

Publication: Afternoon Dispatch & Courier

Link: http://www.afternoondc.in/business-investment/gold-versus-the-euro-zone/article_26542

Date: 6th June, 2011

Coverage Page:



The screenshot shows a Mozilla Firefox browser window displaying the website 'Afternoon Dispatch & Courier'. The article title is 'Gold versus the Euro Zone' by Prithviraj Kothari, dated Monday, June 06, 2011. The article text discusses the perspective of the average investor on precious metals and the Euro zone. A photo of Prithviraj Kothari is visible. The website header includes the 'Afternoon' logo and navigation menus. A sidebar on the right contains an advertisement for '15 Reasons to buy Gold' and a 'Download Google Chrome' link. The browser's address bar shows the URL: http://www.afternoondc.in/business-investment/gold-versus-the-euro-zone/article_26542. The system tray at the bottom shows the date and time as 1:10 PM on 7/7/2011.

Coverage:

Gold versus the Euro Zone

Monday, June 06, 2011

Prithviraj Kothari, Managing Director, RSBL and current president Bombay Bullion Association, (BBA)



From the perspective of the average investor, precious metals are quoted in US dollars, but their influences are global. This week a lot of focus is falling to the Euro zone and potential debt issues with member nations.

Basically, the area is tied together in a way that makes the whole system very fragile. There are countries that are strong participants in the overall economy of the unified area and others that are threatening the foundation. Right now, Germany appears to be a leader on the strong side while Greece is among the weaker links.

Traditionally, the relationship precious metals have with members of the European Union (EU) is not unlike the one seen in other developed nations. There remains a strong pull to add gold and silver to central bank reserves despite the fact that there is no currency linked to the metals.

The majority of mining happens outside of the member countries so there is no real link to be seen there. The relationship at the moment relates more to the financial well-being of the area as a whole rather than any intrinsic link to one major player in the euro zone.

Gold futures advanced in the domestic bullion market on worries about Europe's debt crisis that boosted the demand for safe haven investment. Speculators are expecting that debt crisis in Europe may further spread as Fitch rating downgraded the Greece's credit rating and S&P placed Italy on a negative outlook from stable outlook.

Greece led headlines this week when its credit rating was lowered by Fitch Ratings. This comes after months of a financial struggle that has seen Greece get bailouts from the EU and the International Monetary Fund (IMF).

The Mediterranean country was not the only one getting support in dire financial times. Ireland and Portugal have also seen cracks in their fiscal façade, and they are widely believed member countries could spell disaster for the EU markets but good news for bullion bulls.

In addition, there are signs of weakness from Spain, Italy, and Belgium as well. That represents six countries from an area that is seventeen members strong - not a happy ratio. This has apparently added to investor concerns and shifted some focus for the last year. The European Union is racing to draft a second bailout package for Greece to release vital loans next month and avert the risk of the euro zone country defaulting, EU officials said on Monday.

Gold is down by 2.3 per cent so far, hovering below a lifetime high around \$1,575 touched last month. Although it has been a beneficiary of investor nervousness over Greece, it has struggled to retain gains.

Analysts said the yellow metal is likely to remain highly volatile as it is caught up between profit booking and euro zone worries that supporting gold along with a weak dollar.