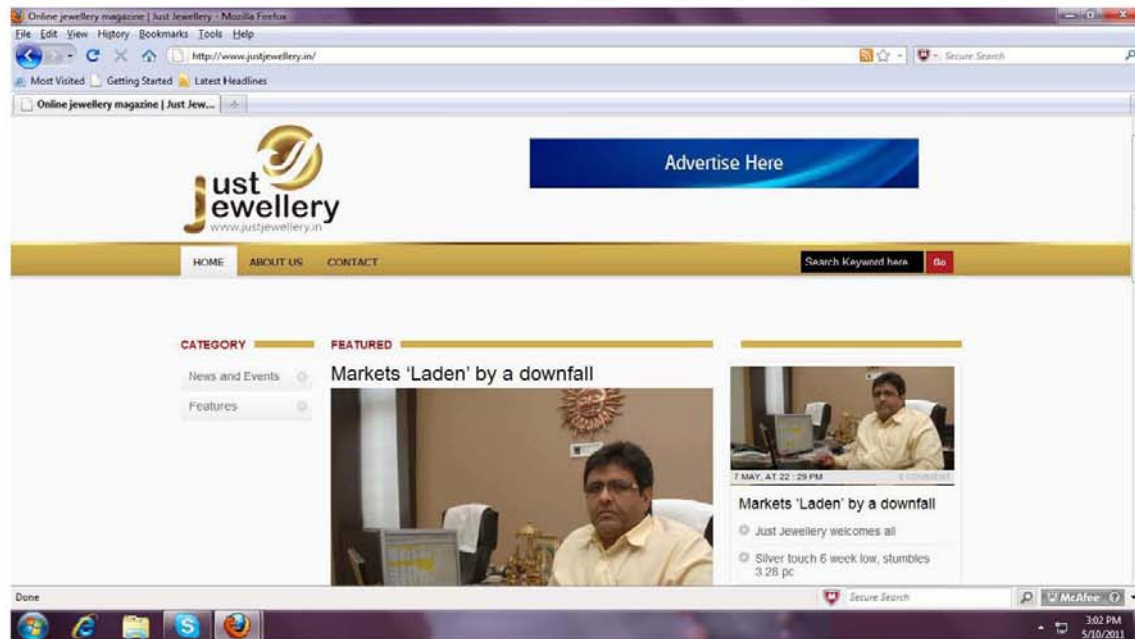


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[Markets 'Laden' by a downfall](#)

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Mumbai: 7th May 2011. Gold, silver topple as the death of Osama bin Laden reaches world markets, demand for bullions remain stable

Al Qaeda leader Osama bin Laden was killed in a fire-fight with U.S. forces in Pakistan on Sunday, ending a nearly 10-year worldwide hunt for the mastermind of the Sept. 11 attacks. Though Monday saw a moment of celebration for the world, the precious commodities market saw a massive breakdown from its record high. The precious metals continued to slip on the

domestic bullion market as silver crashed by INR 4,225 per kg and gold declined by INR 80 per 10 gm (on 4th May) due to selling pressure from industrial users and negative global cues. Silver has touched down by almost 25% since it topped at Rs 75,020 on April, 25 this year.

Gold prices slipped from its record highs reached over the weekend at the Mumbai bullion market on Monday on lower jewellery off-take and large offerings by stockists driven by bearish global cues. Silver also witnessed a massive unwinding by speculators amidst subdued industrial buying. In Europe, gold declined from record level and silver prices fell after news of killing of al Qaeda leader Osama bin Laden in a US-led operation in Pakistan. But, there are other factors at play in these markets than simply the death of Bin Laden. Increasing worries about rising interest rates in India and China are bearish factors. Bullion prices fell as correction was expected. Moreover, UK markets were closed on Friday and Monday hence there was no fixing.

Gold has remained robust despite the potentially negative short term implications for safe haven demand due to Bin Laden's murder. This suggests that market participants do not believe that the Bin Laden death is of any great importance or that participants realize that the global economy faces greater challenges than that of Bin Laden and al Qaeda. Gold is a barometer and is sensing that the Bin Laden death and burial at sea is a mere sideshow when compared to the real macroeconomic, monetary and geopolitical risk facing the world today. Concern over rising global inflation and ongoing unrest in the Middle East and North Africa may also continue to attract investors to bullion. Even at these price levels, demand for gold remains robust, particularly in India, China and Asia.

More so, in India the demand for bullions has been stable irrespective of the volatility as the auspicious festival of Akshaya Tritiya is welcomed with open arms for the purchase of gold and silver. Gold might have lost some safe-haven appeal after Bin Laden's death, but the bullish trend is intact as fundamentals of the market remain supportive, said traders and analysts.

Investors remain uncertain as to how the market will react to the news over time as Bin Laden's death is not expected to have much effect on oil producing countries like Libya. In Libya, NATO backed rebels are celebrating after another NATO air strike on Colonel Muammar Gaddafi's compound over the weekend killed Gaddafi's son, Saif al-Arab Gaddafi, and three grandchildren, just hours after Col. Gaddafi had called for a cease fire and the opening of negotiations with NATO powers. However, in the long run most analysts do not expect the Al-Qaeda leader's death to have a large effect on the markets, and especially not over the long term.



The writer is Mr. Prithviraj Kothari, Director, Riddi Siddhi Bullions Ltd. (RSBL) and the President of Bombay Bullion Association.