

# Gold and Silver to Consolidate Before Drifting Higher in 2023

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Spot gold saw a zigzag move in 2022, as it first rose to the high of \$2070/oz (as the Russia-Ukraine war broke out), then corrected to \$1614 (in the back of a sharp rally in the US dollar and the start of US Fed quantitative tightening) and then regained some of the losses into 2022 end. Silver also saw a similar price pattern in 2022, moving to a high of \$26.96, then a low at \$17.55 and back to \$23.96.

In 2023, we expect spot gold and silver to, initially (first half of 2023), consolidate in a range. The G10 central banks' monetary tightening is likely to continue, albeit at a different pace. Central Banks such as US Federal Reserve, which was among the first to tighten and aggressively at that in 2022, are likely to radically reduce the pace of tightening as they approach their terminal interest rates (5.25-5.50% for US Fed Fund rate) which in their view should have the appropriate impact of cooling the inflation in the respective economies. Others G10 economies which adopted the tightening stance a little later in 2022 are likely to continue tightening into at least H1 of 2023. As a result of this, the US dollar could initially remain supported against other majors but effectively will lose



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steam as US Fed weakens the pace of tightening.

Apart from central banks, gold, in particular among the precious metals, could get support as an alternative as other asset classes such as equities (e.g.) could falter. There are concerns that the US, EU and China may continue to witness a continued economic slowdown. The monetary tightening in the US, the energy crisis (particularly in the EU) brought on by the Russia-Ukraine conflict, and the spread of Covid infections and the general impact on the economy in China might dampen economic growth and, in turn, the equity returns. Investors will then actively look for other alternatives,

such as gold and crypto (mostly Bitcoin), for investment alternatives. With the ongoing regulatory turmoil and correction in cryptocurrencies, preference perhaps could be for gold. Silver, while a precious metal, is also an industrial metal. With the International Monetary Fund's warning about a possibility of a third of global economies in recession by the end of 2023, silver could struggle to hold on to witness a sustained rally.

In conclusion, fundamentally, spot gold could initially consolidate and then gain on the back of the conclusion of monetary tightening, in fact, even with a possibility of monetary easing if the recessionary pressure grows or shoots up radically. Silver might get support as a precious metal but struggle to witness a sustained rally as the signs of a slowdown in major economies grow.

**Technical View: Comex Gold –Continuous Futures**



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Comex Gold's continuous contract has traded in channel pattern formation since the low made in May 2020 at \$1671 (Point A). It has tested the high at \$2089 (point B). Gold has been making the lower top and lower bottom patterns since then. As a result, the market is expected to be choppy as we fluctuate between the \$1600 level on the lower side and \$2000 on the higher side. There are arguments for both a rising wedge pattern in the short term and a channel pattern in the long term. Further, as seen in the chart above, gold has corrected from the high of 2078 (point D) to 1618 (point E). At the time of writing, it was at \$1847, nearing the 50% retracement resistance level at 1850\$. If this resistance of 1850 holds on a weekly closing basis, then gold could reverse to move lower towards \$1795. However, a sustained break above \$1850 could result in gold rising towards the next resistance level at \$1905. The outlook for the next three-six months remains range bound. The trend could be decided on a breakout of the \$1795-1950 range. A sustained break below \$1795 brings into the picture the next supports at \$1700

– 1620. Broadly, the trend would be negative until prices remain below the resistance of 1905\$ on a closing basis. A crossover above \$1905 could attract fresh buying interest with a possibility of moving up to \$2000- \$2150 level could be viewed as a medium to long-term resistance in 2023.

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**Technical View: Comex Silver –Continuous Futures:**



Comex Silver continuous contract has traded in channel pattern formation since the high at 29.91 (Point A) in Aug 2020, and thereafter it tested the low of 21.81 (point B). Silver has made a lower top and lower bottom pattern. Silver could trade choppy between \$16-\$ 26.20 levels. Further crossover above 26.20 on weekly closing basis will indicate a breakout of the channel and will give a confirmation of the further positive trend to continue in the near to medium term. Further, as seen in the above chart, silver

prices rose from the low of 17.40 (point F) and was trading near the immediate resistance level of 25.50, whereas strong resistance is seen at 26.20 levels. Silver needs to cross this resistance range of 25.50- 26.20 on a weekly closing basis for the confirmation of the further positive trend to continue towards the next resistances at \$30 and \$33-35. If not, It could attract some selling pressure towards the 24.70-25 range. Above \$25.50, the next resistance is at 26.20.

The outlook for the next three to six months remains range bound, where a breakout on either side of 24-26.20 could be the trend deciding. Immediate support is seen at 24, with the next support at 21.50 and 18. Until the time the price trades below the resistance of 26.20 on a weekly closing basis, the trend remains negative. ■■■

**New year message from Mr K Srinivasan, Chairman & MD Emerald Jewellery Industry Limited**

“The year 2022 has been a very good year for Emerald. In volume terms, our business in gold jewellery grew by 21%, diamond business by 39%, platinum jewellery by 75%, and silver jewellery business grew by 48%. I thank our customers for their trust and support in achieving the above results.

Going forward, I believe 2023 would also be very good. Although there are headwinds, we can find a way if we adapt ourselves. Our plans for 2023 are as follows.

We plan to establish a modern factory in Chennai exclusively for chains, with the capacity to produce 8000 kgs. It would have a new design and new weight range capabilities.

We will expand our Lab-grown diamond business with new designs and increase our volumes.

In Mangalsutra manufacturing, too, we plan to expand our volume and provide more design options.

To strengthen our technology, we will implement Microsoft D365, the first of its kind in the Indian manufacturing sector, in 2023. It would give us new design capabilities.

We would continue to work on skill development and design capabilities towards offering better products and services to our customers.