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Coverage –

Gold at 5-week low despite high China demand

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Gold fell today below the psychological barrier of ₹20,000 for the first time in 5-weeks, despite post-holiday physical demand from China and continued bookings into the wedding season.

Standard gold in Mumbai's Zaveri Bazar plunged 1.3 per cent or ₹265 to close at ₹19,800 per 10 gram — first time since November 17, 2010. However, at today's close gold strengthened to close at ₹19,935 per 10 gram.

Silver followed suit and plunged 2.93 per cent or ₹1,275 to close at ₹42,170 per kg today from ₹43,445 per kg on Monday.

Bhargav Vaidya, a precious metals analyst from B N Vaidya & Associates, said precious metals prices will de-



cline further in the coming days despite high consumer demand from India and China.

Premiums on gold bars in India hit a

two-year high to range between \$2-\$2.5 an oz over London prices due to sudden post-holiday Chinese demand. The fall in precious metals prices have prompted consumers to book gold in large quantities amid fears of a recovery in prices estimated by London-based independent research agency GFMS Ltd.

GFMS had earlier this month forecast gold prices to move upto \$1,500 this year and \$1,600 by 2012. Chinese buyers are currently booking at any quoted price.

"Refineries were closed for a fortnight in China due to the Lunar Year holidays. Now, they are opening gradually. Chinese refiners are rushing for bookings to run the show after paying a premium of as high as \$4-\$5 an oz. This is pushing up premiums in India also," said Prithviraj Kothari, director of Riddi Sidhi Bullions and president of the apex

trade body the Bombay Bullion Association.

Kothari said Indian markets were facing supply shortage of the yellow metal following a rise in festival and wedding demands from across the country. Individual consumers in India does not book gold during the month of Pausha according to the Hindu calendar (between December 15 and January 15). But, festival and wedding demands picks up after this period.

"No one had anticipated that Chinese demand will raise premiums in the market and tighten the metal's availability," said Vaidya. He hoped that supply will ease in the next 10 days.

Gold prices in London were quoted at \$1,325.1 an oz and silver at \$26.7 an oz in early afternoon trade — a marginal decline from \$1,343 an oz and \$27.29 an oz from respectively on the previous day.