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Concerns about inflation are likely to keep gold prices supported

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## CONCERNS ABOUT INFLATION ARE LIKELY TO KEEP GOLD PRICES SUPPORTED

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- Following a three-day rally from a recent low of \$1750.50 on October 12, gold is now trading near a key physiological level of \$1800. Concerns about inflation have pushed up gold prices, which are used as a hedge against inflation. However, prices are still below the previous month's high of \$1836.90, set on September 3rd.
- As a result of supply chain bottlenecks, Germany's economic institutes are lowering their GDP forecast for 2021 to 2.4 percent from 3.7 percent. In other global economic news, Eurozone industrial production fell -1.6 percent m/m in August, slightly less than expectations of -1.7 percent m/m. Japan's industrial production fell -1.6 percent m/m in August, slightly less than expectations of -1.7 percent m/m. Core machine orders fell -2.4 percent m/m in August, missing expectations of +1.4 percent m/m and marking the first drop in six months. In addition, the September CPI in the United States rose +0.4% m/m and +5.4% y/y, slightly higher than expectations of +0.3% m/m and +5.3% y/y. The economic data released yesterday was bullish for gold prices.
- According to data released on Thursday, China's factory-gate prices rose at their fastest rate in nearly 26 years last month, raising global inflation risks and supporting gold prices.
- Gold prices received a boost from the IMF's latest global economic forecast. The International Monetary Fund lowered its global growth forecast for 2021 to 5.9%, down from 6% in July. The public health crisis in developing countries has worsened as a result of the Delta variant of the virus, while shortages are weighing on consumption and manufacturing in advanced economies.
- Net long gold futures rallied +14183 contracts to 182582, according to the CFTC Commitments of Traders report for the week ended October 5. Speculative longs increased by 2125 contracts, while shorts fell by 12058 contracts. The recent rise in gold prices is expected to boost the net long position in the coming data.
- However, the minutes of the Fed meeting were positive for the US dollar index but negative for gold prices. "Participants generally assessed that, provided that the economic recovery remained broadly on track, a gradual tapering process ending around the middle of 2022 would likely be appropriate," according to the minutes.

### Outlook

- On global inflation concerns, gold prices are likely to remain firm while trading above a key support level of the 20-day EMA at \$1770, while immediate resistance is seen around \$1808-\$1822.

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Prepared by:

Mr. Kamlesh Jogi | Market Research Analyst

email: [kamlesh.jogi@abans.co.in](mailto:kamlesh.jogi@abans.co.in)

Phone: +91 22 68354176 (Direct)

Abans Broking Services (P) Limited

36, 37, 38A, 3rd Floor, 227 Nariman Bhavan, Backbay Reclamation, Nariman Point, Mumbai-400 021

Phone +91 22 61790000 | Fax +91 22 61790000

Email: [info@abans.co.in](mailto:info@abans.co.in) | Website: [www.abans.co.in](http://www.abans.co.in)

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