

Gold and Silver to rise 10% and 20% respectively in 2024

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India's bullion market exhibits a heightened sensitivity to global economic factors. In periods of economic uncertainty, geopolitical tensions, or instability in financial markets, investors frequently turn to safe-haven assets, with gold emerging as a preferred choice in 2024.



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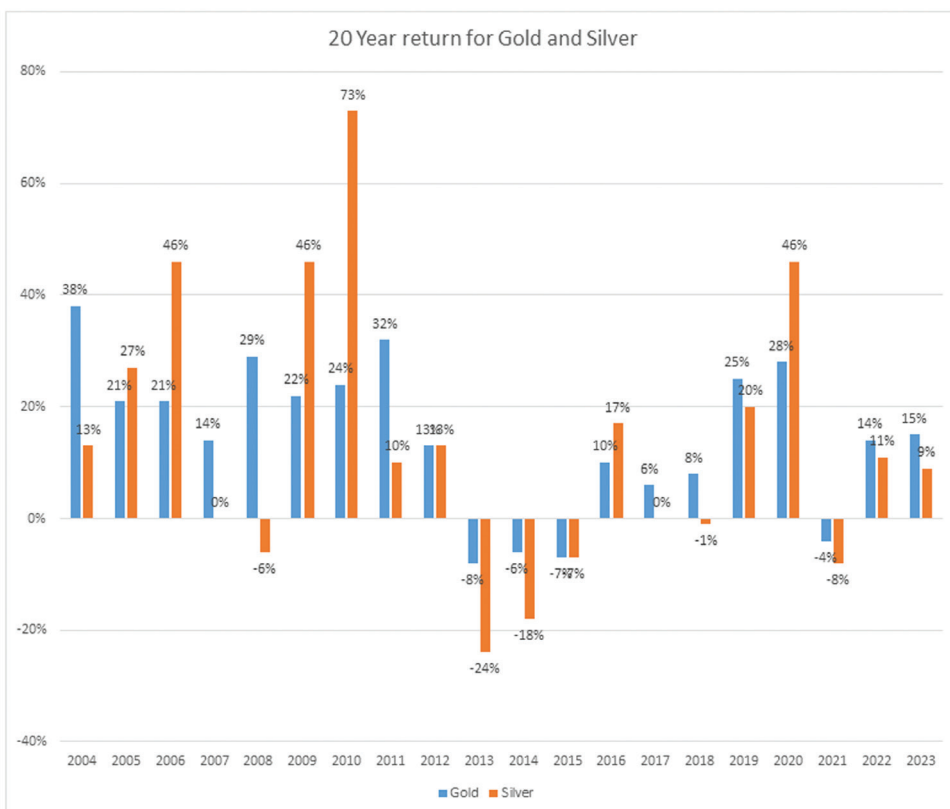
1. Recycling Impact:

- Jewellery recycling has surged, potentially reducing imports.
- Market price discounts and lower import volumes reflect decreased physical demand.
- Jewellery demand may struggle to recover in a high-price environment.

2. Boost in Investment Demand:

- Gold investment demand strengthened due to favourable domestic economic growth.

- Growing domestic investment inflows amid global uncertainties contribute.
 - Indian Gold ETFs attracted Rs 26,500 crore AUM with 42 tonnes holdings.
- ### 3. Slower Physical Demand:
- Record-high prices affect physical demand, impacting jewellery sales.
 - Despite the wedding season, lower purchases noted compared to previous years.
 - High gold prices limit jeweller inventory build-up; consumers focus on essential needs.



1. RBI's Moderate Gold Purchases:

- RBI gold reserves reached 803.6 tonnes by end-November.
- In 2023, RBI bought an average of 1.5 tonnes/month, totalling 16.2 tonnes.

2. Increased Gold Imports:

- High prices and soft demand lead to varying gold import volumes in 2023.
- Monthly imports fluctuated from 11 to 121 tonnes, with Q1 at a decadal low.
- Cumulative Jan-Oct 2023 imports were 630 tonnes, a 2% YoY increase.

2024 Price Outlook

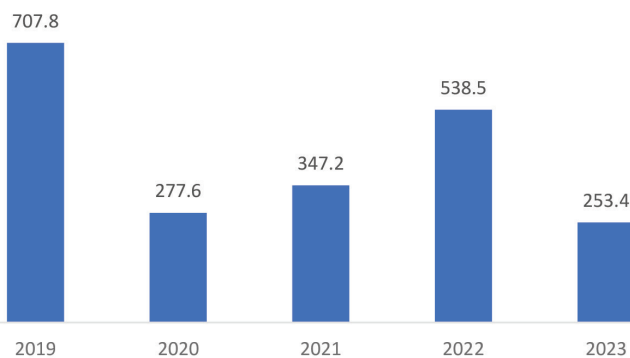
Gold had an outstanding performance in 2023, rising around 12% from \$1820/oz to \$2060s in the international markets. While the domestic performance has been better, with the prices rising 15% from Rs 55000/10g to almost Rs 63000/10g. Gold has given positive returns 80% of the time in the last 20 years with an average CAGR of 12%. While Silver has given positive returns 75% of the time in the last 20 years.

Gold prices attempted to clear the resistance around \$2080 (~ Rs 63400/10g) for a single day, but did not sustain. A lot of positive news, follow-through buying and a sense of fear would be required for the prices to surpass that level. Once it does, though, the possibilities are that the Bull Run won't end until \$2300 (~ Rs 70000/10g). While on the downside, gold prices have formed a base around \$1900 (~ Rs 58000 p/10g), which would act as the floor of this Bull Run.

Talking about Silver, global economic movements, currency fluctuations, and geopolitical happenings all have an impact on silver market dynamics. From the technical perspective too, I remain optimistic, predicting a 20% higher target of \$30/oz (~ Rs 90000/kg) by the end of the year 2024 in Silver. In the short term, we can see prices inching towards \$27/oz (~ Rs 82000/kg) and the downside is restricted to \$23/oz (~ Rs 71500/kg)



Net Changes in Central Bank Reserve Holdings in tonnes



Sources: IMF International Financial Statistics; ECB, Weekly Financial Statement, national sources, World Gold Council

Returns from Asset Classes in 2023

Asset Class	YTD returns
Nifty	17.54%
Sensex	15.36%
S&P 500	19.82%
International Gold	12%
International Silver	1%

Country	Gold Reserves Tonnes	Holdings % *
Bolivia	42.51	88.15
Venezuela	161.22	82.96
Uzbekistan	383.81	74.4
Portugal	382.63	70.73
United States of America	8,133.46	68.02
Germany	3,352.65	67.34
France	2,436.91	66.09
Italy	2,451.84	64.41
Kazakhstan	309.38	58.36
Netherlands	612.45	56.06
Austria	279.99	55.92
Greece	114.37	55.23
Lebanon	286.83	54.45
Kyrgyzstan	21.02	49.44
Cyprus	13.9	49.36
Belarus	53.85	40.89
Belgium	227.4	35.36
Ecuador	33.78	32.16
Pakistan	64.66	30.56
Turkey	478.97	27.38
Russian Federation	2,332.74	24.67
Egypt	125.97	23.03
China	2191.53	3.98
India	800.78	8.13

* % Holding is calculated as a ratio of gold reserve to total reserve as on September, 2023

Sources: Central Banks, Federal Reserve Bank of St. Louis, International Monetary Fund, World Bank, World Gold Council;