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Gold Market Outlook and Forecast

Last week the precious metal began rising again after the massive sell of investors, which was caused by the fall in US stock market due to the coronavirus spread. As a measure to enforce the stock market, the Federal Reserve Bank of America decided to cut the interest rate by 0.5%, as a result investors' confidence was stimulated, and we observed some short correction to the market. At the same time investors preferred to sell gold in order to cover their losses from the stock market and to avoid margin call levels. Gold almost lost 80$ on its value, however this was not an evidence that gold might change trend and reach lower levels, because it was a preliminary reaction from investors due to high risk aversion. Last week gold recovered and found its more recent and significant resistance level around 1689$ per ounce. It's expected to see the price of gold to break the level of 1700 as investors amid concerns about further interest rate cuts from the Fed during March. The Canadian dollar is traded lower as oil prices are set to plunge, and it's expected that the pair might be affected a lot from the oil prices which would lead to weaker economic growth. Gold hit $1,700 an ounce for the first time since 2012, while the 10-year Treasury yield fell over 20 basis points to a new all-time low.

Oil Market and Treasuries

For three consecutive weeks oil price moved even lower alongside with the coronavirus spread which caused the significant decrease of demand in oil. People do not use the common means of transport due to coronavirus spread around the world which is getting bigger. The O.P.E.C (Organization of petroleum of exporting countries) proposed to its allies that they must proceed to cut oil production in order to raise the prices and balance the supply and demand, otherwise oil price might reach lower levels. It is reported this week that Saudi Arabia will increase oil production and reduce the price of gasoline exports in an effort to gain greater market share. This opens a price war against the rival Russia. Talks between the OPEC countries led by the Middle East kingdom and the non-OPEC countries led by the Soviet Union's successor collapsed on Friday. Russia, which is not a member of OPEC, refused to cut its oil production, and stated they could now sell more to compensate for any loss in prices, and secondly eyeing an opportunity to hit US shale producers. It is expected to see further decrease in oil prices around 20$ before we see price oil being traded to higher levels. The aggressive price cuts by Saudi Arabia of 10% threaten US shale oil industry, with energy companies accounting for more than 11% of the high-yield bond market. Investors are led by the security of government bonds, with the 10-year Treasury yield falling by almost 30 basis points to 0.40%. It touched 0.34% earlier, a new record low. As Stephen Innes, Head of Strategy at AxiCorp said, lower oil prices could turn Houston into a ghost town, increase the prospect of bankruptcies, non-performing loans and put many short-term financing lines under pressure.

Forex Market and Cryptos

Friday's Non-Farm Payroll in the United States was followed by a small correction on the US dollar, after the announcement that the unemployment has not changed and new jobs released for February have been increased, but the said new jobs are not enough to enhance investor's confidence, and that is why euro continues to strengthen against the dollar. Meanwhile central Banks from Australia and Canada followed the rate cuts of the Fed, in order to stimulate their economy as a minimum step, to stabilize the markets and provide sufficient liquidity such as Bank of Japan did. Japanese yen strengthens against dollar as a safe heaven instrument and its expected further rise. The European Central Bank may cut the interest rate to minus percentage during this week which will push the euro to decline. The ECB does not believe that by cutting the rates is enough to tackle the virus. ECB believe that cheaper money would stimulate aggregate demand and hopefully inflation, according to financial times. Previous week was the latest release of Australia GDP which showed an increase however the pair continues facing buying pressure. About $ 21bn has been wiped out by cryptocurrency markets, which have been touched as well by the dip in oil prices. According to MarketWatch, the total value of digital currencies worldwide was $ 251.5 billion on Saturday night, according to CoinMarketCap.com. The day after, it dropped to $ 230.8 billion. The pound falls to a five-month low against the euro on Monday, March 09, amid fresh panic in the market for the coronavirus epidemic that has caused a sharp drop in stocks and oil, but the British currency is up against US dollars, Canadian dollars , Australia and New Zealand. Euro it's expected to continue strengthening against pound and dollar.

Major Stock Markets

US stock market rose up by around 3% the previous week after Fed cut rates by 0.5% as a step to enhanced investor's confidence in order to borrow and spend more money. In addition, there was a positive US PMI report that aid stocks to make some correction to the upside. This week began with gap to the downside for all the major stock markets, after Saudi Arabia declared an all-out price war after its plan to cut output further was rejected by key ally Russia on Friday. As a result oil price fell by approximately 30%. Dow 30 futures were down 1,256 points or 4.9%, while the S&P 500 futures contract was down 5.0%, and the Nasdaq 100 contract was down 4.8%. European markets had opened with a fall of over 8%, putting them on course for their worst daily loss since 2009. The benchmark Stoxx had recovered to be down 5.9%, while the U.K. FTSE 100 and the German DAX were down 6.2%, and the Australia Index fell by 7.3%. Japan and Hong Kong indexes continue falling. Overnight, Chinese markets had closed down by as much as 4.1%, while the Japanese Nikkei lost 5.4% as the yen skyrocketed against the dollar. Dollar index fell to its lowest in 18 months against a basket of developed-market peers, amid expectations of further rate cuts from the Federal Reserve. China's exports fell 17% in the January-to-February period and imports fell by 4% and its expected slow recovery in their economy All major stocks around the world most likely will continue into negative territory along with oil war.

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Economic Sentiment:

According to trading economics, the European Economic sentiment shows a rise of 0.9 points above the market expectations. Confidence improved among manufacturers service providers and consumers. United States Consumer Sentiment was revised slightly higher to 101 in February of 2020 from a preliminary of 100.9. The gauge for current conditions was higher than expected. The coronavirus was mentioned by 8% of all consumers in February although on the last days of the February survey, 20% mentioned the coronavirus due to the steep drop in equity prices as well as the CDC warnings about the potential domestic threat of the virus.

Upcoming News:

Waiting for European Gross Domestic Product to see the total value of all goods and services produced by Eurozone and if the ECB will proceed by cutting the rate to negative % on interest rate decision and deposit rate decision on Thursday. In addition, expect to see the Michigan consumer sentiment index in United states for the consumers economic activity and if they are willing to spend money.

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