

Publication: Afternoon Dispatch & Courier

Link: http://www.afternoondc.in/business-investment/gold-silver-on-bullish-run/article_32948

Date: 22, Aug 2011

Coverage Page:



Coverage:

Gold, Silver On Bullish Run

Monday, August 22, 2011



Prithviraj Kothari

Managing Director, RSBL and current president Bombay Bullion Association, (BBA)

Precious metals rose on Tuesday at Comex. Weaker than expected economic data at US home front and globally imparted the shine on the bullions. But a steady dollar kept gains under check. Yellow metal struck another all time record high.

Generally, a stronger dollar pressures demand for dollar-denominated commodities, such as crude oil and gold, which become more expensive for holders of other currencies and also vice versa. But bullion metals have registered increase in prices despite strong dollar in recent times and vice versa. On Tuesday, silver prices for September delivery rose by \$0.51 (1.3%) to end at \$39.82. Export prices declined for first time in a year, down 0.4% At the Indian Exchange, silver prices for September delivery closed higher by Rs. 1,000 (1.7%) at Rs. 59,718/Kg. Prices opened at Rs. 59,300/kg and rose to a high of Rs. 60,148/Kg during the days trading.

Gold futures gained for the first time in three sessions as the dollar's decline revived demand for the metal as an alternative investment. Gold on Comex division of the New York Mercantile Exchange continued its move upwards Tuesday afternoon as weak German and Euro-zone GDP data pushed global equities downwards and boosted the dollar. Market participants are also eagerly waiting for a joint news conference that will follow the conclusion of the meeting on Euro-zone debt problems between German Chancellor Angela Merkel and French President Nicolas Sarkozy.

COMEX gold traded in a narrow range above \$1780/oz Wednesday after a sharp 1.5% gain, which marked its second consecutive gain. Gold fell as low as \$1730.8/oz on Monday this week but bounced back to hit a high of \$1790.8/oz.

Gold prices eased over past few trading sessions amid some profit taking after last week's rally to record high level above \$1800/oz level. Margin hike by CME and recovery in equity markets put a brake on gold's upward momentum.

After the rating downgrade for US earlier this month, market players shunned equities and commodities and moved towards safe haven assets pushing gold and Swiss Franc to record high levels while Japanese yen appreciated and US bonds gained. While gold continues to hold near record high levels, Yen and Franc have eased a bit after recent run-up. Gold is also gaining from support from safe haven demand as outlook for major global economy weakens.

Meanwhile uncertainty about these economies has fuelled expectations that the central banks may continue to support these economies. This is also supportive for gold. Meanwhile the

Overall, gold has resumed its upward momentum supported by safe haven demand amid increasing uncertainty about global economy especially in the US and Euro-zone. For US, focus will be on trend in equity markets and economic data. For Euro-zone, focus will be on bond yields which will be an indicator of investor confidence. Any stability in equity markets could result in some profit taking in gold.