

Market Headline: Backdrop of FED rate-cuts aids room for a surge in Gold

Summary

1. Gold surge retreats from new highs as the US Dollar, and bond yields bounce back.
2. The Federal Reserve March's dot-plot projection continues to point to three rate cuts in 2024.
3. Gold still has room for a surge backed by robust Central Bank demand.

A sneak peek at Precious Metals with Priyanka Sachdeva

Gold prices eased below the key level of \$2200 per ounce after marking a newer high in the previous session. The surge followed the latest FOMC decision as markets backed the notion of FED embarking on "Monetary easing" in June. The updated March FED dot plot also hints at some rate cuts in 2024 pumping a bullish outlook for Gold this year.

Broadly markets price three rate cuts in 2024 although the Federal Reserve officials have time and again stressed the need for easing labor markets and deflation, before loosening the reins on rates. The demand for Bullion is driven by its appeal as a safe-haven asset and by investors who seek diversification amid lackluster performances in other asset classes. The upward bias for Gold investments is also backed by the ongoing massive shift into Gold reserves by the Central banks across the globe, which is highly likely to continue throughout 2024.

The morning correction can be attributed to the bounce back in the US Dollar which makes Billion investments expensive for holders of other currencies. The overnight jump in Bond yields that strips the appeal of investing in non-yielding assets also weighed on Gold prices. Gold Comex April benchmark futures continue the descend in Friday's Asian morning trades, easing -0.37% to \$21.76.60 per ounce as of 11:40 am Singapore Standard Time. Technically, Gold has fallen below the key level of \$2180 per ounce in the sparingly charted zone but psychological support of \$2150 should hold.

Fed chair Jerome Powell said on Wednesday that recent high inflation readings had not changed the underlying "story" of slowly easing price pressures in the US. The updated Fed's dot plot indicated that December's projections of three rate cuts in 2024 remain on track. Nine out of 19 policymakers support lowering interest rates three times this year, while one had projected more than three. The remaining policymakers anticipated having two or fewer rate cuts in the same period. After the update FED dot-plot markets broadly continue to price a 72% chance that the Fed will begin cutting rates in June, up from 65% before the rate decision.

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