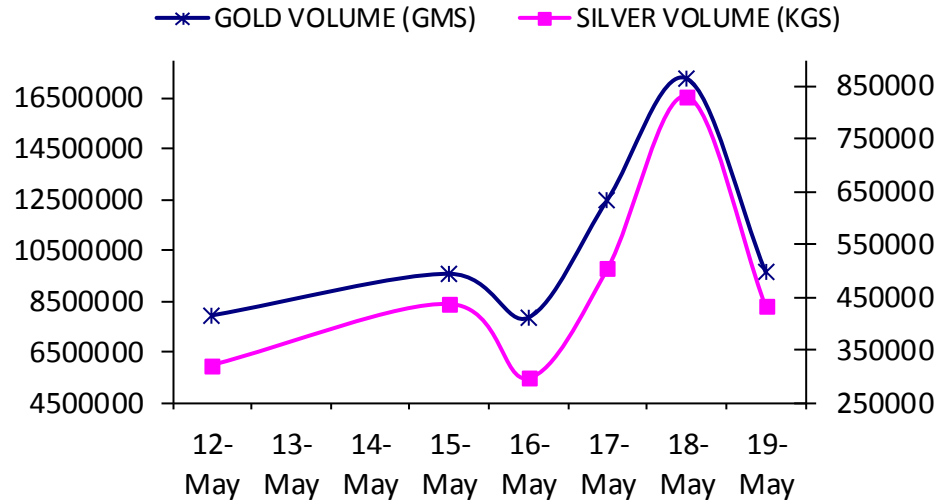
MCX Gold Silver Price Movement

MCX Gold ended with sharp gains last week as gains in international market were coupled with Indian rupee’s depreciation against the US dollar. MCX Gold June rose 2.2% last week as COMEX gold surged 2.1% and Indian rupee depreciated 0.5% against the US dollar. COMEX gold rose last week as accusations against Trump increased demand for safe haven assets. Rupee weakened amid reports of possible intervention by RBI near 64 levels. Volatility in equity market also put pressure on rupee.

MCX Silver rose 2.5% as COMEX silver gained 2.4% and rupee depreciated moderately against the US dollar. COMEX Silver gained last week along with gold on safe haven buying amid uncertainty about Trump. Most industrial metals also ended on a positive note as choppiness in equity market was countered by weaker US dollar. ETF inflows also show buying interest in silver.

Development in spot market is also affecting gold and silver price. Gold price were trading near parity to international prices as drop in price increased buying interest. Silver continued to trade at a marginal premium. Focus now is on finalization of GST and its impact on bullion taxation. GST council meeting last week ended without a decision on tax rate. Further discussions will be held in June for finalizing tax rate.

- Market Analysis**
- Other Indicators
- Outlook
- Fundamental
- Technical
- Economic Calendar
- Spread & Ratio



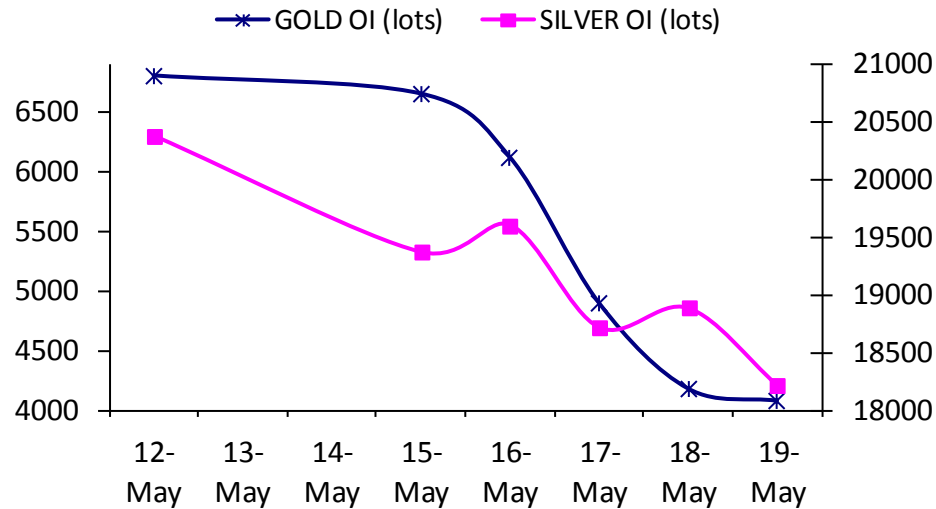
MCX Gold Silver Volume Trend

Trade volumes for MCX Gold June and MCX Silver July rose last week amid sharp price volatility. Volume for gold and silver topped on Thursday but dipped on Friday. Volatility in rupee also caused sharp price movement.

