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Headline: Europe snow leads to Gold price spike

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Coverage –

EUROPE SNOW LEADS TO GOLD PRICE SPIKE

Traders charge premium on coins, say supply has been hit

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Mumbai, 25 December

Gold coins are selling at a ₹100 per 10 gram premium since Guru Pushya Nakshatra, one of the most auspicious occasions for buying precious metals in western Indian states. The festival was on last Thursday.

Sources say traders are demanding a premium by creating an artificial shortage of gold coins, saying that supply from Europe has been interrupted due to snowfall. Although flights from Europe started last Friday after about four days, the supply remained tight during the

festival season.

According to trade sources, availability of gold coins was scarce and surpassed the demand a couple of days ago. Indian traders, mostly banks, import mainly Swiss-make gold coins. An estimated 90-95 per cent of all gold coins sold in India are sourced from Switzerland.

"The supply is normal. But, the demand has remained bullish even after the festival. Amid expectations of higher prices, both individual consumers and investors are booking gold coins, which now account for 25 per cent of overall gold sales," said Prithviraj Kothari, director of Riddi Siddhi Bullions Ltd and president of the

Mumbai-based trade body, the Bombay Bullion Association.

The demand of coins has been bullish since gold prices surpassed ₹20,000 per 10 gram. Now, consumers had understood that prices would remain high for some more time, leading to fresh buying, said Kothari.

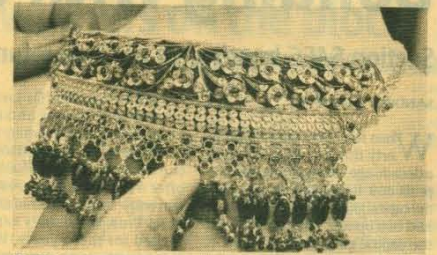
Many bullion traders, however, termed the premium as a making charge. But, jewellers have never levied such a charge on gold coins in the past under normal circumstances. It is charged only in case of shortage.

Jitendra Jain, partner of Jugaraj Kantilal & Co, a Mumbai-based jewellery retailer, said, "Buying gold coins from retail jewellers is cheaper despite the premium of ₹100 per 10 gram.

Banks charge up to five-six per cent premium, which comes to over ₹1,000 per 10 gram."

The World Gold Council (WGC) has reported 28 per cent spurt in retail gold demand in the third quarter. WGC estimated that the demand achieved the all-time high figure of 750 tonnes in 2008 in the first three quarters of the current year. Boosted by retail consumers, the demand was expected to reach a new high this year, it said.

Meanwhile, pure gold was range-bound close to ₹20,500 per 10 gram. Although most shops remained closed due to Christmas, the ones that were opened recorded sporadic sales of jewellery and gold coins.



STILL ATTRACTIVE
OVERALL Q3 GOLD DEMAND (TONNES)

	2009	2010	Change (%)
Jewellery	135.2	184.5	36
Retail investment	44.4	45.0	1
Total	179.8	229.5	28

Source: WGC