

COMMODITIES MARKET COMMENTARY

The impact of Trump's re-election



INTRODUCTION

The re-election of Donald Trump as US President introduces a new set of dynamics for commodities, particularly gold and silver. Key factors such as inflation expectations, geopolitical uncertainty, fiscal policies, and monetary reaction will play crucial roles in shaping the direction of these commodities. This commentary provides an analysis of the current state of gold and silver, their influencing factors, technical outlook, and what investors can expect moving forward.

IMPACT OF TRUMP'S RE-ELECTION ON GOLD

1. Market Reaction and Price Movements

- **Initial Price Decline:** Following Trump's win, gold prices dropped 3% to trade around R46 800. The decline was driven by:
 - A stronger US dollar, which makes gold more expensive for international investors.

2. Economic Policies and Inflation

- **Inflationary Expectations:** Trump's policies, including proposed tax cuts and infrastructure spending, are likely to boost economic activity but may fuel inflation. Historically gold has been a reliable hedge against inflation, which could support its demand in the medium to long term.

3. Geopolitical Uncertainty

- Trump's foreign policy, which is often characterised by unpredictability, could potentially intensify geopolitical tensions, driving investors to gold as a safe-haven asset.
- Key regions of concern include Eastern Europe and trade tensions with China.

4. Federal Reserve and Monetary Policy

- The Federal Reserve's reaction to Trump's economic policies will be critical.
 - **If rates increase** to fight off inflation, gold's appeal may decline.
 - **If rates remain low**, gold prices could see further upward support.

5. Currency Fluctuations

- Trump's policies could strengthen the US dollar in the short term, reducing gold's attractiveness. However, potential trade deficits might weaken the dollar over time, supporting gold prices

Gold Technical Analysis

1. Simple Moving Averages (SMA):

- **50-day SMA (~R46 800):** Indicates near-term bullish momentum as prices remain above this level.
- **200-day SMA (~R44 000):** Confirms long-term strength with sustained trading above this key level.

2. Relative Strength Index (RSI):

- RSI is at 55, signalling mild overbought condition. If RSI exceeds 70, a short-term correction may follow before the uptrend resumes.

3. Trendlines:

- Gold remains within an ascending channel, confirming higher highs and higher lows. A breakout above R50 000 would signal further bullish momentum.

Gold Price Projections

- **Short-Term (6 - 12 months):** R46 800 - R50 000, supported by geopolitical risks and policy shifts.
- **Long-Term (2025):** Gold could surpass R55 000 if inflation persists and monetary easing takes place.

SILVER: THE INDUSTRIAL AND MONETARY ASSET

1. Current Performance

Silver trades in the mid-R500 range, benefiting from:

- **Industrial Demand:** Applications in solar energy, electronics, and electric vehicles.
- **Monetary Demand:** Functions as a protective asset similar to gold but with increased volatility.

2. Key Influencing Factors

- 1. Industrial Demand:** The global push for green energy and technological advancements will sustain demand for silver, especially in renewable energy sectors.
- 2. Inflation Sensitivity:** Anticipated interest rate cuts may potentially increase silver's attractiveness.
- 3. Supply Constraints:** Low mining production and increasing demand set the stage for prices to rise.

Silver Technical Analysis

1. Simple Moving Averages (MA):

Silver trades in the mid-R500 range, benefiting from:

- **50-day SMA (~R560):** Reflects strong short-term support.
- **200-day SMA (~R526.50):** Indicates a steady upward trend.

2. Relative Strength Index (RSI):

- RSI at 48 suggests room for additional upside momentum before reaching overbought conditions.

3. Trendlines:

- Silver is consolidating within the price range of R495.35 and R591.46. A breakout above R600 could indicate a potential upward price continuation.

Silver Price Projections

- **Short-Term (6 - 12 months):** R500 - R590, driven by industrial demand and inflationary pressures.
- **Long-Term (2025):** Silver could reach R700 - R720 with sustained demand and supply constraints.

CONCLUSION

Trump's re-election brings a mix of factors that could shape the future of commodities, particularly gold and silver. Gold is well-positioned as a safe-haven asset, while silver's industrial demand offers greater upside potential for those willing to accept higher volatility.

Key Takeaways for Investors:

- **Beginners:** Focus on gold for its stability during geopolitical uncertainty and inflationary periods.
- **Intermediate:** Include silver to diversify into industrial and green energy sectors.
- **Advanced:** Leverage technical indicators to refine entry and exit points for both metals.

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