



Market Update: Gold slips on rare positive correlation with equities and USD

Gold prices closing prices fell last night as negative sentiment in equities and the USD spread to Gold. The April20 Comex GC Gold Futures contract closed lower for the first time in 8 sessions at \$1650 an ounce after a bout of profit taking. The psychological level of 1700 was left untested after several analysts warned that severely overbought technical conditions could triggered a market reversal.

The slide in equities and the USD which otherwise would be bullish for Gold did not help in buoying prices. However it did provide an opportunity for Gold to breathe as a pullback in a bull market is not unhealthy.

Gold was trading higher in early Asian hours. Prices are likely to remain supported above 1620 lows registered last night. Investors are expected to continue to move into safe-haven assets as the impact of the coronavirus on economic development in affected countries remains a subject of speculation.

In the coming weeks economic reports releases would be closely watched to gauge the impact on economic development. If an alarming weakness shows up in these releases, Gold would make another attempt at the psychological level of 1700. Last night US economic data was mixed for precious metals prices. The Conference Board's US Feb consumer confidence index unexpectedly fell -0.3 to 130.7 which was weaker than expectations of 132.2. Otherwise Japan's Jan PPI services prices rose +2.3% y/y, which was stronger than expectations of +2.1% y/y indicating that price pressures in Japan are still supportive for Gold demand's as an inflation hedge.

The US Centers for Disease Control and Prevention said a spread of Covid-19 in the US was "inevitable" and had warned Americans to prepare for disruptions. It remains a subject for wide guesses as how this would impact Gold in the long run. The impact on China is slowly becoming more transparent as the Chinese authorities release more information on Covid-19. A blog by the World Gold Council's Director Juan Carlos Artigas can be viewed at the link below for a deeper understanding of the impact of the Virus.

<https://www.gold.org/goldhub/gold-focus/2020/02/potential-impact-coronavirus-gold>

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Comex Benchmark April20 GC Gold Daily Chart showing prices inside day in early Asian trade with the RSI bordering on the higher side.



(Courtesy of Bloomberg)

Gold Drivers

Covid-19 has been supportive for Gold as a safe-haven asset as the number of unknowns about the spread of the pandemic remains large.

Financial uncertainty combined by low interest rates are bolstering Gold investment demand.

Net Gold purchases by Central Banks remain robust.

On the other hand, expectations of weaker economic growth in large consumers India and China may result in weaker demand and act as a damper on prices

Market View:

Technical indicators like the RSI are bordering on the higher side indicating that there is still some room for Gold to retrace further down. Sentiment remains mixed whilst fundamentals remain bullish. We suspect that the market would again test the \$1700 level before a period of consolidation sets in.

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