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Coverage

Gold free fall continues, down ₹635/10 grams

ENS ECONOMIC BUREAU
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GOLD continued its free fall at the bullion market here on Monday on frantic offloading by investors and traders, driven by uninterrupted sell-off in the global markets. Silver also sank further on hectic speculative selling amid sluggish industrial demand.

The fall in yellow metal in the overseas markets led to a decline of Rs 635 per 10 grams in standard gold in Mumbai.

In the last three days, globally, gold has fallen by nearly 9 per cent in its largest three-day slide since October 2008 and implied volatility has risen to a 2-1/2 year high. Spot gold was last down 1.7 per cent on the day at $1,628.29 an ounce by 11:44 GMT in New York, having fallen earlier by as much as 7.4 per cent, putting the difference between the intraday high and low at $128.40, the largest daily price swing on record. The metal in London fell 1.8 per cent to $1,626.95. Silver dropped 13 per cent to $26.15 an ounce, the lowest since November 18. It's down 7.4 per cent this year after climbing 61 per cent when it touched a 31-year high of $49.84 on April 25. Euro slumped to an eight-month low versus the dollar on concern European policy makers are struggling to resolve the debt crisis as the region's economy slows.

In Mumbai, standard gold plunged by Rs 1,270 per 10 grams in morning trade to Rs 25,590 and silver lost Rs 5,535 a kg to Rs 48,740. It was a free-fall in precious metals as selling intensified after panicked investors ran for cash over heightening fear of potential Greek debt default. However, there was a partial recovery towards the end. Standard gold (99.5 purity) dropped by Rs 635 per 10 grams to end at Rs 26,225 from last Saturday's closing level of Rs 26,860. Pure gold (99.9 purity) fell sharply by Rs 630 per 10 grams to close at Rs 26,355 from its previous close of Rs 26,985. Silver ready (.999 fineness) tumbled by a massive Rs 2,450 per kg to conclude at Rs 51,825 from Rs 54,275 last weekend.

"In morning trade, volatility was much more than the closing time in both national and international markets. There was mass profit booking of surplus stocks available with the traders. Those who had bought the precious metal at a high price, sold it in a hurry to book their profits. I think this type of correction is temporary and I do not see any massive correction like this in the near future," said Samir Shah, VP, RiddhiSiddhi Bullion.

The S&P's GSCI Index of 24 commodities declined 2.6 per cent today, before rebounding to gain 0.2 per cent. The MSCI All Country World Index of shares plunged 22 per cent. The gold reached a record $1,923.70 on September 6 as investors sought to diversify away from equities and some currencies. Central banks are adding to reserves for the first time in a generation, joining billionaire investors including John Paulson in hoarding gold.

YELLOW METAL LOSING SHINE

GOLD SURGED 35 per cent from the start of the year to the September 6 peak, before slumping as dollar gained

THE YELLOW metal has dropped around 14 per cent so far this September, its worst monthly performance in almost three years

PART OF the fall is due to the recent strength of the US dollar

INDIA AND China are the key drivers of gold bar, coin and jewellery consumption, with India's demand jumping 38 per cent in Q2 of 2011 from the same period a year earlier

Rupee ends at 49.46 against dollar in choppy trade

MUMBAI: The rupee closed marginally lower against the dollar on Monday as the domestic equity market remained weak and the dollar continued to strengthen against the euro. In a choppy day of trade, the rupee settled at 49.46 against Friday's close of 49.43. The rupee swung almost 50 paise in the intraday. Sharp volatility is adding to the woes of market participants, who expect local currency will continue to remain volatile and under pressure due to concerns in the euro region.

The euro in early trade on Monday hit an eight-month low to $1.3363 against the dollar before recovering to above $1.35 levels. The euro also touched a 10-year low of 101.9 against the yen. The rebound in the euro was on as speculation that the European Central Bank (ECB) might cut interest rates to overcome the debt crisis.

"The huge intra-day volatility in the forex market is compelling us to book losses as stop losses are getting triggered," said a treasury head of a state-run bank. Says Ananth Narayan G, head of South Asian currency, Standard Chartered: "The decline in the rupee is a function of what is happening globally. External sentiments are quite weak and Europe has been extremely nervous." Parthasarthi Mukherjee, president treasury, Axis Bank added, "The current volatility will be a concern for the RBI. If there is a sense of further volatility, then they might intervene." FE