
Gold prices will remain volatile
Concerns about energy demand to keep crude oil prices low

GOLD PRICES WILL REMAIN VOLATILE

- After hitting an intraday low of \$1677.90 in the early morning session on Monday, gold prices are currently trading near \$1752. Prices have dropped significantly from last week's high of \$1835.90, set on August 4th. The US employment report, which indicated a significant recovery in jobs, sparked a sell-off in precious metals on Friday. Positive job numbers would most certainly cause the US Federal Reserve to remove its massive monetary stimulus, which will hurt precious metals' demand as a safe haven.
- Nonfarm payrolls in the United States increased by +943,000 in July, above expectations of +870,000 and marking the largest gain in 11 months. In addition, the July unemployment rate declined -0.5 percentage points to a 16-month low of 5.4 percent, indicating a healthier job market than the 5.7 percent forecast.
- In other economic news, consumer credit in the United States of America reached a new high of +\$37.69 billion in June (data from 1905), above expectations of +\$23.00 billion. German industrial production declined -1.3 percent m/m in June, falling short of expectations of +0.5 percent m/m.
- According to the Commitments of Traders report released by the CFTC for the week ending August 3, Gold futures' net long fell by 3053 contracts to 196335 during the week. The speculative long position fell by 545 contracts, while the speculative short position rose by 2508 contracts.
- Hawkish comments were negative for bullion after Dallas Fed President Robert Kaplan said the central bank should start tapering its asset purchases sooner rather than later, and in a gradual manner, fanning expectations that stimulus will be reined in. An improving US economy and rising inflation will spur the Fed to revisit its decision from pumping more money into system.
- The rapidly spreading delta variation is anticipated to support gold prices. According to Johns Hopkins University, the global coronavirus caseload has surpassed 202.6 million, with more than 4.29 million deaths and more than 4.33 billion vaccines.

Outlook

- Gold prices have recovered from \$1677.90, but the current volatility is expected to continue. However, the upside is locked in due to favourable economic data from the United States, while the downside is held at bay due to an increase in the number of delta variant covid cases around the world. Near \$1721-\$1688 is an immediate support level, while \$1775-\$1809 is a crucial resistance level.

CONCERNS ABOUT ENERGY DEMAND TO KEEP CRUDE OIL PRICES LOW

- The introduction of the delta variation, particularly in China, has clouded the short-term picture for oil, which has recently had its worst week since October. WTI Crude oil continued weak trend this week also. WTI oil prices are now trading near \$65.52 which is sharply lower from recent high of 76.98 registered in July'21.
- OPEC crude production increased by 420,000 barrels per day in July, reaching a 15-month high of 26.82 million barrels per day, putting downward pressure on oil prices.
- According to the weekly EIA report released on Wednesday, US crude oil inventories were -5.8% below the seasonal 5-year average as of July 30, gasoline inventories were -3.5% below the 5-year average, and distillate inventories were -6.7% below the 5-year average.
- US crude oil production was unchanged w/w at 11.2 million bpd in the week ended July 30, down 1.9 million bpd (-14.5 percent) from the record-high of 13.1 million bpd set in February 2020.
- According to the CFTC Commitments of Traders report for the week ended August 3. Net long for crude oil futures sank by 19237 contracts to 430527 for the week. Speculative long position declined by 17 941 contracts, while shorts increased by 1296 contracts.
- According to Baker Hughes Co., the number of rigs drilling for oil in the United States increased by two in the most recent week, to 387. The oil-rig count was 211 higher than a year earlier.

Outlook

- WTI Crude oil prices are likely to trade lower while under below key resistance level of 50 days EMA of \$70.18 while immediate support level could be seen around \$64.20-63.61

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