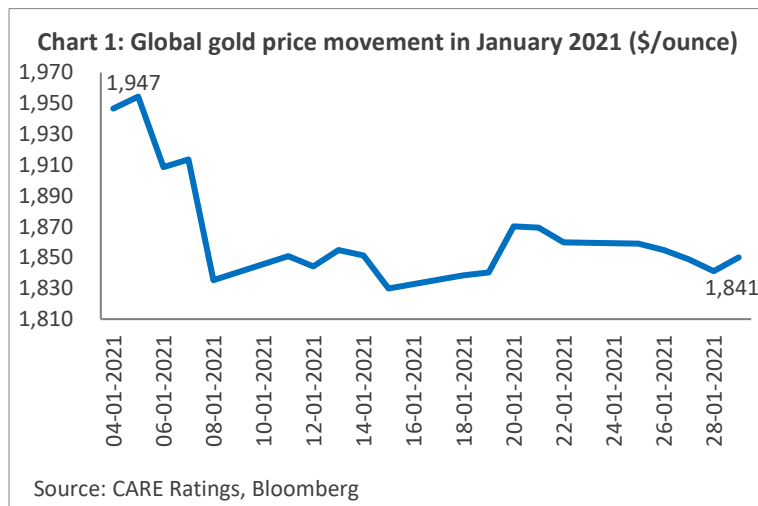


# Update on gold for January 2021

February 3, 2021

Gold was among the best performing assets in CY2020 soaring 27.3% in CY2020. Its volatility during the year was also higher at 21.5% (annualised volatility), the highest in past 7 years.

In the first week of January 2021, prices of this precious metal peaked to \$1,950/ounce supported by weakness in US Dollar and rising cases of new strain of Covid-19. By 8<sup>th</sup> January, prices corrected by 6% to reach \$1,835/ounce as US Dollar continued strengthening and rollout of vaccines led to hopes of quick global economic recovery. Following this, prices swung in the ranges of \$1,830 and 1,855/ounce, until the inauguration of Joe Biden as the 46<sup>th</sup> president of the United States on 20<sup>th</sup> January, the day when prices rose 2% sequentially to \$1,870/ounce. Post which, on every subsequent day prices witnessed a decline reaching \$1,841/ounce on 28<sup>th</sup> January 2021, but rebounded from the lows to \$1,850/ounce on the last trading day of the month (29<sup>th</sup> January).



January 2021			YoY growth
Monthly average (\$/ounce)	M-o-M	Y-o-Y	10M-FY21
1,866	0.2%	19.4%	29.1%
Source: CARE Ratings, Bloomberg			

The average of daily international gold prices at \$1,866/ounce, shows a stability when compared with the previous month, but higher by 19.4% when compared with January 2020.

The wide acceptance of vaccines in various parts of the world, led to investors preferring parking their money in riskier assets, which was visible in the sharp jump of various global indices during the month. Other factors that led to volatility in gold prices this month were prospects of additional stimulus in US, supportive monetary policies, rise in bond yields of large economies such as USA, Canada, UK, Germany, France, India, Japan, South Korea, Brazil and Australia. The downside potential of gold prices was capped by stable demand for sovereign securities and imposition of new travel restrictions in parts of UK and Canada, among others.

## Global gold investment demand

Investments in gold-backed ETFs continues to remain firm as data from World Gold Council for 1<sup>st</sup> half of January 2021 shows that global inflows in such assets stood at \$2,195 mn in the week-ended 8<sup>th</sup> January, which further escalated to \$2,262 mn in the subsequent week-ended 15<sup>th</sup> January. This led to collective gold ETF holdings reaching 3,785 tonnes and AUM of \$ 224 bn as of 15<sup>th</sup> January 2021.

## Concluding remarks

As increasing number of nations continue their Covid-19 vaccination drive, hopes for a global economic recovery shall rise, which is expected to lead to a start in downward trend of gold prices. With this, investments in other asset classes shall pick up giving good opportunities for investments in gold at corrected prices.

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