

Traders increase bearish bets on gold

Open interest highest since April

RAJESH BHAYANI
Mumbai, 18 May

After Akshaya Tritiya, gold traders have become bearish. Trading in MCX futures in gold also reflects this as the open interest on the exchange has reached highest since April. While open interest can be of both side bets, brokers say most players are bearish in gold.

Open interest in gold used to be 15,000-16,000 lots from early April. But on Thursday, open interest was 18,812 lots, which is highest this financial year. Yesterday, however, it fell to 18,675 on profit taking. Open interest has been on the rise with a rise in volumes.

In the last one week, gold on MCX has fallen 4.3 per cent to ₹25,835 per 10g.

Ashok Mittal, chief executive officer, Emkay Commotrade, said: "Most traders have taken bearish view on gold as prices are expected to fall in the coming weeks. This has also been reflected in shrinking spreads in two contracts."

The spread between near month, which is June contract, and far month, which is August contract, on MCX has shrunk to ₹130, which was ₹500 per 10 gram in early April. Mittal expects gold price to move to ₹25,000

in June contract, while for silver, the support is ₹42,000, and if that is broken, price could go

below ₹40,000.

At present, June contract gold is trading at ₹25,820 per 10 g, while silver is ₹42,634 a kg.

Meanwhile, gold, which was in short supply in the international market after a price crash in April, was quoting at a

premium of \$10 per ounce, but "in the last few days, premiums have doubled to \$20 an ounce. China has been the big buyer of physical gold globally," said Prithviraj Kothari, managing director, RSBL. In the quarter ended March 2013 also, China's gold demand had been higher than India.

China consumed 294.3 tonnes, which is 20 per cent higher than the first quarter of 2012, while India consumed 256.5 tonnes of gold in January-march 2013.

Gold in the Mumbai spot market is also quoting at a premium Gold price in the last one week in the Mumbai spot market has fallen 4.36 per cent or ₹1,190 to close today at ₹26,120 per 10 g, while silver has fallen 4.98 per cent to ₹43,800 a kg.

However, compared to MCX June contract, spot gold in Mumbai is at a premium of ₹285 per 10g.

LOSING SHEEN

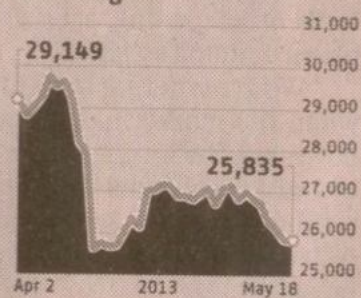
MCX future price

| Date | Gold (₹/10g) | Silver (₹/kg) |
|------------|--------------|---------------|
| May 11 | 26,999 | 45,284 |
| May 18 | 25,835 | 42,629 |
| Change (₹) | -1,164 | -2,655 |
| Change (%) | -4.31 | -5.86 |



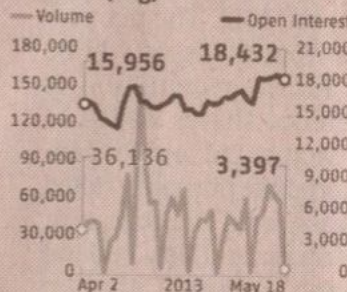
Gold futures on MCX

Price ₹/10g



Compiled by BS Research Bureau

Contract (1 kg)



Source: Bloomberg