

27th May 2025



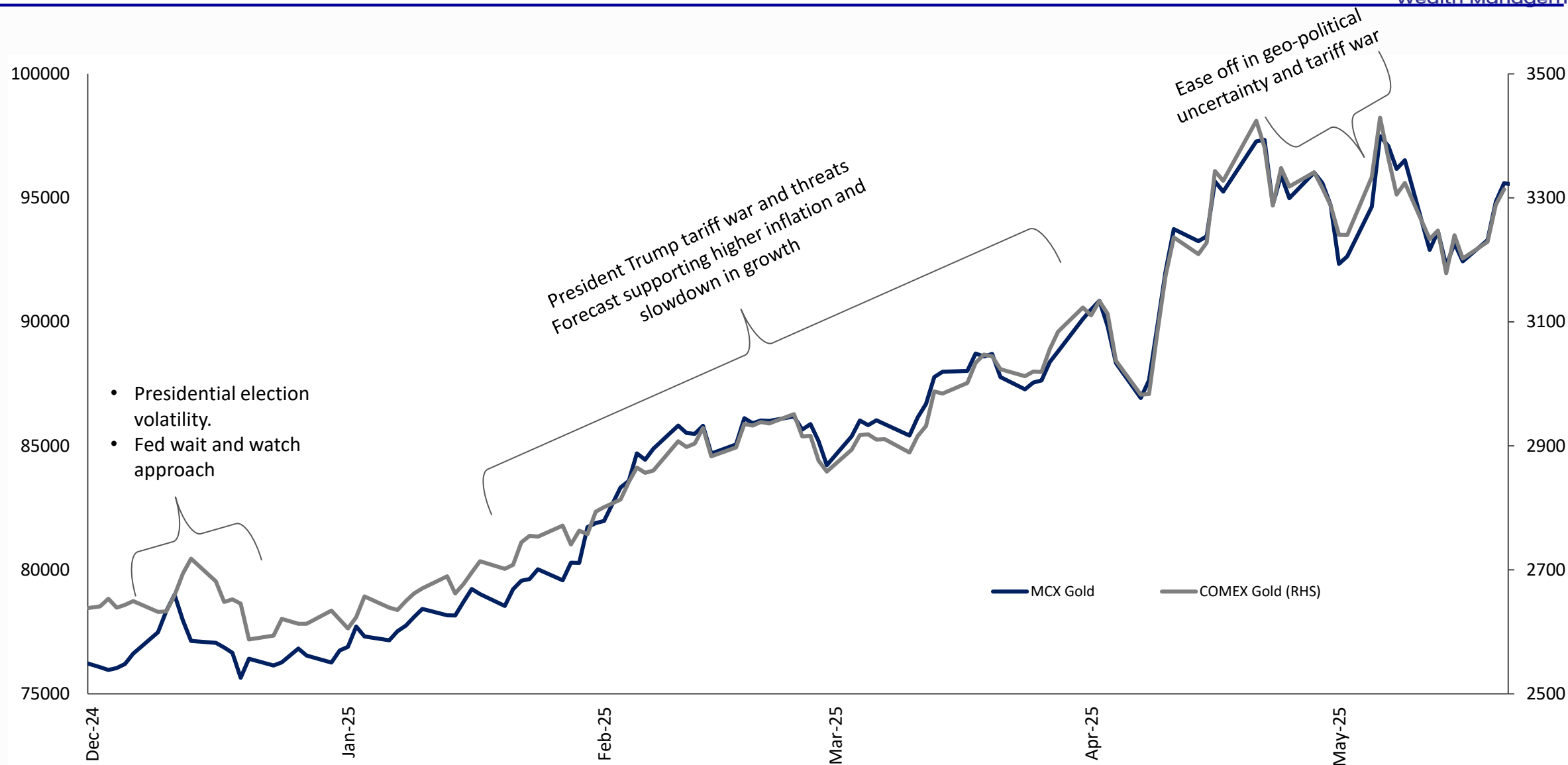
Short term sell off

Gold: Navigating through uncertainties!!!

Long Term Play



Gold Price



What led to the rally in Q1'25?