On the week, trade volume for MCX Gold June contract rose 21.5% over the week. Trading interest in MCX Silver July contract rose by 34.5%.

MCX Gold June contract traded in a range of Rs.1022/10 gram (Rs.27982-29004/10 gram) MCX Silver July contract traded in a range of Rs.1144/kg (Rs.38231-39375/kg)

Market Analysis
Other Indicators
Outlook
Fundamental
Technical
Economic Calendar
Spread & Ratio



MCX Gold Silver Open Interest Trend

Open interest for MCX Gold June contract fell from 6804 contracts to 4077 contracts, a decline of 40.1%. While OI fell sharply, price edged up. This indicates some short covering in market. The move was also supported by higher trade volumes.

OI for MCX Silver July contract fell from 20379 contracts to 18216 contracts, a decline of 10.6%. The drop in OI was accompanied by decline in open positions which indicates short covering. Trade volumes were low for silver as well.

The sharp movement in rupee last week is once again creating a disconnect with international market but this may not continue for long. The recent rise in gold and silver price has been partly due to short covering as is evident from OI movement. We are yet to see significant buying interest and this trend may continue unless there are new major triggers to keep price higher. The biggest near term hurdle is Fed's interest rate hike and UK elections.

INVESTMENT INTEREST

ETF activity showed mixed activity amid continuing price volatility. Gold holdings with SPDR ETF saw a net outflow of about 1.2 tonnes. Global gold ETF saw a net inflow of about 2.9 tonnes to 1858 tonnes. Silver however saw some buying interest. Silver holdings with iShares ETF rose by 88.3 tonnes. Global silver ETF saw a net inflow of about 378 tonnes to 20836 tonnes. Gold ETF investors may remain on sidelines unless there is more price clarity. Silver ETF investors may continue to buy however buying interest may weaken at higher levels.

ETF HOLDINGS					
COMMODITY	FUND	19-May	12-May	CHANGE	% CHANGE
GOLD	SPDR	850.71	851.89	-1.18	-0.1
SILVER	ISHARES	10693.85	10605.55	88.30	0.8

SPECULATIVE POSITION

Gold traded in a narrow range while speculators cut net long position for the third consecutive week. As per US CFTC report for the week ended May 16, non-commercial traders for gold futures cut long positions by 6.2% and raised short positions by 10.1%. Net long position fell by 15.5% to 126724 contracts. While the report week shows a drop in net long position, gold price saw a sharp surge mid last week amid accusations against Trump. This could have resulted some surge in long positions which will be visible only in next week's report. Going ahead, uncertainty about Trump is supporting price but Fed's rate hike plans will keep buying interest low. Meanwhile, silver speculators cut net long position for the fifth consecutive week. Non-commercial traders for silver futures raised long and short positions by 5.4% and 38.3% respectively. Net long position fell by 19.9% to 43004 contracts. This is the lowest level since Feb.2016. Speculators may keep long positions low unless there is clear price outlook for gold or industrial metals.

SPECULATIVE POSITION (for the week ended 16 May)						
Non-commercial	QUOTE	LONG	SHORT	NET POSITION	CHANGE	CHANGE(%)
GOLD	CONTRACTS	221532	94808	126724	-23282	-15.5
SILVER	CONTRACTS	100142	57138	43004	-10651	-19.9
EURO	CONTRACTS	164234	126630	37604	15205	67.9
DOLLAR INDEX	CONTRACTS	51495	17220	34275	-1474	-4.1

Market Analysis

Other Indicators

Outlook

Fundamental

Technical

Economic
Calendar

Spread & Ratio

CURRENCIES (spot)					
CURRENCY	CLOSE	CHANGE	% CHANGE	HIGH	LOW
DOLLAR INDEX	97.142	-2.11	-2.1	99.262	97.08
EURO/USD	1.1206	0.0275	2.5	1.1212	1.0923
USD/INR	64.6375	0.3275	0.5	65.0225	63.9825

Market Analysis

Other Indicators

Outlook

Fundamental

Technical

Economic
Calendar

Spread & Ratio

OTHER ASSET CLASSES					
	CLOSE	CHANGE	%	HIGH	LOW
CRB INDEX	185.1	3.39	1.9	185.1	181.2
DJIA INDEX	20804.8	-91.8	-0.4	21033.5	20553.4

