

MARKET NEWS

METALS MARKET BROADSHEET JULY 22-26

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By JM Bullion Editorial Team

Bullion traders navigated a heady week packed with sell-offs and profit-taking, Capitol Hill curveballs, and a barrage of sometimes conflicting financial data on [housing](#), [inventories](#), [second-quarter GDP](#), and [inflation](#) that left more than a few Wall Street observers wondering which way the U.S. economy was heading. Throw in a generous dash of market uncertainty – both at home and abroad – and you have just a few reasons why it was largely an uphill slog for gold and silver last week.

Yet, no matter the daily political surprise or economic line graph, investors refused to let any of it dent their [confidence](#) that the Fed would move to trim interest rates in September. The twists and turns provided a suitable warm-up act for this week's Federal Open Market Committee meeting, when federal policymakers try to gauge which road the U.S. economy is on and how best to steer the country in that direction.

GOLD & SILVER:

There were times last week when gold and silver fared so poorly that we almost ran out of ways to describe the calamity – plummeted, dipped, dropped, plunged, fell, and sank were all taken by mid-week. After hitting an all-time high of \$2,483 per ounce on July 17, gold was hammered with three straight losing sessions and hoped last Monday to avoid a fourth. It wasn't to be, as sell-offs, caveat-laden economic data, and an overnight shake-up of the U.S. presidential race proved too much.

Aided by favorable inflation data on Friday, the yellow metal turned its fortunes around, chewing into its nearly 1.5% loss from the previous session and scaling above the \$2,380 per ounce level by midday. Shaky week for the yellow stuff? No doubt, but there's still plenty for investors to like. First, the Fed appears amenable to cutting interest rates by September, which lowers the opportunity cost of owning gold. Second, with at least two wars overseas and the near guarantee of additional campaign shake-ups, hiccups, and other surprises on the bumpy road to the November presidential election, gold's reputation as a safe haven is likely to bring some comfort to nervous investors.

The story was about the same for silver last week as the gray metal was pressured by doubts over its global industrial demand. The biggest questions centered around top silver consumer China, whose economy appears to be cooling. The nation's second quarter GDP missed projections earlier this month, and its Third Plenum planning session two weeks ago – where hopes of an announcement of an economic stimulus package with teeth were dashed – turned into a nothingburger. Perhaps recognizing the freefall, China's central bank announced a surprise interest rate cut last week, but some analysts wondered whether the move came too late to make a meaningful impact.

Those fears contributed to the commodity's tallying a 3.83% loss on the day Thursday and shoved it further away from the \$30 per ounce level it once hovered around. By midday Friday, silver was heading into its third straight week of losses, barely keeping a foothold in positive territory, up \$0.07 at \$27.90 per ounce.

But like we said for gold, all isn't lost. Some of the same market factors that figure to lift its yellow cousin – like interest rate cuts – could also help carry silver. And even with the current murky demand outlook, silver is still the lynchpin substance that industries depend upon to power electric vehicles, appliances, and the renewable energy sector. The optimistic take is this: something's gotta give sooner or later.

ASSET SPOTLIGHT: Bullion and the ballot box

The assassination attempt on former President Donald Trump and President Joe Biden's decision to drop his bid for reelection at the top of the Democratic ticket has ratcheted up the level of uncertainty beyond the typical political drama that comes stock with most U.S.

elections. The unprecedented lack of clarity in 2024 has investors wondering how the upcoming election will affect gold prices.

A [study](#) published last Wednesday by the World Gold Council titled “Ballots to Bullion: Examining the U.S. Election’s Effect on Gold” looks at historical precedent to offer some key points to lower the temperature a bit and help ground jittery investors as we edge closer to November. The industry group notes that elections, in fact, haven’t historically had a significant or immediate effect on gold’s performance. No matter which candidate wins, how the yellow metal will fare is instead dictated mostly by foundational catalysts, including how the dollar is doing, how high interest rates are, and what the overall monetary policy looks like.

Overall, the trade organization’s data suggest gold isn’t reacting to the party affiliation of who sits in the Oval Office; “rather, it highlights the relevance of key global macroeconomic drivers of gold’s performance in contrast to specific local dynamics,” according to the analysis.

THE FED SAID:

With members of the Fed still under the blackout period forbidding them from commenting on monetary policy heading into this week’s Federal Open Market Committee meeting, we’re featuring a [new analysis](#) by Deutsche Bank that poses a kind of alternate-universe question that’s no doubt been on the minds some observant traders lately: Is Federal Reserve Chairman Jerome Powell becoming a dove before our eyes?

Powell raised more than a few eyebrows earlier this month when he [said](#) the central bank wouldn’t wait for inflation to hit the Fed’s 2% target before cutting interest rates. The remark was a little unusual for Powell, who usually plays his cards close to the vest, especially when discussing how policymakers are thinking.

The bank reviewed past meeting records and public comments to theorize that Powell, once a centrist who traditionally leans more on the hawkish side, now appears to be more closely aligned with early rate-cut advocates. While the Fed isn’t expected to cut rates at its meeting this week, the market believes the relief will begin soon after in September.

“Some of this skew appears to be motivated by Powell’s economic forecasts, which tended to be more optimistic on growth and the labor market and near the median on inflation,” wrote Matthew Luzzetti and Amy Yang, the economists who conducted the review.

BEAT THE STREET:

Eyes will be laser-focused on the Federal Open Market Committee this week, but there’s also a trove of expected economic data that investors are watching to gauge consumer

confidence, the unemployment rate, manufacturing, and business productivity. The reports begin with Tuesday's consumer confidence index, job openings, and the home price index across 20 key cities. The Fed gets the starring role on Wednesday with its interest-rate decision, followed by an afternoon news conference by Fed Chair Jerome Powell. Reports on the week's initial unemployment claims, second-quarter U.S. productivity, manufacturing, and construction spending are due Thursday. We close out the trading week with Friday's data on the U.S. unemployment picture, hourly wages, and factory orders.

GOLD RUSH:

A group of women in a sleepy southwestern India suburb uncovered the find of their lives two weeks ago – a pot loaded with 18th-century gold and silver coins and other period artifacts – triggering a flood of sightseers and fortune seekers to the area. *The Hindu* [reports](#) that the women were digging a rain-harvesting pit for the government on July 12 in the village of Chengalai when they uncovered the mysterious pot. At first, locals worried the object was an unexploded bomb left over from the political violence that once gripped the area known for its rubber plantations.

The container's hidden valuables, which include various coins – some displaying Indo-French and Kannur Ali Raja markings – and bead necklaces, were revealed after careful inspection. K. Krishna Raj, the officer in charge of the Pazhassi Raja Archaeological Museum in Kozhikode, believes the riches could be some individual or family's fortune. Local police have since cordoned off the site for possible future excavations by archaeologists as treasure hunters continue to descend upon the village.