



Date: 9th March 2024

Global Market – Gold, ECB meeting & U.S. Fed – Powell ‘s testimony

This week we will focus on ECB meeting outcome, ECB kept interest rate unchanged and commentary is important to watch out for. U.S. Fed chair Jerome Powell testimony this week provided further cues on interest rate trajectory and we would be focus on gold which is currently trading at above \$2150.

ECB Meeting outcome on 7-Mar-24

ECB kept rates unchanged at 4.50% for fourth straight time as ECB expect softer inflation and stable economic growth, ECB guides for rate cut in June 2024 meeting.

President Christine Lagarde said there’s a definite slowdown in inflation but that she and her colleagues aren’t “sufficiently confident” at present to lower rates.

“We clearly need more evidence, more detail,” she told reporters Thursday in Frankfurt. “We know that this data will come in the next few months. We will know a little more in April, but we will know a lot more in June.”

Christine Lagarde Signals ECB Cut in June with 2% Inflation in Sight

European Central Bank President Christine Lagarde indicated policymakers may be in a position to lower interest rates in June as fresh projections showed inflation hitting the 2% target in 2025.

The ECB, like the Federal Reserve and the Bank of England, is contemplating when to sound the all-clear on inflation and begin undoing the unprecedented monetary tightening deployed to subdue it. While price growth in the 20-nation euro zone is nearing the target, officials there are wary of cutting too soon and want assurance that wage increases are under control.

U.S. Fed Chair Jerome Powell’s Senate Testimony

Powell reiterated that it’s likely the Fed will cut interest rates this year. “We’re waiting to become more confident that inflation is moving sustainably at 2%,” he said. “When we do get that confidence — and we’re not far from it — it’ll be appropriate to begin to dial back the level of restriction.” He also said the Fed is well aware of the risk of cutting too late.

Powell also said that the Fed is looking at innovative approaches with regard to liquidity rules – after the sudden exodus of some banks’ deposit bases during the March 2023 banking crisis. As for commercial real estate issues, the Fed is talking with banks to make sure they are on top of potential losses. He echoed Treasury Secretary Janet Yellen’s take that there will be some failures, but the situation will be “manageable.”



Gold Climbs to Record on Mix of Fed Pivot and Geopolitical Risks

Gold touched an all-time high as fund buying combined with speculation over a Federal Reserve pivot and geopolitical and financial risks underpinned a rally in the precious metal.

Gold has risen more than 4% since Thursday, fueled by expectations for monetary easing, geopolitical tensions and the risk of an equity markets pullback. Macro funds and momentum buying by commodity trading advisors contributed to the gain, according to TD Securities commodity strategist Ryan McKay.

Equichain Wealth Advisors: Market View & Opinion

Last week, we have turned neutral to cautious with balance view last week, this week's comment by U.S. Fed chair Jerome Powell in a testimony to U.S. Congress and ECB's guidance on expectation of first rate cut in June has provided positive trigger to risk-on sentiment. Dollar Index is now trading below 103 level & US 10-year bond yield is below 4.10%. Recent rally in Gold & Crypto currency also indicates risk-on sentiment on expectation of rate cut in May / June 2024.

This week global market including Indian market is trading at fresh 52-week high and momentum likely to see positive triggers in coming weeks. Next U.S. Fed meeting is scheduled on 20-Mar-24 and incoming jobs & inflation data likely to provide much needed cues ahead of next US FOMC meeting.

We will use any correction to add / deploy fund and recent trend looks positive. Market not expecting any change in rate in this month, but guidance on rate cut in coming months or likely by May 2024 meeting could provide much needed trigger and rally.

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