

BULLION – A ‘SAFE’ INVESTMENT OPTION

Interested in bullion as an investment option? **Ami Pandya** has a few suggestions

Contrary to perception, ‘Bullion’ is not just Gold – silver and platinum are also seen as precious metals, and the market dynamics in all three instances, viewed from an investor’s perspective, are almost similar, explains Prithviraj Kothari, MD, Riddi Siddhi Bullions Limited (RSBL).

Bullions’ stellar movement has stunned everyone in the last one decade with gold and silver gaining significantly amid economic and fiscal uncertainties which have engulfed almost the entire globe, says Rajesh Jain, EVP & Head Retail Research, Religare Broking. “Precious metals generally get a kick from inflationary environment, growing geopolitical tensions and surging risk in the financial markets. Real interest rates across the globe are expected to stay low for quite some time which may keep gold prices upbeat. The same is generally perceived as hedge against ballooning inflation,” he adds.

Demand from Asia, particularly China provided shot in the arm last year and the country is expected to emerge as the biggest gold market in demand terms in the world for the first time in 2012, along with India which may generate a substantial share of consumer demand. “Year 2011 witnessed net official sector buying around 439.7 tonnes, highest since 1964 which resulted as a consequence of emerging market central banks in the hunt to diversify their foreign exchange holdings and lack of any conclusive action in dealing with the key issues in Europe and the U.S.,” he says. “Amidst all financial turbulences we believe that the confidence and conviction lies in long-term fundamentals for precious metals on mounting demand from developed as well as emerging economies. In our view, investment demand for bullions as a foundation asset in portfolios is likely to gain strength in years to come which will be fuelled by enduring ambiguity surrounding global economic recovery and fiscal imbal-

ances, along with fear of looming inflationary burdens and currency tensions.”

An investor who hoards gold, is essentially seeking an exposure to gold’s performance, explains Sandesh Kirkire - CEO of Kotak Asset Management. “However look at the other side of the coin, the same investor is also (i) taking a risk on market price discovery during buying and selling; (ii) being exposed to the possibility of theft; (iii) incurring the cost of asset protection/insurance; (iv) inviting wealth tax incidence and higher tenure for short term capital gains tax; and, is taking an arduous route to trading in

bullion. My advice to such an investor is; to seek investment through a much more convenient and a relatively tax & cost-efficient medium of investment, i.e. Gold ETF and/or Gold FoF,” he says

The price points in Yellow Gold have opened up a plethora of opportunities to invest in

its whiter counterpart - Platinum, the prestigious and expensive white metal has always been valued higher than Gold, says Prithviraj Kothari, MD, RSBL. “The continued expansion of advanced and developing economies has caused demand for the metal to grow at a faster pace than it is being mined. But today the tables have turned, with Yellow Gold towering to Rs. 3010 per gm, compared to Platinum costing Rs. 2770 per gm - touching the lowest point - for the first time in the market.”

The volatile conditions should result in a great opportunity, which should see a rise in demand and rates of Platinum in the future, says Prithviraj Kothari, MD, RSBL. “Though there is a slump in its current value, this metal has the highest potential to earn returns if invested in present times. So it is perhaps, the best opportunity to invest in Platinum, as its value will be better appreciated than Gold in the future,” he says.

So, which will it be for you – Yellow Gold or the White Platinum?

