
Gold prices to remain under pressure on fed outlook to ease policy

GOLD PRICES TO REMAIN UNDER PRESSURE ON FED OUTLOOK TO EASE POLICY

- ▲ Strength in dollar index pushed gold prices lower after fed meeting. Gold prices have retraced from yesterday's high of \$1788.25 and are again trading towards \$1764, with minor losses from yesterday's close. US Federal Reserve Chair Jerome Powell said the central bank could begin scaling back asset purchases as soon as November and complete the process by mid-2022. According to the median estimate of FOMC participants, officials are now evenly split on whether it will be prudent to begin hiking the federal funds rate as soon as next year, according to the Fed's revised quarterly predictions. As per statement, if progress toward the Fed's employment and inflation targets "continues generally as expected," the policy-setting Federal Open Market Committee believes "a reduction in the pace of asset purchases may soon be justified," according to a statement released after a two-day meeting.
- ▲ Gold prices have fallen sharply from a peak and about 6% lower this year, as global central banks talk about reducing massive monetary assistance once the economy recovers from the Covid Era.
- ▲ Meanwhile, BOJ Governor Kuroda said that Japan's economy remains in a severe situation and is not at a stage where the BOJ can end its ETF purchase program which is likely to keep precious metals under pressure.
- ▲ Gold prices remained negative as economic concern related to China Evergrande Group eased. Reuters reported Thursday that China Evergrande Group's chairman said the firm's top priority is to help wealth investors redeem their products. China Evergrande Group unit's statement of a negotiated coupon payment have assured global investors.
- ▲ Concerns about the global spread of the delta, on the other hand, have kept gold on the rise as a safe haven asset. The Covid version will stymie the global economic recovery. According to Johns Hopkins University, the global coronavirus caseload has surpassed 230 million, with more than 4.71 million deaths and more than 5.98 billion vaccines.
- ▲ The net long of gold futures increased by 1721 contracts to 207760, according to the CFTC Commitments of Traders report for the week ended September 14. The speculative long position has grown by 971 contracts, while the speculative short position has shrunk by 750 futures. This week, gold prices have rebounded, which may result in a net rise in log position at this week's data.

Outlook

- ▲ Gold prices are likely to find support near \$1750-\$1736 meanwhile immediate resistance is seen around \$1782-\$1796

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