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Hawkish central bank policy comments to keep gold prices under pressure

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## HAWKISH CENTRAL BANK POLICY COMMENTS TO KEEP GOLD PRICES UNDER PRESSURE

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- The CME Gold future contract is now trading near \$1924, with safe haven demand owing to the Ukraine conflict supporting prices, but upside is limited due to ECB, BOE, and US FED hawkish policies.
- The Ukraine situation is showing no indications of abating, with Ukraine rejecting Russian calls to cede Mariupol, the port city encircled with no food, water, or power, and ferocious fighting showing no signs of easing.
- Last week, the Fed signalled six more rate hikes through the end of the year, sounding aggressive as it raised rates by 25 basis points. In addition, Minneapolis Fed President Neel Kashkari stated in an essay published on the regional Fed bank's website that he aims to raise rates to 1.75 percent to 2% this year. For the third time in a row, the Bank of England raised interest rates, but moderated its rhetoric on future tightening plans. Last week, the Bank of England raised interest rates in tandem with the Federal Reserve of the United States. According to Bloomberg report, Traders are piling back into bets the European Central Bank will raise interest rates to zero this year as officials look to curb the fastest pace of euro-area inflation on record. The bank's benchmark rate has been negative since 2014, at minus 0.5 percent. However, BOJ Governor Kuroda said Friday that there is "absolutely no need" for Japan to raise interest rates, and the BOJ will carry out additional easing measures "without hesitation" if needed.
- Holdings of the world's largest gold-backed exchange-traded fund, SPDR Gold Trust, rose 0.8% to 1,082.44 tonnes on Friday which is the highest level since March 2021.
- According to the CFTC Commitments of Traders report for the week ended March 15th, net long of gold futures sank 12600 contracts to 261788. Speculative longs dropped 17887 contracts while shorts reduced by 5287 contracts.
- On economic data front, U.S. Feb existing home sales fell -7.2% m/m to a 6-month low of 6.02 million, weaker than expectations of 6.10 million. Japan Jan tertiary industry index fell -0.7% m/m, the biggest decline in 5 months. Also, Japan Feb national CPI ex-fresh food & energy fell -1.0% y/y.

### Outlook

- Gold prices which found support from Ukraine crisis are likely to find stiff resistance near \$1939 meanwhile immediate support level could be seen near \$1908-\$1884.

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