CORRELATION MATRIX					
GOLD VS.	SILVER	CRUDE OIL	DOLLAR	DJIA	
Last Week	0.51	0.59	-0.89	-0.85	
2017	0.67	-0.15	-0.52	0.55	
2016	0.87	0.33	-0.62	0.24	
2015	0.96	0.58	-0.65	0.30	

US ECONOMIC CALENDAR (source- Briefing.com)						
Date	IST	Release	For	Actual	Consensus	Prior
May-15	1800	Empire Manufacturing	May	-1	7.5	5.2
May-15	1930	NAHB Housing Market Index	May	70	68	68
May-16	1800	Housing Starts	Apr	1172K	1255K	1203K
May-16	1800	Building Permits	Apr	1229K	1270K	1260K
May-16	1845	Industrial Production	Apr	1.0%	0.30%	0.4%
May-18	1800	Initial Claims	May-13	232K	240K	236K
May-18	1800	Philadelphia Fed	May	38.8	18.5	22.0
May-18	1930	Leading Indicators	Apr	0.3%	0.40%	0.4%

Market Analysis

Other Indicators

Outlook

Fundamental

Technical

Economic
Calendar

Spread & Ratio

Gold- COMEX gold witnessed a sharp rally last week largely due to accusations against US President Donald Trump which increased demand for safe haven assets. While uncertainty about Trump persists, market reaction has subsided and this could dent the momentum in gold price. Market focus could also shift back to Fed's monetary policy and political development in Europe. Fed is optimistic about US economy and it seems difficult that the central bank will change its stance soon due to uncertainty about Trump. Focus this week will be on FOMC minutes and comments from various Fed officials. US economic data will also reflect health of the economy. Key data includes Q1 GDP growth estimate. US economic data and Fed's stance will affect US dollar. The US dollar will also be affected by development in Europe. Brexit negotiations, UK elections in June and UK economic data will affect pound. Euro will be affected by economic data and ECB's monetary policy outlook. Gold ETF buying interest may remain subdued unless there is more clarity about price direction. While market reaction has subsided, development relating to North Korea will also affect safe haven assets like gold. COMEX gold may trade in a range of \$1231-1265/oz and some correction is likely as concerns about Trump are offset by optimism about US economy and Fed's rate hike expectations.

On the domestic front, MCX Gold June contract may trade in a range of Rs.28100-29000/10 gram and selling could be considered at higher levels. Domestic gold price may also be affected by trend in rupee and development in domestic market. Rupee has rallied sharply in last few weeks but seems to have topped near 64 levels. With global sentiment improving, rupee may remain strong but we may not see sustained gains. Rupee may trade in a range of 64.1-64.8. Domestic and international price moved near parity showing some improvement in domestic demand at lower levels. Demand may however be checked by uncertainty about GST and its impact on bullion taxation. GST council has delayed a decision on GST rates for bullion. Next GST council meeting is scheduled in June.

Market Analysis

Other Indicators

Outlook

Fundamental

Technical

Economic
Calendar

Spread & Ratio

Silver-COMEX Silver rallied sharply last week on gains in gold and most industrial metals. Weakness in US dollar lent support to commodities at large. We expect gold price to remain choppy as concerns about Trump is offset by expectations of Fed's rate hike however overall bias may remain on downside. Industrial metals are likely to remain mixed as concerns about Chinese economy is countered by optimism about US economy. ETF inflows show buying interest in silver and investors may continue to accumulate at lower levels. The spot gold silver ratio has been choppy but we expect to see some correction as stability in industrial metals supports silver. Silver is likely to outperform gold in the near term however we are maintain our sell on rise view. We see limited upside possibility for gold given Fed rate hike talks and this will restrict upside in silver as well. In the near term, focus will be on US and Chinese economic outlook. COMEX Silver may trade in a range of \$16.6-17.22/oz and fresh shorts should be at higher levels only.

Tracking cues from international exchange, MCX Silver July contract may trade in a range of Rs.38400-39800/kg and fresh selling should at only at higher levels. Trend in rupee will also affect domestic silver price. Development in domestic spot market will also affect prices.

