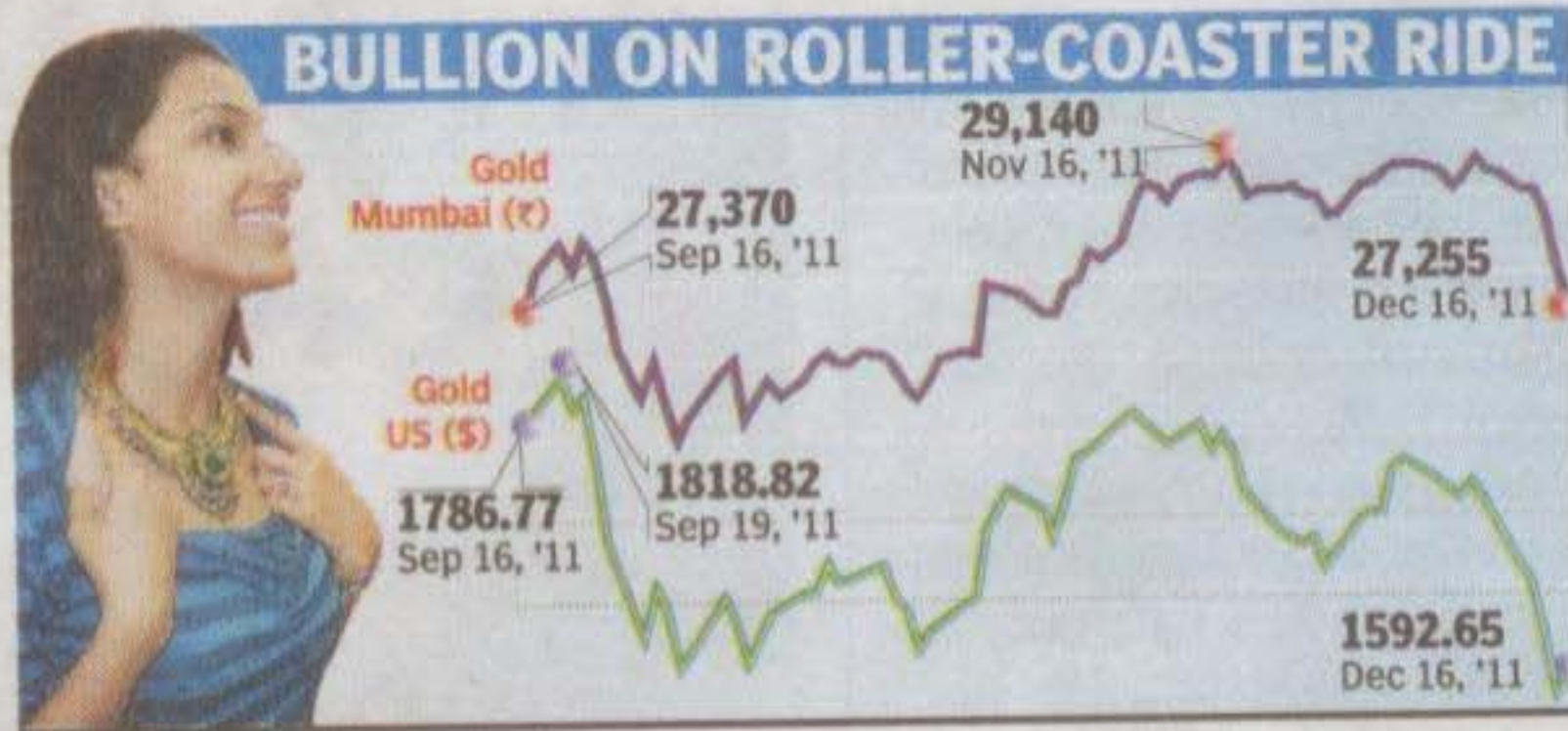


Yellow metal begins to lose 'safe haven' status

TIMES NEWS NETWORK

Mumbai: All of a sudden, in most part of the world, gold is losing its 'safe haven' status with some sovereign funds and hedge funds selling the metal and speculators cutting their positions. As a result, in the international market the price of the yellow metal is now down about 16% from its all-time high of \$1,900 per ounce in September. In India, where a weakening rupee has so far cushioned the fall, it has lost about 7% from its recent all-time high at about Rs 29,500 per 10 grams to about Rs 27,500 level on Friday.

Although the outlook for the precious metal in the international market is bearish, in the domestic market the demand for gold jewellery during the wedding season in January and February is expected to keep its price steady for at least two months, bullion dealers said. In intra-day trade on Friday, after prices in the domestic market fell to around Rs 27,200 level, demand from traders picked up, they said.



"We don't expect much downside from the current levels for gold," said Lalit R Jagawat, director, Nakoda Bullion, one of the leading bullion traders in Mumbai. "There is good demand for the ensuing wedding season in January and February which should keep prices steady," said Jagawat.

Bullion traders also said that with the increasing investment demand for the yellow metal, its demand does not fall during those periods in the year which are considered inauspicious for buying gold.

"Earlier demand during inauspicious periods used to be lax, but not so any more. Now if the prices are lower, people buy gold for invest-

ment or even from trading gains," said Samir Shah of Riddisiddhi Bullion, another major bullion player in the Mumbai market.

Some analysts, however, are keeping their fingers crossed: If rupee appreciates and at the same time the international prices of gold hovers around the current \$1,600 level, there could be some correction locally. This is because gold being one of the most traded metal globally, its price in India is directly linked to the global price which is denominated in dollar. So any weakness in the price of rupee to dollar leads to a jump in the price of gold in India, while a strengthening rupee sends its prices lower.