- President Trump's Tariff war with China and other major nations
- President Trump and China in retaliation announced more than 100% tariffs on each other
- Risk premium amidst this situation continued to push Gold prices
- Escalation in the Middle East continues
- Market expectations dropped to just two rate cuts in 2025, from more than three
- US Growth dropped to near 2%, IMF and Fed forecast also showed lower growth concerns
- While, inflation expectations increased suggesting stagflation like scenario
- Increase in China's investment demand boosting the overall sentiment
- Central Bank have been net buyer since more than a decade, adding 1,045 tonnes in 2024
- Meanwhile, SPDR holdings and domestic flows boosted optimism in Q1'25
- Dollar index in first four months of 2025, fell by over 10% from ~109.50 to ~98
- Similarly, domestic equities also fell by ~9% in Q1'25, increasing safe haven appeal of bullion
- Moody's lowered the US credit rating from Aaa to Aa1 supporting the bullion prices

What led to the slide in Q2'25

- President Trump gave a 90-day breather to all countries except China
- After series of negotiation, US and China also slashed tariffs by 115% for 90 days
- President Trump is also very keen to ease off Russia-Ukraine tiff
- Risk premium built in by market was eased off suddenly
- Profit booking from the peak of \$3500 after a successive 30% run up
- Dollar index reversed from low of ~98 to ~101
- US 10Y jumped from the low of ~3.8 to 4.5% over the last two months
- Rupee appreciation from the highs of ~88
- Central bank buying slowed significantly; China bought only 2tons in month of April
- Amidst higher prices, physical demand was also dented
- Expectations for tax cut bill to pass in parliament

There are two scenarios which could determine Gold's direction ahead

Scenario 1:

If uncertainties are eased off i.e.

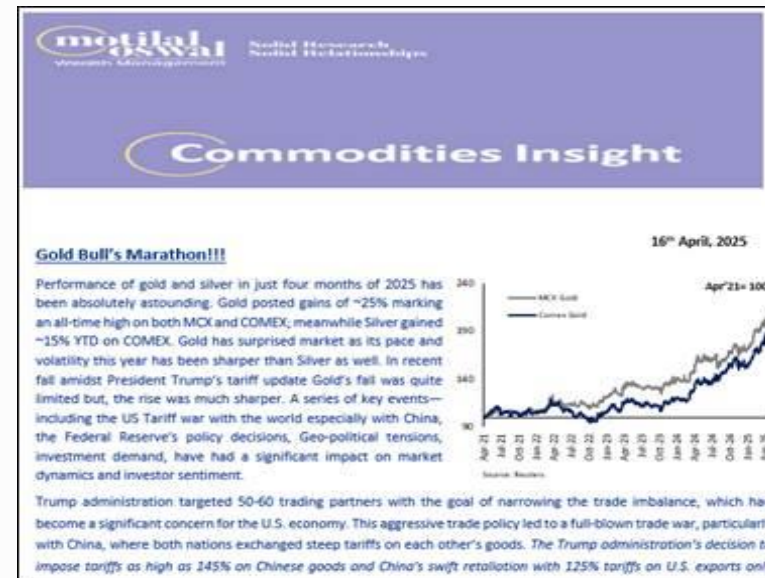
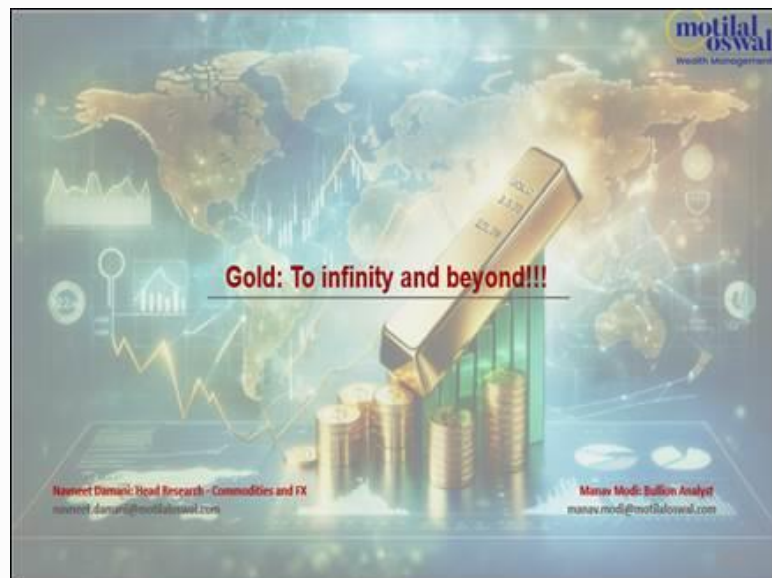
1. US - China trade deal eases
 2. Ceasefire in Middle East
 3. Possibility of no rate cut this year
- Risk premium could further wear off, taking the prices towards Rs.90,000 - 88,000

Any breach in above mentioned levels could set a panic in market and challenge our long term targets

Scenario 2:

1. Trade deal failure with US after or before 90 day breather
 2. Escalation in Middle East tensions
 3. Rate cut expectations increases
 4. Rise in global growth slowdown
 5. Sovereign debt crisis
- Recent lows could act as a strong base and price could once again start rallying towards targets of Rs. 1,00,000 - 1,06,000

Links of a few recent Reports



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