# DAILY ANALYSIS REPORT \* ABANS Monday, January 24, 2022

Gold prices are expected to benefit from a geopolitical concern.

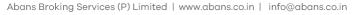


## GEOPOLITICAL ISSUE LIKELY TO SUPPORT GOLD PRICES

- Comex gold futures are currently trading near \$1841.25, up substantially in the last three weeks from a recent low of \$1781.30 in the first week of January.
- Geopolitical concerns over Russia-Ukraine are providing support to gold prices. A potential invasion of Ukraine by neighboring Russia would be felt across a number of markets. Gold is safe haven in case of global uncertainty due to geopolitical issues.
- Inflation at multi-decade highs and impending interest rate rises, US Federal Reserve meeting this week may hint to control inflation and rise in interest rate. Gold prices are negatively affected due to this. Two-year U.S. Treasury yields which track short-term interest rate expectations, rallied to a 23-month high last week. Global high yield and short-and-medium term bond funds faced net selling of \$2.63 billion and \$0.83 billion respectively, which marked a second straight week of outflows ahead of Fed meeting. According to a Reuters survey of analysts, the Federal Reserve will tighten monetary policy significantly more quickly than projected a month ago to confront persistently rising inflation. Gold is commonly regarded as an inflation hedge, yet it is extremely vulnerable to rising US interest rates. According to a Bloomberg survey of analysts, interest rates are expected to rise in March, June, September, and December, with the central bank announcing the start of a balance sheet reduction in July.
- The net long position in gold futures fell 5530 contracts to 194207, according to the CFTC Commitments of Traders report for the week ended January 18th. The number of speculative longs climbed by 426 contracts, while the number of shorts increased by 5956 contracts. The recent rise in gold prices is anticipated to be reflected in the upcoming weekly data as increase in long position.
- Additionally, the SPDR Gold Shares holdings increased by 3.30 percent to 1008.46 tonnes on January 21st, up from 976.22 tonnes on January 14th, signaling a good trend in the following weeks.
- The dollar and gold have maintained their safe-haven position as a result of the negative impact of the omicron Covid variant's global spread on global economic recovery. According to Johns Hopkins University, the global coronavirus caseload has reached 350.9 million, with over 5.59 million deaths and over 9.79 billion vaccines.
- On economic data front on Friday, Eurozone Jan consumer confidence fell -0.1 to -8.5, stronger than expectations of -9.0. Japan Dec national CPI ex-fresh food & energy fell -0.7% y/y, weaker than expectations of -0.6% y/y. U.S. Dec leading indicators rose +0.8% m/m, right on expectations and the biggest increase in 5 months.

# Outlook

■ Gold prices are expected to remain solid as long as they remain above critical support levels of \$1820 for the 20-day EMA and 1808 for the 50-day EMA. Around \$1872-\$1895, it is expected to face significant opposition.





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