

Bullion Price Outlook for 2023

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Gold Outlook

Gold started the year 2022 around \$1800 (~Rs 48000) levels, climbed to \$2076 (~Rs 55000) in March and fell to \$1620 (~Rs 49000) in August. Prices have then recovered back to sub \$1800 levels in December. So, all in all, it has wiped out all gains and losses of the year and is trading at the same level as January now on international markets. But in domestic markets, prices are close to Rs 54500 now, which is equal to around a 15% return. This is because of USDINR depreciating by the same percentage.

The Russia-Ukraine war was the main catalyst for the gold rally in Q1 2022. Rising real interest rates were a headwind for gold for Q2 and Q3. FED raised rates by 450 bps in 2022 to tame multi-decade high inflation. However, in Q4, we saw strong festive and marriage season demand, due to which prices picked up followed by FED's hawkish stance.

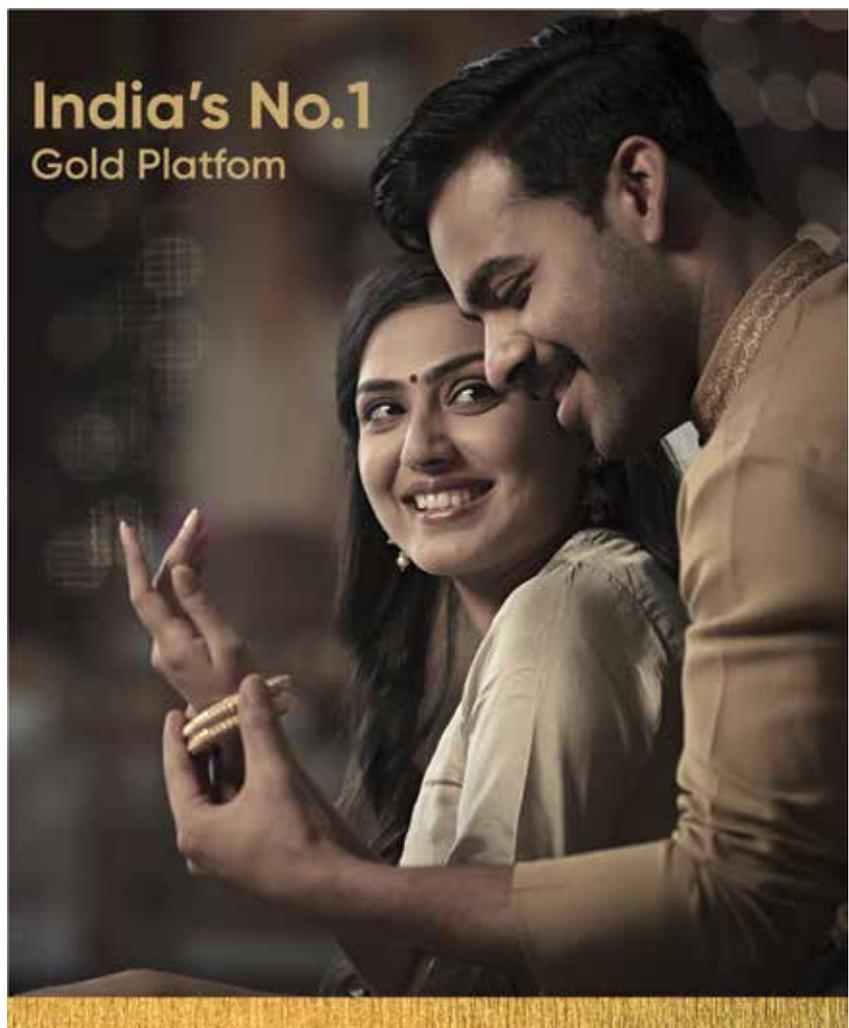
After topping at 9.1% in June 2022, US CPI has cooled off gradually to 7.1% in November and it's expected

to retreat more in 2023. That will make the FED stance more hawkish to keep the FED pivot from the second quarter of 2023, which would lead to a fall in the Dollar Index and US Treasury yield and in turn, bullish for Gold.

