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Coverage –

Yellow fever strikes again

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April 6: Precious metals — gold and silver — touched new all time highs on Wednesday in dollar terms. Industry officials and analysts say that the rising price is because of multiple factors — a weak US dollar, geopolitical tensions in the middle-east and fears of inflation.

Surprisingly though, in rupee terms, the price of gold is still a little lower than the all time high. This is because the Indian rupee has strengthened against the greenback in the recent days. However, the jewellery demand in India — the world's largest gold market, could go down by 15-20 per cent at these prices.

"Weakness of the US dollar is the primary reason for the rising price of gold," says Mr Rajesh Mehta of Rajesh Exports, India's leading gold importer.

"In rupee terms, we are close to the highs, but not there because the rupee has gone up against the dollar recently," he adds. Apart from a weak dollar, fears of inflation, geopolitical tension in the middle-east and purchases by exchange traded funds (ETFs) are also pushing up the price of gold, says Mr. Prithviraj Kothari, president of the Bombay Bullion Association, an industry body.

He says that close to 2,000 tonnes of gold is currently tied up in exchange traded funds around the world. In India however, people still prefer physical gold, and the total volume is just 15-16 tons. Silver funds globally are sitting on

