

Record price to deter festive gold buying

Global prices touch a 16-week high in anticipation of a fresh stimulus by the U.S.

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MUMBAI: The Indian consumer's appetite for gold is likely to be tested this festive season with gold price scaling a new peak on Thursday at Rs.30,699 per 10 gram. The metal has been on the up this week on global news. However, with the festive season under way, there are likely to be limited purchases in India.

Gold moved up in international markets on the back of purchases by several central banks. Prithviraj Kothari, President, Bombay Bullion Association, and Chairman, Riddhi Siddhi Bullion, said, "Globally, central banks have bought about 150 tonnes of gold in the last one month and there have been purchases in exchange traded funds (ETFs) too."

"Central banks bought gold as the euro and the U.S. dollar seem vulnerable," said C. P. Krishnan, whole-time direc-



tor, Geojit Comtrade. "They seem to be buying for the long-term. There are parts of the U.S. which are reeling under drought-like conditions and the impact of this is likely to be felt in the coming days. Technically, gold could move to \$1,680 an ounce level in a month," he added.

In India, the unfavourable rupee exchange rate means that with higher duties, gold imports are dearer. India has

imported lesser gold this year and going forward, the World Gold Council estimates that demand in 2012 will be 650-700 tonnes against 933 tonnes in 2011.

Mr. Kothari said there was already a 40 per cent drop in gold demand and jewellery buying had already halved this year. "It is all sentiment driven," he said.

Mr. Krishnan felt that gold could move to Rs.30,900-

31,500 per 10 gram in the next month, and buying would be in smaller volumes. Mr. Kothari, however, felt domestic gold could range between Rs.29,000 and Rs.35,000 per 10 gram by Diwali.

Rural demand being a decisive factor in India, monsoon plays a large role. "With the monsoon picking up, demand too may revive and continue till Diwali although there could be ups and downs," Mr. Krishnan said.

Scales new high in Delhi

PTI reports from New Delhi:

Gold price, on Thursday, surpassed all previous records to touch Rs.31,035 per 10 gram in tune with global prices that touched a 16-week high amid a weak dollar on anticipation of a fresh stimulus by the U.S. to boost economic growth.

In the spot market, prices of the precious metal rose by

Rs.290 to Rs.31,035 per 10 gram in New Delhi, surpassing the previous record of Rs.30,750 set on June 19.

In Mumbai, gold prices increased by Rs.135 to Rs.30,515, while in Kolkata, it rose by Rs.235 to Rs.30,960. The prices of the precious metal in Chennai gained Rs.270 to Rs.30,685 per 10 gram from the previous day's close.

Traders said the domestic gold price was supported by a strong rally in the overseas market and pick-up in demand from stockists and jewellers for the upcoming wedding season. "Any change in global prices will be reflected in the domestic market. International prices rose on hopes of third round of stimulus by the U.S. government to boost economy, lifting investment sentiment," commodity brokerage firm SMC Comtrade Managing Director D. K. Aggarwal told PTI.

Weak dollar index against other currencies also helped gold prices surge, he said, adding that weaker dollar increased the metal's appeal as an alternative asset. Indian rupee appreciated to 55.41 against the U.S. dollar on Thursday.

In the international market, gold rose to a 16-week high to \$1,665.09 an ounce and silver gained by 2.5 per cent to \$30.57 an ounce.

Back home, silver prices also increased by Rs.1,000 to Rs.57,000 a kg on strong global cues.

Silver coins rose by Rs.3,000 to Rs.72,000 for buying and Rs.73,000 for selling of 100 pieces.

However, total gold demand in the country is expected to be down by 50 per cent at 30-35 tonnes in the current month as compared to the year-ago period, according to the Bombay Bullion Association.