

Publication: Economic Times

Headline: Investors bet on silver as metal rises to record

Edition: All Editions

Date: 26th April, 2011

Coverage –

Investors Bet on Silver as Metal Rises to Record

Akshay Tritiya boosts gold demand in domestic market; silver spikes on supply scarcity

RAM SAHGAL
MUMBAI

The relentless rise in precious metals, particularly silver, seems to have been taken in stride by retail consumers who continue to buy despite silver hitting a fresh high of Rs 74,962 a kg and gold slightly off Saturday's record high at Rs 22,220 for 10 gm.

Bullion dealers and jewellers said the unabated rise in silver has been fuelling physical demand for bars and coins, while demand for gold was being supported by the Akshay Tritiya festival on May 5-6, an auspicious occasion to buy the metal.

"We are seeing robust demand for both gold and silver jewellery as well as bars and medallions of the metals," said Ananthapadmanabhan, MD of Chennai-based GRT, one of the largest jewellers in the country. "While silver demand has been on the rise for some time now, we are allowing customers to book gold in advance for the upcoming Akshay Tritiya, a period which witnesses a mad rush for the precious metals." As a promotion for Akshay Tritiya, GRT allows consumers to fix the price in advance. If gold rises, the customers pay only the rate they've booked and if it falls the jeweller refunds the difference, thus protecting the consumers from price fluctuations.

In dollar terms, gold hit a fresh high of \$1518 an ounce (31.10gm) and silver, \$49.79 an ounce, surpassing its 1980 record, according to GFMS, on the back of a weak dollar and rising inflation.



Gold and silver quoted in rupees track overseas prices as India is a major importer of the metals.

However, silver seems to be on almost everybody's mind these days, gaining 57% so far this year against gold's 6.6% rise. Such is the consumer frenzy for silver that supply is not keeping pace with demand and people who want to buy bars not getting ready delivery. According to an MMTC official, silver imports by the agency stood at 150 tonne during February but they were negligible in March. He added that markets seemed to be getting reconciled to high prices and the company had begun to receive queries for silver imports after the first week of April.

Bank premiums on silver have doubled over the past five days to

White Metal Scales New High

SINGAPORE: Silver climbed to an all-time high on Monday as investors sought to protect their wealth against accelerating inflation and a weaker dollar. Gold also rose to a record. Immediate-delivery silver jumped as much as 5.4% to \$49.79 an ounce, beating the previous peak of \$49.45 in 1980, according to research company GFMS. Precious metals have rallied on investor speculation that central-bank programs to revive economic growth with low interest

28 cents an ounce while the price has risen by Rs 8,000 a kg, said Harish Acharya, MD of Ahmedabad-based Parker Bullion, which sells around 35 tonne gold and 300 tonne silver yearly. "Every three out of 5 calls we receive in our dealing rooms relate to queries on buying silver."

Gold and silver normally move inversely to the greenback which has lost 6.5% against a basket of currencies so far this year on a loose monetary policy by the US Federal Reserve and a downgrade of US sovereign debt more recently by rating agency Standard & Poor's. Political unrest in the Middle East and North Africa and rising inflation in the Eurozone and emerging economies have added to the lure of gold and silver.

However, analysts warn that both the metals are due for a correction in the near term, which could be as early as this week. Even if the prices continue to rise before correcting, they fear that the retail investors would be the ones straddled with losses as they tend to enter a rally during its peak or last leg. "Both silver and gold look extremely overdone and are likely to correct in the near term," said Gnanasekar Thiagarajan, director of Commodity research company, implying the rally has been very sharp and both the metals are due for a correction. "If any forward looking statement that hints at reducing US quantitative easing is made by the Fed chairman during the FOMC meet on Tuesday and Wednesday, both the metals could tumble, in which case the retail consumers would be the worst affected as they normally tend to enter the market when a rally is on its last leg."

RiddhiSiddhi Bullions (RSBL), a bullion dealer, is asking clients to put up a deposit for 30-kg silver bars and to buy when there's a correction but says the choice rests with its customers. "The mad rush for silver has led to a shortage of ready delivery bars and premiums have shot up over the past week. We are asking clients to be cautious while opting for silver but in the end it's their call," said Ketan Kothari, director of RSBL, which recently started offering gold and silver bars to HNIs at wholesale rates with the added benefit of allowing them to lend the same against bank guarantee.