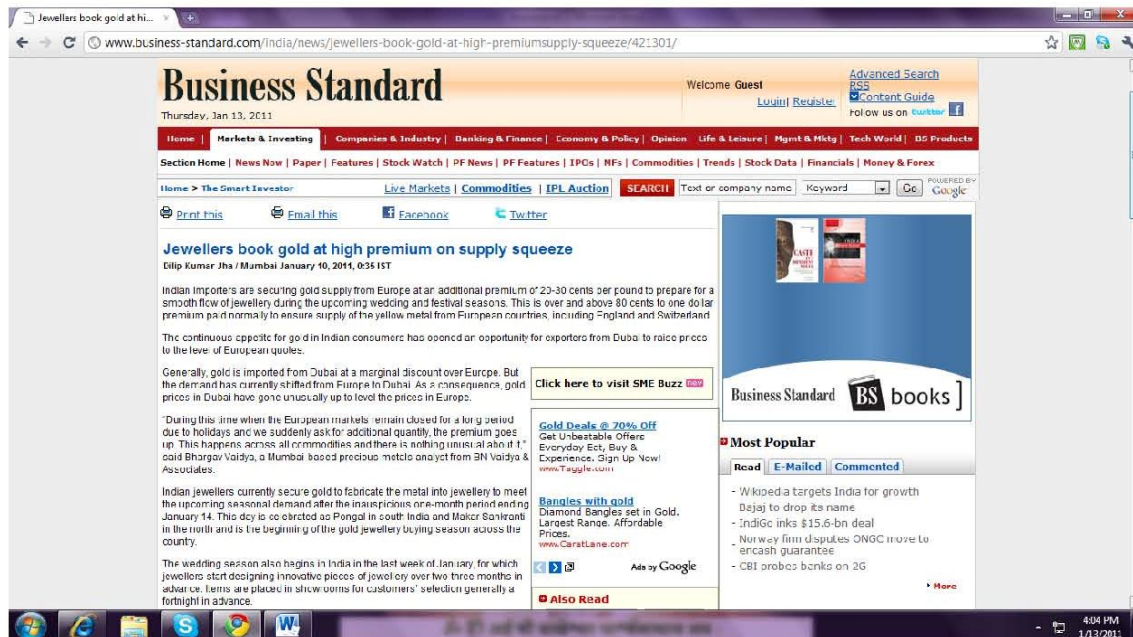


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Jewellers book gold at high premium on supply squeeze

Dilip Kumar Jha / Mumbai January 10, 2011, 0:35 IST

Indian importers are securing gold supply from Europe at an additional premium of 20-30 cents per pound to prepare for a smooth flow of jewellery during the upcoming wedding and festival seasons. This is over and above 80 cents to one dollar premium paid normally to ensure supply of the yellow metal from European countries, including England and Switzerland.

The continuous appetite for gold in Indian consumers has opened an opportunity for exporters from Dubai to raise prices to the level of European quotes.

Generally, gold is imported from Dubai at a marginal discount over Europe. But the demand has currently shifted from Europe to Dubai. As a consequence, gold prices in Dubai have gone unusually up to level the prices in Europe.

"During this time when the European markets remain closed for a long period due to holidays and we suddenly ask for additional quantity, the premium goes up. This happens across all commodities and there is nothing unusual about it," said Bhargav Vaidya, a Mumbai-based precious metals analyst from BN Vaidya & Associates.

Indian jewellers currently secure gold to fabricate the metal into jewellery to meet the upcoming seasonal demand after the inauspicious one-month period ending January 14. This day is celebrated as Pongal in south India and Makar Sankranti in the north and is the beginning of the gold jewellery buying season across the country.

The wedding season also begins in India in the last week of January, for which jewellers start designing innovative pieces of jewellery over two-three months in advance. Items are placed in showrooms for customers' selection generally a fortnight in advance.

"Currently, gold demand is normal in India but the sale increases on every dip. Since prices corrected on Friday, demand rose sharply.

If the price falls further, buyers will abstain from fresh booking in anticipation of a further decline," said Prithviraj Kothari, director of Riddi Siddhi Bullions Ltd, one of the largest bullion traders in India.

On Friday, gold fell here by Rs 145 to Rs 20,150 per 10 gram while silver declined Rs 745 to Rs 45,175 per kg. The yellow metal, however, recovered marginally on Saturday to close with a gain of Rs 130 at Rs 20,280 per 10 gram. Similarly, silver rose Rs 225 to trade at Rs 45,400 per kg.

On the MCX, however, gold for delivery in February was trading at Rs 20,375 per 10 gm against the cash price of Rs 20,375 per 10 gm in Ahmedabad.

Gold for February delivery lost \$2.80 to \$1,368.90 an ounce at the Comex division of the New York Mercantile Exchange, after trading in a wide range between \$1,379 and \$1,352.70 during Friday's session. India's gold consumption is expected to surpass 750 tonnes this year on high jewellery and investment demand

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