

Update on gold for November 2020

December 1st, 2020 | Industry Research

November 2020 was the 3rd consecutive month of descending international gold prices on a sequential basis. The average of daily international gold prices fell 2.2% m-o-m, but is still higher by 26.5% YoY. The correction in global gold prices during November 2020 can be attributed to the successful trials of various Covid-19 vaccines, Mr Biden’s victory in the US elections, rise in government bonds yields of large economies. Additionally, the economic data released in most countries showed an improvement this month and hence risk appetite of investors was upbeat, pushing global as well as Indian indices to new highs. However, the new rounds of lockdowns in parts of Europe and US capped the downside potential of gold price movement.

In the past 8 months of the FY21, gold prices rose 29.6% YoY, while in 11M-CY20, rose 27.5% YoY.

Contact:

Madan Sabnavis
 Chief Economist
 madan.sabnavis@careratings.com
 +91-22-6837 4433

Vahishta M. Unwalla
 Research Analyst
 vahishta.unwalla@careratings.com
 +91-22-6837 4408

Mradul Mishra (Media Contact)
 mradul.mishra@careratings.com
 +91-22-6754 3573

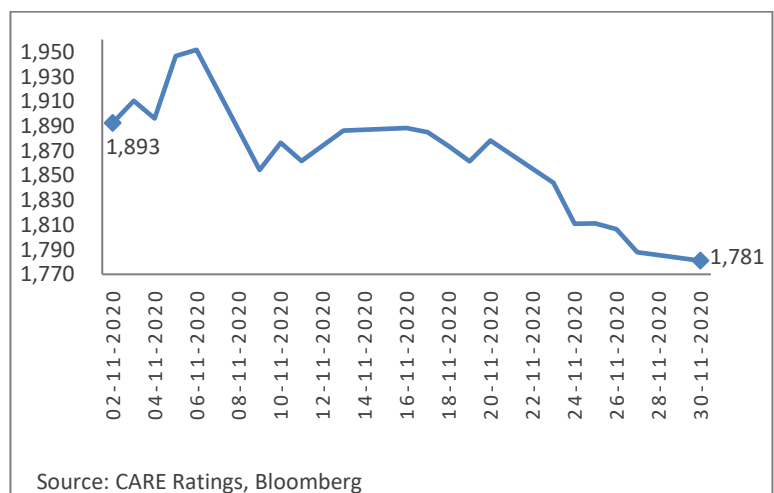
Table 1: Global gold price movement

November 2020			YoY growth	
Monthly average (\$/ounce)	M-o-M	Y-o-Y	FY21 (Apr-Nov)	CY20 (Jan-Nov)
1,865	-2.2%	26.5%	29.6%	27.5%

Source: CARE Ratings, Bloomberg

In the initial 5 trading sessions, international gold prices rose 3.1%, but fell -5% on the following day (9th November). In the successive 5 sessions from 9th to 16th November, prices rose by 1.8%, while in the last 10 days of the month they plummeted by 5.5%.

Chart 1: Global gold price movement in November 2020 (\$/ounce)



Disclaimer: This report is prepared by CARE Ratings Ltd. CARE Ratings has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CARE Ratings is not responsible for any errors or omissions in analysis/inferences/views or for results obtained from the use of information contained in this report and especially states that CARE Ratings has no financial liability whatsoever to the user of this report

Global gold investment demand

According to World Gold Council, inflows in gold backed ETFs are on a consistent rise this year. As of 27th November 2020 (YTD), global net inflows stood at \$51.7 bn, which led to collective gold ETF holdings reaching 3,796 tonnes and AUM of \$ 217.2 bn.

The table on right depicts the countries with the highest ETF flows for YTD 27th November 2020. US held the top position with ETF flows of USD 32.4 bn, followed by UK with USD 9.7 bn. India is on the 9th position with ETF flows of USD 628 mn.

	Country	Flows (USD mn)	Holdings (tonnes)
1	US	32,443	1,950
2	UK	9,689	757
3	France	1,728	55
4	Switzerland	1,538	372
5	China, P.R.: Mainland	1,306	68
6	Australia	842	37
7	Canada	786	80
8	Germany	657	385
9	India	628	28
10	Japan	399	22

Source: World Gold Council

Gold imports by India

	USD mn	Tonnes	Average price per tonne (USD mn)
FY17	27,491	780	35.2
FY18	33,681	955	35.3
FY19	32,843	983	33.4
FY20	28,111	720	39.0
7M-FY21	9,276	167	55.5

Source: CMIE, CARE Ratings

India is the second largest consumer of gold, after China, however, imports of this precious metal declined 47.4% YoY to USD 9.3 bn in 7M-FY21. This is equivalent to 167 tonnes.

In 7M-FY20, India imported 50% of its gold (tonnes) from Switzerland, however, in 7M-FY21, this country's share fell to 31% as gold imports declined to 51.7 tonnes (-77.5% YoY). The next top nation from which India imports gold is U.A.E., where imports halved to 22.7 tonnes in 7M-FY21, however, its country wise share grew from 10% in 7M-FY20 to 14% in 7M-FY21. Other countries from where India imports gold are Peru, Hong Kong, Ghana, South Africa, USA, etc.

Concluding remarks:

- The correction in global gold prices in November 2020 was mainly affected by successful trials of Covid-19 vaccines, Mr Biden's electoral win, rise in bonds yields in major economies, increase in risk appetite of investors and high investments in stock markets. However, the USD has weakened against most currencies this month.
- Gold is a unique metal which comforts in times of turbulence in equity markets, acts as a hedge towards inflation and an attractive asset class during low interest rates. The rising new cases of Covid-19 has led to imposition of fresh lockdowns in various parts of US and the European continent. This limits the downside risk of gold prices in near future.

CARE Ratings Limited

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022. CIN: L67190MH1993PLC071691
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457
E-mail: care@careratings.com | Website: www.careratings.com

Follow us on  [/company/CARE Ratings](https://www.linkedin.com/company/CARE-Ratings)
 [/company/CARE Ratings](https://www.youtube.com/channel/UC...)