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Hawkish fed comments and sharp rise in bond yield to keep gold prices under pressure

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## HAWKISH FED COMMENTS AND SHARP RISE IN BOND YIELD TO KEEP GOLD PRICES UNDER PRESSURE

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- CME Gold future contract is now trading near \$1948.4 which is sharply lower from Mondays' high of 2003. Gold prices were under pressure after positive US economic data, hawkish fed comments and a sharp rise in US bond yields. US 10 year bond Yield rallied to 2.975 in early hours today and now trading near 2.907 which is highest level since Dec 2018. Also, the 10-year UK gilt yield rose to a 7-year high, the 10-year German bund yield climbed to a 6-3/4 year high. However, US dollar index now trading at 100.578, corrected marginally from yesterday's high of 101.30.
- Gold prices are under pressure due to hawkish comments from Chicago Fed President Evans, He said that the Fed will probably raise interest rates above levels it considers neutral for the economy next year given the outlook for inflation. Also, St. Louis Fed President Bullard said the Fed needs to move quickly to raise interest rates to around 3.5% this year and that it shouldn't rule out rate increases of 75 bp.
- Major central banks, which are already planning interest rate hikes to combat inflation, are also planning a coordinated withdrawal from important financial markets. At its March meeting, the Fed began to respond by hiking rates by a quarter-point for the first time since 2018. Powell told reporters after the rate decision that the US central bank expects six more rate hikes in 2022, claiming that the economy "can manage" tighter monetary policy. Quantitative tightening is likely to keep gold prices under pressure.
- On the economic front, March housing starts surprisingly increased +0.3 percent m/m to a 15-and-a-half-year high of 1.793 million, beating predictions of a decrease to 1.740 million. The number of building permits issued in March surprisingly increased by 0.4 percent to 1.873 million, above estimates of a fall to 1.820 million. Japan's February industrial production was revised up to +2.0 percent m/m from +0.1 percent m/m previously reported. Positive global economic growth reduces demand for safe haven assets, which is negative for gold prices.
- Gold prices may receive support from Ukraine- Russia war and rising covid-19 infection in China. The International Monetary Fund slashed its forecast for global economic growth by nearly a full percentage point, citing Russia's war in Ukraine, and warning that inflation was now a "clear and present danger" for many countries.
- According to the CFTC Commitments of Traders report for the week ended April 12, net long of gold futures increased by 8746 contracts to 254287. Speculative longs increased by 13594 contracts while shorts added by 4848 contracts.

### Outlook

- Gold prices are likely to remain under pressure while below key resistance level of \$1963-1980 meanwhile immediate support level could be seen around \$1941-\$1923

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