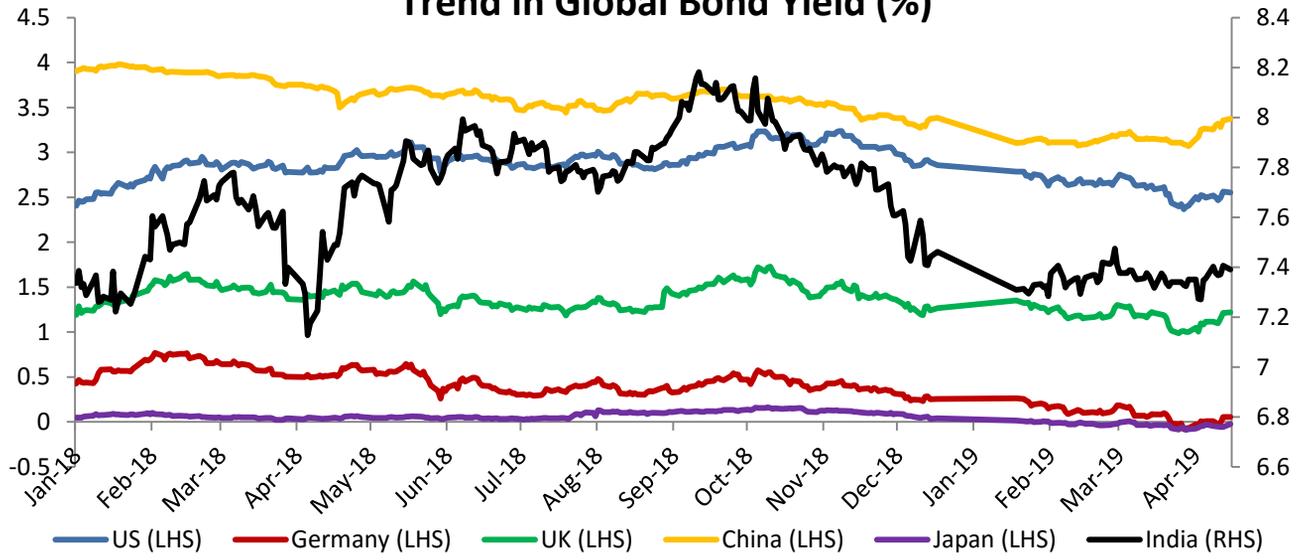




16<sup>th</sup> April 2019

## Rising Bond Yields to Slump Gold Prices

### Trend in Global Bond Yield (%)



**Source: Bloomberg, Choice Research**

The above chart depicts the trend of the Bond yields of the major countries across the globe. The said chart is also used to understand how the yield movements in the key economies are going to have an impact on the Global and Domestic Gold prices. Gold is a commodity yields no interest and hence rises when Bond yield falls and falls when Bond yield surges. Yields have wavered in the last one year and in the first quarter of 2019 as per the global economic outlooks as well as monetary stance of the major central banks. But then, the dollar index is still sustaining in the higher zone due to positive cues of U.S. China trade talks and overall strengthening of the economy. The message went like a bullish note to the markets giving quick gains to the US Dollar and negatively affecting safe-havens like the Gold and the Japanese Yen(JPY). In the meantime, central banks in other countries have mainly kept their policies steady as they are still facing certain challenges and possibilities of slowdown in global economies. However, recent news on extension of Brexit till the end of Oct'19 has eased tensions and brought incline in UK and Germany Bond Yields. Elsewhere, Japan is still continuing with its Ultra loose monetary policy owing to falling exports and lower inflation. This has brought down the Japan yields into the negative zone. In the case of India, positive cues about the ongoing general elections has led to incline in Indian Equity markets and Bond Yields during the past couple of weeks; eventually reducing the investments in Gold. For the coming month, we are estimating global and domestic gold prices to slump with expectancy of further economic recoveries in the major countries and lower geopolitical tensions.

**On the higher end, MCX Gold price may move towards Rs.32450 levels, while on the lower end, it may find the support around Rs.31350 levels. In the case of Indian Bond Yield, we expect yield to touch 7.68% on the higher side, and we may find support at 7.22%.**



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## Contact Us

**Mr. Sumeet Bagadia, Executive Director**

sumeet.bagadia@choiceindia.com

**Technical & Advisory Team**

**Kkunal Parar**

Sr. Research Associate

kkunal.parar@choiceindia.com

**Sachin Gupta**

Research Associate

sachin.gupta@choiceindia.com

**Palak Kothari**

Research Associate

palak.kothari@choiceindia.com

**Diksha Mhatre**

Research Advisor

diksha.mhatre@choiceindia.com

**Sunand Subramaniam**

Sr. Research Associate

sunand.subramaniam@choiceindia.com

**Sunil Rokade**

Research Associate

sunil.rokade@choiceindia.com

**Surendra Bhaskar**

Research Associate

surendra.bhaskar@choiceindia.com

**Karan Bhatt**

Research Advisor

karan.bhatt@choiceindia.com



[www.choicebroking.in](http://www.choicebroking.in)



[customercare@choiceindia.com](mailto:customercare@choiceindia.com)



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