
Ukraine crisis is likely to keep gold prices firm

UKRAINE CRISIS IS LIKELY TO KEEP GOLD PRICES FIRM

- Gold is now trading near 2015.20 sharply up due to ongoing crisis between Russia and Ukraine. Geopolitical issues have increased demand for safe haven asset. The war in Ukraine seems likely to continue, which is supportive for bullion, after Russian President Putin said the Ukrainian government must agree to his demands if fighting is to end, which Ukraine said it would not accept. Gold also had support Monday as a hedge against inflation after the 10-year breakeven inflation rate soared to a record high due rising commodity prices.
- Commodity prices have been in rally mode since March of 2020 after covid-19 spread across the globe. The Bloomberg Commodity Index rose by 27.1% in 2021, the strongest calendar year increase in over 20 years, and the second strongest year since the 1970s, So far in 2022, the index is up another 34.98% (as of 8 March 2022).
- On economic data front, Jan consumer credit rose +\$6.838 billion, weaker than expectations of +\$24.250 billion and the smallest increase in a year. The Eurozone March Sentix investor confidence index sank -23.6 points to a 16-month low of -7.0, weaker than expectations of 5.3. Conversely, German Jan factory orders rose +1.8% m/m, stronger than expectations of +1.0% m/m. Also, German Jan retail sales rose +2.0% m/m, stronger than expectations of +1.9% m/m and the largest increase in 7 months.
- As suggested in the CFTC Commitments of Traders report in the week ended March 1, net long of gold futures increased by 14474 contracts to 257622 Speculative long positions rose 4081 and shorts reduced by 10393 contracts.

Outlook

- Gold prices are likely to stay firm, immediate support level could be seen around \$1984-\$1970 meanwhile resistance is seen near \$2032-\$2057.5

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Prepared by:

Mr. Kamlesh Jogi | Market Research Analyst

email: kamlesh.jogi@abans.co.in

Phone: +91 22 68354176 (Direct)

Abans Broking Services (P) Limited

36, 37, 38A, 3rd Floor, 227 Nariman Bhavan, Backbay Reclamation, Nariman Point, Mumbai-400 021

Phone +91 22 61790000 | Fax +91 22 61790000

Email: info@abans.co.in | Website: www.abans.co.in

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