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Coverage

FIRM GOLD HITS JEWELLERY RETAIL SALES

Consumers await price correction, but some observers feel trend could continue through this year

DILIP KUMAR JHA
Mumbai, 11 August

With gold prices setting a new record almost daily, spot buyers have deserted fresh investment in the so-called safest haven instrument, amid expectation of an imminent correction at this level.

Traditional gold jewellers like Tribhovandas Bhimji Zaveri (TBZ) and Om Jewellers have recorded a sharp decline in daily trade volume. However, need-based and occasional buying still continues, resulting in nearly 40-45 per cent of average trade volume for gold jewellers.

"Our daily sales have declined in grammage terms, as consumers await price correction. The number of footfalls have also fallen significantly in the last couple of weeks. Apparently, overall



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PIC: SURYAKANT NIWATE

sales in value terms remained almost unchanged due to a sharp increase in gold prices," said a TBZ official.

Standard gold set a new record today, closing at ₹26,195

per 10g, a rise of ₹390 or nearly 1.5 per cent from the previous close of ₹25,805 per 10g. Pure gold followed and closed with a gain at ₹26,320 per 10g today, from ₹25,935 per 10g the

previous day.

On the Comex division of the New York Mercantile Exchange, gold futures for delivery in October were traded at \$1,784.45 an oz during early European trade, a marginal decline of 0.34 per cent after the exchange raised margins to cool prices. Spot gold, however, set a new record at \$1,815.65 an oz, the seventh record high in the past eight sessions.

"Investments in the dollar and euro are now being perceived as risky propositions. At such times, the apprehensions regarding currencies get rubbed on to equities as well. So, the worried investors park their funds in gold and silver," said Ketan Kothari, Director, RiddiSiddhi Bullion Ltd.

Goldman Sachs raised its forecasts for gold futures to \$1,645 an ounce, \$1,730 and \$1,860 on a three-month, six-month and 12-month horizon,

as it expects real US interest rates to stay lower for longer. In India and China, the largest and second-biggest bullion consumers, gold futures climbed to records.

The volumes of spot jewellery traders have declined by more than half in the past couple of days due to continuous rise in prices, said Bhargav Vaidya, an analyst with B N Vaidya & Associates, a Mumbai-based research firm.

The CME Group, operator of the Comex, raised margins (the amount of cash that traders must deposit for speculative positions) by 22 per cent yesterday. The CME raised margins to \$7,425 per contract from \$6,075 per contract earlier, pushing thereby small investors out of the gold futures market. The margin for hedging, thus, will also increase 22 per cent to \$5,500 per contract from \$4,500 per contract.