PIVOT LEVELS						
COMMODITY	EXCHANGE	QUOTE	SUPPORT	SUPPORT	RESISTANCE	RESISTANCE
GOLD JUN	COMEX	USD/OZ	1210.3	1231.9	1270.1	1286.7
SILVER JUL	COMEX	USD/OZ	16.12	16.46	17.08	17.37
GOLD JUN	MCX	RS/10GM	27518	28077	29099	29562
SILVER JUL	MCX	RS/KG	37762	38436	39580	40050

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

- Market Analysis
- Other Indicators
- Outlook
- Fundamental
- Technical**
- Economic Calendar
- Spread & Ratio



- Market Analysis
- Other Indicators
- Outlook
- Fundamental
- Technical**
- Economic Calendar
- Spread & Ratio



Date	IST	Currency	Data	Forecast	Previous	Importance
22-May	All Day	EUR	Eurogroup Meetings			Medium
	18:00	USD	Chicago Fed Nat Activity Index	0.10	0.08	Low
	18:30	CNY	CB Leading Index m/m		0.90%	Low
	19:30	USD	Fed's Harker Speaks in Philadelphia			Medium
	20:00	USD	Fed's Kashkari Speaks in Minneapolis			Medium
23-May	5:00	USD	Fed's Brainard Speaks on Economy		0.60%	Medium
	6:40	USD	Fed's Evans Speaks in Shanghai			Medium
	11:30	EUR	German Final GDP q/q	0.60%	0.60%	Low
	13:00	EUR	German Flash Manufacturing PMI	58.00	58.20	Medium
		EUR	German Flash Services PMI	55.50	55.40	Low
	13:30	EUR	Flash Manufacturing PMI	56.50	56.70	Medium
		EUR	Flash Services PMI	56.40	56.40	Low
	13:30	EUR	German Ifo Business Climate	113.10	112.90	Medium
	18:30	USD	Fed's Kashkari Speaks in Minneapolis			Medium
	19:15	USD	Flash Manufacturing PMI	53.10	52.80	Medium
		USD	Flash Services PMI	53.30	53.10	Low
	USD	New Home Sales	610K	621K	Medium	
	USD	Richmond Manufacturing Index	15.00	20.00	Medium	
24-May	0:45	USD	Fed's Kashkari Speaks in Minneapolis			Medium
	2:30	USD	Fed's Harker Speaks in New York			Medium
	11:30	EUR	GfK German Consumer Climate	10.20	10.20	Low
	19:30	USD	Existing Home Sales	5.65M	5.71M	Medium
	20:00	USD	Crude Oil Inventories		-1.753M	Medium
	23:30	USD	FOMC Meeting Minutes			High
	25-May	3:30	USD	Fed's Kaplan Speaks in Toronto		0.3%
4:00		USD	Fed's Kashkari Speaks in Wisconsin			Medium
14:00		GBP	Second Estimate GDP q/q	0.3%	0.3%	Medium
18:00		USD	Unemployment Claims	238K	232K	Medium
19:30		USD	Fed's Brainard Speaks on Global Economy			Medium
20:00		USD	Natural Gas Storage		68B	Medium
20:30		USD	Kansas City Fed Manufacturing Index		7.0	Low
26-May	7:30	USD	Fed's Bullard Speaks on US economy			Medium
	18:00	USD	Prelim GDP q/q	0.9%	0.7%	High
		USD	Durable Goods Orders m/m	-1.5%	0.9%	Medium
	19:30	USD	Revised UoM Consumer Sentiment	97.50	97.70	Medium

Market Analysis

Other Indicators

Outlook

Fundamental

Technical

Economic
Calendar

Spread & Ratio

- Market Analysis
- Other Indicators
- Outlook
- Fundamental
- Technical
- Economic Calendar
- Spread & Ratio**



Spot gold and silver values taken from Metastock

Spot Gold Silver Ratio

The spot gold silver ratio varied sharply but ended the week almost unchanged near 74 levels. The ratio fell as low as 73.51 but bounced back sharply to hit a high of 75.37 and dipped back to 74.62 on Friday, almost unchanged from 74.64 a week ago. The ratio ended almost unchanged as both gold and silver ended with a gain of more than 2%. Gold rallied sharply last week as accusations on Trump fuelled safe haven demand. Silver rose along with gold but choppiness in industrial metals limited upside.

The ratio was trading in a broad range of 68-72 for a long time but has now broken past this range and tested the highest level since June 2016. Gold and silver have turned volatile and this will reflect in ratio as well. Risk sentiment and Fed’s monetary policy stance will be key trigger in the near term. We expect ratio to trade in a range of 73.5-75.5 and bias may be on downside. Fed’s rate hike worries will be more negative for gold while industrial metals could benefit from stability in equity markets.


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

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 is to be duplicated in any form and/or redistributed without Kotak Commodity Services Private Limited's prior written consent.

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