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Headline: Gold coin sales surge mimicks soaring prices

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Coverage



Gold Coin Sales Surge Mimicks Soaring Prices

Purchases up 25% this month on metal's investment appeal even as jewellery sales fall flat

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Even as the yellow metal touches a new high almost everyday in the backdrop of debt worries in the US and Europe, there has been no letup in the demand for gold coins. In fact, sales of gold coins weighing 1, 5 and 10 grams have surged by 25% this month while the metal dropped a tad to Rs 27,930 per 10 gram on Tuesday.

As stock markets crash due to uncertainties regarding global economic recovery, jewellers expect a further rally in bullion. Buyers who have seen the metal moving up by 74.31% from Rs 16,350 to Rs 28,500 in precisely one year are convinced by the sales pitch.

Those in a hurry and even those who aren't but worried nonetheless are making their way to jewellers to buy gold coins. Jewellery purchase, on the other hand, is stagnant. In fact, sales have hardly happened because buyers are not inclined to waste money on labour charges with the metal at a high. The inclination, therefore, is to buy the pure stuff, 24 carat, before prices go up again.

Mukesh Kothari, director of Mumbai-based RiddiSiddhi Bullions, said: "The demand for gold in jewellery has fallen flat in the last fortnight. But the demand for coins and bars has increased significantly. People think that gold is a safe instrument for investment. There has been hectic buying of gold coins and bars over the past one week despite gold reaching newer heights." Gold bars have found traction



among the affluent. A jeweller in Kolkata said a section of the affluent Marwari community is buying gold bars weighing a kg or two. "There is a general feeling that gold prices will appreciate further in the coming months which is driving their purchase decision," the jeweller added. In fact, figures released by the World Gold Council shows that investment demand for bars and coins as well as ETFs accounted for 108.5 tonnes in the second quarter of 2011, a 78% jump over the second quarter of 2010. Pankaj Parekh, chairman (eastern region), Gem and Jewellery Export Promotion Council, said the rally in gold will continue for sometime before it stabilises. "This rally is largely driven

There is a feeling that gold prices will rise further in the coming months

by the overall weak economic sentiment across the globe. This will not last for long and price will have to stabilise. It's too early to predict at what levels it will stabilise."

Jewellers in Delhi added that the demand has slowed down due to the dramatic rally in the yellow metal. "We are now banking largely on festive sales for an uptake in jewellery demand. But the demand for gold coins and bars is on the rise as investment instruments," a jeweller said.

Contrary to the buying patterns in other parts of the country, there is demand for gold jewellery and gold coins and bars alike in Chennai. Ashish Mundhra, director of Chennai-based Mundhra Bullion, said: "The overall demand for gold is very good in Chennai despite a steep rise in prices. There is demand for gold coins of 5 grams, 10 grams, 100 grams."

Yellow Metal Declines from Record \$1,910

Gold dropped for the first time in seven sessions in London as some investors sold the metal after concerns about slowing economic growth pushed prices to a record above \$1,910 an ounce. Bullion is up 16% in August, heading for its best monthly performance since September 1999. European services and manufacturing growth held in August at the slowest pace in almost two years and a report on Tuesday may show falling new-home sales in the United States. Gold touched an all-time high on speculation Federal Reserve Chairman Ben S Bernanke will signal further measures to stimulate the US economy later this week and as debt crises spurred demand for a protection of wealth. Immediate-delivery gold fell \$11.20, or 0.6%, to \$1,886.40 an ounce by 11:35 am in London, erasing a gain of as much as 0.8% to \$1,913.50. It's up 33% this year. Gold for December delivery was down 0.2% at \$1,888.80 on the Comex in New York after touching a record \$1,917.90.