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Coverage

Gold rises above ₹25,000, hits another record high

Sujit John & Partha Sinha | TNN

Bangalore/Mumbai: Gold rose to over Rs 25,000 per 10 gm on Monday for the first time ever, as investors rushed into the yellow metal as a safe-haven asset amid the global uncertainty brought on by Standard & Poor's downgrade of US's credit rating.

"The US ratings downgrade has pushed people into uncharted territory and there was panic buying in the market today," Prithviraj Kothari, president of the Bombay Bullion Association said about Monday's trading in the gold market. The price of gold, he said, crossed the Rs 25,400 mark in intra-day trading and then came down a bit. It ended the day at Rs 25,291. "The rise in prices was also because of some short covering," Kothari said.

Anjani Sinha, MD, National Spot Exchange, said people continue to be very bullish on



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gold. In the past few days, the price has risen by Rs 1,500 per 10 gm. "New people are entering the gold market. Stock market investors are diversifying into gold. My estimate is that about 10% of regular stock market investors have newly entered the gold market in the last six months," Sinha said. He believes that unless there is some major positive change in the US economic scenario, gold price will continue to rise.

Goldman Sachs raised its gold price forecasts on Monday, citing the fall in US real interest rates and the intensify-

ing sovereign debt issues in the US and Europe. It raised its 12-month target for gold from \$1,730 per ounce to \$1,880 an ounce. The bank said it expected prices to continue to climb in 2011 and 2012. It had previously expected prices to peak in 2012, but it now expects prices to rise through 2012.

In the New York spot market, gold touched a high of \$1,707 an ounce in Monday morning trade, sharply up from the Friday closing price of \$1,663.

Ong Yi Ling, analyst at Singapore-based financial house Phillip Futures, was quoted by TheStreet.com as saying that slow growth in the US and Eurozone debt problems are likely to keep gold attractive. News of more government stimulus would likely trigger more gold rallies down the road, she said. Ling has raised her price target for gold in 2011 to \$1,800 an ounce.