
Strength in dollar index to keep gold prices under pressure

STRENGTH IN DOLLAR INDEX TO KEEP GOLD PRICES UNDER PRESSURE

- ▲ Gold is trading near \$1816.2 per toz marginally lower from Fridays high of \$1836.90 per toz on the back drop of strength in dollar index, however gold is likely to get fresh direction from European Central Bank's meeting on Thursday, where it is likely to debate winding back stimulus measures as the euro zone economy roars back to life.
- ▲ Gold prices are likely to find support from increasing imports in India ahead of festival season. According to a Reuters article, India's gold imports nearly quadrupled from a year ago in August, reaching their highest level in five months, thanks to strong demand and lower prices, which pushed jewellers to boost up purchases for the festive season. According to the data, India imported 121 tonnes of gold in August, up from 63 tonnes a year before, and imports in value terms increased to \$6.7 billion from \$3.7 billion.
- ▲ After poor U.S. job statistics last week fuelled speculation that the Fed would delay tapering asset purchases, gold prices are anticipated to trade higher. Nonfarm payrolls in the United States increased by 235,000 in August, falling short of estimates of 725,000 and marking the weakest increase in seven months. In addition, the August ISM services index dropped -2.4 points to 61.7, which was close to estimates of 61.6. However, average hourly wages in the United States increased by +0.6% m/m and +4.3% y/y in August, exceeding predictions of +0.3% m/m and +3.9% y/y.
- ▲ The global spread of the delta Covid variant is anticipated to enhance gold as a safe haven asset. On Wednesday, the seven-day average of new Covid infections in the United States reached a seven-and-a-half-month high of 167,680. The global coronavirus caseload has topped 221 million, while the deaths have surged to more than 4.57 million and vaccinations soared to over 5.48 billion, according to the Johns Hopkins University.
- ▲ The net long position in gold futures climbed by 5897 contracts to 216550 contracts for the week ending August 31, according to the CFTC Commitments of Traders report. Short positions gained +6023 contracts, while speculative long positions climbed by 11920 contracts. As gold prices have corrected from last week's peak, a dip in net longs could occur next week.

Outlook

- ▲ The dollar index's gain is anticipated to keep gold prices under pressure, although it is likely to find firm support near \$1812-\$1791 per toz, while immediate resistance is seen around \$1845-\$1858 per toz.

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