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Coverage –

« BULLION

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Where is gold going?

All these weeks, we have been speaking about silver and palladium. But coming ahead from the back seat at an all time high is gold that's glittering with shine. Gold has been the traditional, solid and safest of investments that people go in for during times of financial uncertainty.

We are currently experiencing a gold boom. Investors are flocking toward gold as a safe-haven investment. Gold prices rose to an all-time high above 1,488.5 dollars an ounce on Friday, as new peaks in crude oil and grains fuelled inflation fears and a downgrade of Portugal's credit rating fed safe-haven demand.

Gold prices have also risen in line with the price of oil which is mainly due to the current political and economic uncertainty in the Middle East and North Africa.

Gold prices were holding slight gains early Thursday when some US economic data was released to help push prices higher. The weekly jobless claims report came in weaker than expected and the US producer price index had a core reading that was a bit hotter than expected. The US dollar index sunk to a fresh 16-month low following the release of the economic data, which boosted the gold market bulls.



The very weak technical posture of the US dollar index also remains a bullish underlying factor for the precious metals markets.

The spectre of increasing inflationary pressures is gaining more investor attention. Precious metals prices have been boosted in recent months in part by heightened inflation concerns among investors.

Gold in global markets, which normally sets the price trend on the domestic front, reached a new record high of 1,488.5 dollars an ounce.

Though silver has been moving much faster than gold, the gold upsurge seems to be more stable.

I don't believe gold is 'in a bubble', but rather its price is something that reacts to world economic and economic-related (military, societal disruption, etc.) events. I believe that to predict a given price or price range for gold (or silver) largely is meaningless, given that the gold (and to some degree the silver) price is affected by world events that fall into the categories of 'predictable' (e.g. the US is going to run consistent trade deficits going forward for some long time, and may never reverse them), 'somewhat predictable' (e.g. the US housing and unemployment are not going to improve significantly in the next few years); and 'unpredictable' (e.g. events like the Libyan crisis and the Japanese earthquake). However, I do believe it is sensible to discuss the price trend of gold, which I believe on the balance of probabilities will be up.