Moreover, we can see a Trend reversal in COMEX Gold Daily Chart as predicted by Inverse Head and Shoulder pattern and Triple Bottom pattern shown in the chart below. The inverse head-and-shoulders pattern is a common downward trend reversal indicator. An inverse head and shoulders pattern forms when the price of an asset falls to a trough, then rises, and falls for the second time, but this time the fall is

steeper than the first. The price rises again and drops for the final time. An inverse head and shoulders pattern indicates the end of the bearish phase and the onset of an uptrend when the price moves above the neckline resistance.

As we can see from the chart, gold prices have touched the low of \$1620 (Head) thrice, which is also a Triple bottom pattern formation. A triple bottom is generally seen as three roughly equal lows bouncing off support followed by the price action breaching resistance.





The neckline resistance of Inverse H&S lies at \$1820, if prices sustain above it, the target would be \$2000-2020. This means we can see a 10% upside in gold prices. If USDINR remains constant above 80, domestic prices can touch the level of Rs 60000/gm in 2023.

Silver Outlook

Silver started the year around \$23, went up to \$27 in March and prices flipped to trade around \$18 by end of August and now we are back trading above \$23 in December. Similarly in domestic terms, silver prices started the year around Rs 62000, then touched Rs 73000 in March, fell back to Rs 52000 in August and now prices have rallied back above Rs 68000 due to rupee depreciation during the year.

Gold: The neckline resistance of Inverse H&S lies at \$1820, if prices sustain above it, the target would be \$2000-2020. This means we can see a 10% upside in gold prices. If USDINR remains constant above 80, domestic prices can touch the level of Rs 60000/gm in 2023.

The first quarter of 2022 was positively impacted by geopolitical tensions between Russia and

Global consumption of the white metal is expected to hit a new all-time high in 2022, driven by post-pandemic industrial and physical investment demand. According to the Silver Institute, the Silver market is in a deficit of 71.5 Moz in 2022, a 38 per cent rise from 2021 when it was 51.8 Moz.

Ukraine. The second and third quarter was negatively impacted by aggressive FED rate hikes. Since the fourth quarter, we have had strong demand from retailers and wholesalers, a supply deficit and a hawkish tone of FED.

The demand outlook for silver remains solid amid the global green energy push, boosting its industrial demand. The fundamentals of Silver have become very strong in the last quarter of 2022:

- Global consumption of the white metal is expected to hit a new all-time high in 2022, driven by post-pandemic industrial and physical investment demand.

India's silver imports are estimated to be at record levels of around 10,000 tonnes in 2022 on the heels of a rise in jewellery consumption

- Open Interest on silver is below August of 2010 when Silver moved from \$18 to \$50 an ounce in 9 months. The big shorts that have been stopping the price of silver from going up have covered their shorts and they are out of the market now
- According to the Silver Institute, the Silver market is in a deficit of 71.5 Moz in 2022, a 38 per cent rise from 2021 when it was 51.8 Moz.

- Silver Inventory at COMEX and LBMA warehouses is shrinking continuously and stands at a multi-year low.
- As per the CFTC report, commercials and non-commercials have extremely low net positions, historically low in Silver. This is a setup that supports rising silver prices., as the short squeeze will take prices higher.

Having said that, there would be two headwinds for bullion prices, which can lead not so good performance in 2023. Bullion prices could edge lower if the US economy avoids a recession and the Fed doubles down on the tight policy outlook with inflation not declining as desired. Additionally, a reinstatement of coronavirus restrictions in China could force market participants to reassess the demand outlook and make it difficult for bullion prices to gain traction.

The best way to stay invested in Gold and Silver is by buying Augmont Digital Gold and Digital Silver in lumpsum amount or SIP every month. Digital Gold and Digital Silver are genuine, 24K fineness, 100% insured, safe and secure. It can be bought or withdrawn online 24 hours a day, 7 days a week, and 365 days a year. You can take physical delivery of the metal to your doorstep in form of physical jewellery or coins or cash at the time of redemption.



Silver: Technically, after many months of consolidation, silver prices have finally seen a breakout and are ready to head higher towards \$30 in 2023. This means we might see a 25% upside from current levels of \$24 and silver outperforming gold Domestically, with the same upside potential, prices can touch the levels of Rs 80000 and Rs 83000/kg.