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AS CRUDE SURGE REIGNITES INFLATION FEARS

Gold and Silver Beat a Retreat with Equities

Sutanuka Ghosal

Kolkata: Gold and silver joined broader equity indices in a backloaded retreat through Wednesday's trading session in Mumbai, tracking weakness in global bullion markets. The retreat came after US President Donald Trump's comments at a NATO summit about the fate of the Iran truce caused crude oil to skyrocket and stoked inflationary concerns.

Multi Commodity Exchange (MCX) gold futures fell more than ₹1,150 to ₹₹1,45,767 per 10 grams, while silver futures plunged ₹3,250 to ₹2,35,317 per kg. Gold internationally had retreated 0.7% to $4,075 an ounce. Analysts said bullion prices are under pressure from renewed inflation concerns amid a strengthening US dollar, reducing the appeal of non-yielding assets such as gold and silver.



The escalation has raised concerns over the stability of the interim US-Iran peace pact with reports of attacks on tankers in the Strait of Hormuz adding to fears of disruptions to energy supplies. Higher oil prices have also fuelled expectations that inflation could remain elevated for longer, strengthening the case for the US Federal Reserve to keep interest rates higher for an extended period.

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Gold and Silver Beat a Retreat

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Investors are now closely watching the minutes of the US Federal Reserve's June 16-17 policy meeting for fresh guidance on the central bank's rate trajectory. Market expectations of a September rate hike have strengthened in recent sessions as rising oil prices and a firmer dollar fuel concerns over persistent inflation.

Renisha Chainani, head of research at Augmont Gold, said, "The Fed's commentary, along with further developments in the Middle East, will be key determinants of the near-term direction of gold and silver prices."

In a report released on Wednesday, Tata Mutual Fund said the long-term investment case for precious metals remains intact, underpinned by supportive global macroeconomic trends and structural demand drivers.

It said central banks have emerged as the dominant source of demand for gold, replacing exchange-traded funds (ETFs), with China extending its gold-buying streak to 18 consecutive months, Poland remaining an aggressive buyer, and the Reserve Bank of India repatriating around 274 tonnes of gold between 2023 and 2025. A section of the market expects bullion to be rangebound.

FESTIVE DEMAND

Jewellers said gold's trajectory will depend on geopolitical developments, the US Fed's interest-rate path, crude oil prices and the movement of the dollar, with even minor economic triggers capable of causing sharp price swings.

While the festive and wedding season is expected to support jewellery demand, consumers are likely to remain cautious, preferring lightweight and purpose-driven purchases over big-ticket buying.

"The arrival of the Indian festive season will support demand. However, buyers are expected to favour purpose-led, smaller purchases, rather than large investments this year. The sentiment is expected to remain neutral to cautious, and we may see this trend gain some momentum as we inch closer to the festivities," said Colin Shah, managing director of Kama Jewelry.

In the Mumbai spot market, gold was trading at ₹1.44 lakh per 10 grams and silver at ₹2.27 lakh per kg on Wednesday.