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# Will Gold Regain Safe-Haven Status?

Last fortnight saw great volatility in gold, with gold reaching its life time high at Rs 30,400 per 10 gm in the physical market, then dropping again by almost Rs 1000 per 10 gm and then nearing back to its life time high.

Indian gold prices in the bullion market reached of Rs 30,285 per 10 gms on Wednesday.

On Wednesday, Indian gold prices rose by Rs 270 to Rs 30,285 per 10 gms and neared its previous record of Rs 30,400 set on June 6. This is mainly due to Rupee weakness against dollar amid strong cues from the world markets.

Gold rose on Wednesday morning trading, reflecting a slight softening of the US dollar and continued fears over the stability of the European periphery.

A rally on Tuesday afternoon pushed the metal through \$1,600 to a high of \$1,617.85. It was last near this level at \$1,613.25/1,613.75 per ounce, up \$2.53 on Tuesday's close.

Gold has outperformed other precious metals, leading to renewed speculation that it had regained its status as a safe-haven asset - its traditional role in times of economic uncertainty.

With China's economy slowing in addition to the euro zone's debt problems, the USA payrolls data added to worries of a global economic slowdown. The May employment report was quite weak, and it does raise the odds of Federal Reserve to launch another round of monetary stimulus to support the U.S. economy, known as "Operation Twist," at its next policy meeting on June 19-20. The Twist program extends the maturity of the central bank's Treasuries holdings in a bid to bring down long-term borrowing costs like mortgage rates. The program is set to expire at the end of June.

On domestic front, India is reeling under the pressure of depreciating currency.

In the case of India, nearly 70% of its oil demand is met by imports. As a result, the plummeting currency will eventually increase import bill and will lead to a rise in oil prices and contribute to inflation. This in turn will lead to a rise in precious metals.

Moreover, the upcoming Greek elections will be playing a major role in movement of gold prices.

These elections that will take place on 17th June, will definitely bring about great volatility in gold prices and investors will surely take advantage of any dips while small time investors are expected to diversify funds to gold in lieu of depreciating paper currencies and in order to improve their portfolio.

Markets are jittery in anticipation of Greek elections over the weekend. A previous election on May 6 saw no party able to form a government, with a large section of the vote going to fringe, anti-austerity parties. This forced the country to schedule a fresh vote for Sunday.

Should this election again fail to produce a clear winner that supports measures as conditions for continued debt relief, Greece could be forced out of the euro and into default.

And if this happens then gold is expected to reach new highs.

Gold has an opportunity to re-establish its safe-haven status, particularly as concerns over sovereign debt, flat currency, counter-party risk and the desire to hold a hard asset have supported gold in the past.