

Publication: Afternoon Dispatch & Courier

Headline: Rs 27,000, next target for gold

Edition: Mumbai

Date: 10th August, 2011

Coverage

₹27,500 Next Target For Gold?

By Mayura Shanbaug

"In the monetary theory it's the ultimate form of money," said Douglas Ho, Owner, Classic Coins, Hawaii Inc in Honolulu, while talking to a local media channel yesterday.

Looking at the continued upswing in gold prices, his words of wisdom has hit a bull's-eye with gold prices touching a new high of 26,198 rupees per 10 grams, gaining 3 per cent on Tuesday in India, tailing a rally in the world market and on a weak rupee.

Experts are of the opinion that the rally would continue at least for sometime in the near future on growing fears of a global recession following last week's US credit downgrade. US dollar falling against other major currencies like the Euro, Japanese Yen and Swiss Franc too contributed towards the trend.

At the Multi Commodity Exchange, gold for delivery in October climbed Rs. 956 to trade at an all-time high of Rs. 26,198 per 10 grams, with a business turnover of 29,258 lots. It had closed 2.4 per cent higher at Rs. 25,242 per 10 grams. It has risen over 11 per cent in August.

Prithviraj Kothari, President, Bombay Bullion Association said that prices have peaked to such levels for the first time in history. "This uncertainty has forced people to shift to safe haven investment like gold. Moreover, rupee has depreciated and reached 45.2 rupees to the dollar. This has also affected gold prices in India," he explains.

He mentions that gold prices could go to any direction from here on. "We can see gold peaking to \$2000 per ounce or even down to \$1500 per ounce. Any prediction at this stage is difficult to make," he adds.



Uncertainty has forced people to shift to safe haven investment like gold.

"There is a lot of caution in the market as buyers wait for some correction. With the advent of the festive season, there is a strong chance that Gold will see some dizzying highs in the next few trading sessions," says Pramit Brahmabhatt, CEO, Alpari Financial Services (India).

"We are taking long positions above 1735 dollars per ounce with targets at 1790 dollars per ounce and 1807 dollars per ounce. Alternatively the downside penetration of 1735 dollars per ounce will call for a slide towards 1710 dollars per ounce and 1692 dollars per ounce," he said.

Gold prices had zoomed past the crucial Rs 25,000 per 10 grams level on Monday amid a worldwide crash in global stocks. "The metal might even touch the Rs 27,500-mark by Friday this week," says Hamukh Bafna, President, Gold Chains & Jewellery Wholesalers Welfare Association.

Ten years ago today gold was valued at \$268 an ounce. One year ago today gold reached \$1,200 and people were thrilled. Now it's above \$1,720 and those

in the know say it's not even close to the ceiling. "If we do the quick mathematics keeping Dow Jones as a parameter then I foresee Gold reaching a level of 2200 Dollars per Ounce," he added.

According to Anand James, Chief Analyst, Geojit Comtrade, from a broader basis, the strain that the recently agreed debt deal is going to put on the US spending and growth, and would ensure that investors remain invested in Gold as a safe haven asset. "Further any lows that may appear during the traditionally slack period of Aug-Sep would see bargain hunters flocking on to the asset ahead of Diwali-Christmas festive season," he said.

The Indian rupee fell sharply on Tuesday to its lowest rate (against the dollar) in 10 weeks as a sell-off in global equities ignited fears of foreign fund outflows. International spot gold gained more than 2 per cent on Tuesday, roaring to all-time highs for a second consecutive session to stand above \$1,750 as equity markets dived on growing fears of a global recession following last week's US credit downgrade.