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Gold at all-time high, panic purchases reign - Money Matters - livemint.com - Mozilla Firefox

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Money Matters **RS5** Posted: Mon, Aug 8 2011, 11:58 PM IST

Gold at all-time high, panic purchases reign

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Ruchira Singh

New Delhi: Gold is trading at an all-time high of about ₹ 25,500 per 10 grams, prompting small investors to make panic purchases as they expect the metal to hit ₹ 27,000 soon.

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New Delhi: Gold is trading at an all-time high of about Rs. 25,500 per 10 grams, prompting small investors to make panic purchases as they expect the metal to hit Rs. 27,000 soon.

Gold prices are climbing as more global investors are buying the metal in the wake of economic troubles in the US and Europe, which have eroded the value of currencies and shares. "There are more buyers now, mostly small investors. They are buying bars of 10 or 20 or 50 grams," said Jitendra Kantilal, partner at Jugraj Kantilal and Co, a retailer in Mumbai's gold hub, Zaveri Bazaar. "Big investors will come when the prices dip to about Rs. 24,000."

-time high of Rs. 24,865 on Monday, according to the data from the Multi Commodity Exchange of India (MCX), gaining 40% from about Rs. 18,000 a year ago.

In the futures market, February 2012 gold contract is trading at about Rs. 25,655, while the April 2012 gold contract is trading at over Rs. 26,036. Traders said the metal's spectacular performance and bullish forecasts on prices is attracting small investors to the market.

funds, have not given high returns," said Haresh Acharya, head of bullion trading at Parker Bullion Pvt. Ltd, a large wholesaler in Ahmedabad.

Acharya said his client list has grown to nearly 700 from about 400 a year ago. Higher interest in gold is also increasing imports as India produces only a small amount of the metal. India imported about 500 tonnes of gold in the first six months of 2011, a 43% increase from 350 tonnes a year earlier, said Prithviraj Kothari, president of the Bombay Bullion Association.

"Because prices are very high, people are not buying big quantities like 1kg. Now they are purchasing smaller bars like 100 gram bars," Kothari said. Consumer patterns in India are changing, with growth in demand for gold outpacing jewellery, shows data from the World Gold Council.

Jewellery demand in India grew by 7% in the first quarter of 2011 compared to a year earlier, while demand for gold coins and bars or investment products—grew by 26%. Demand for gold exchange traded funds (ETFs) has also shot up.

Gold ETFs, managed by mutual funds, primarily invest in gold and related instruments. On MCX, open interest for the December gold contract had risen nearly three times since July to 1,354 as of last week.

The prospect of a global recession will drive prices up further, said Acharya of Parker Bullion. Madhavi Mehta, analyst at Kotak Commodity Services Ltd, expects gold prices to be volatile. "In the next one week or so, near month gold is expected to trade in a band of Rs. 25,650 to Rs. 24,500," said Mehta. "Since it is trading at record high levels, there is bound to