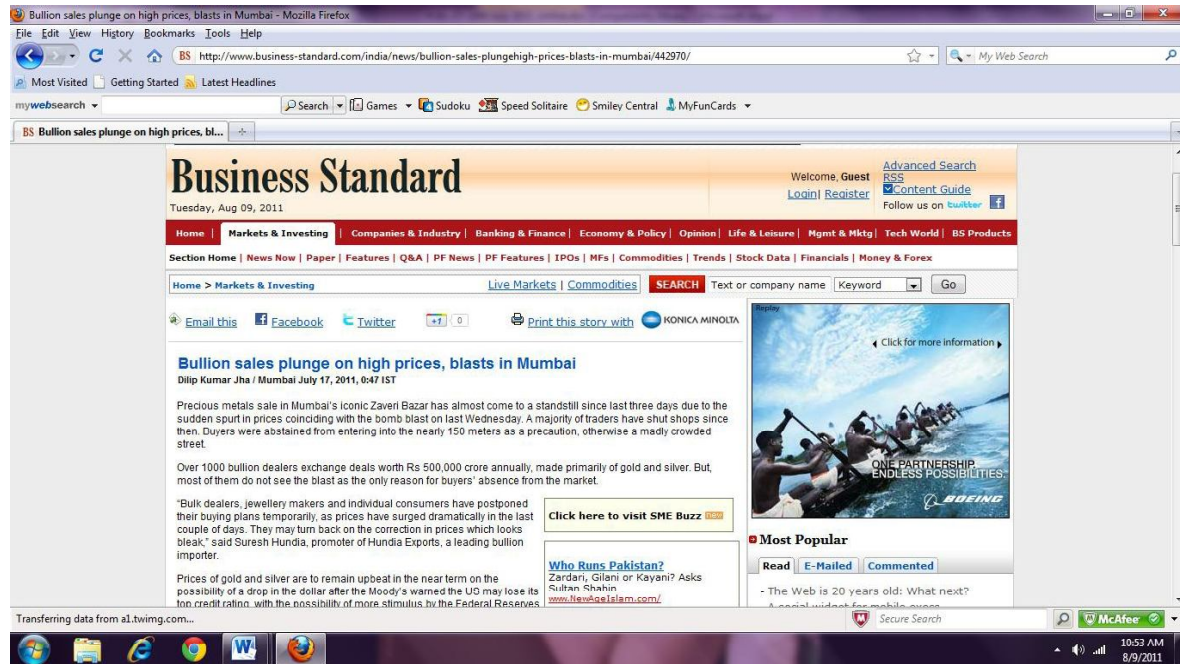


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Bullion sales plunge on high prices, blasts in Mumbai

Dilip Kumar Jha / Mumbai July 17, 2011, 0:47 IST

Precious metals sale in Mumbai's iconic Zaveri Bazar has almost come to a standstill since last three days due to the sudden spurt in prices coinciding with the bomb blast on last Wednesday. A majority of traders have shut shops since then. Buyers were abstained from entering into the nearly 150 meters as a precaution, otherwise a madly crowded street.

Over 1000 bullion dealers exchange deals worth Rs 500,000 crore annually, made primarily of gold and silver. But, most of them do not see the blast as the only reason for buyers' absence from the market.

“Bulk dealers, jewellery makers and individual consumers have postponed their buying plans temporarily, as prices have surged dramatically in the last couple of days. They may turn back on the Exports, a leading bullion importer.

Prices of gold and silver are to remain upbeat in the near term on the possibility of a drop in the dollar after the Moody's warned the US may lose its top credit rating, with the possibility of more stimulus by the Federal Reserves and Europe's worsening debt crisis.

According to Hundia, gold prices may range between Rs 22,000 - 23,500 per 10 grams (around \$1800 an oz) while silver is likely to move between (Rs 54,000 - 60,000 a kg (\$36-40 an oz) in the coming months.

Standard gold price rose by 2.41 per cent or Rs 540 to close the week at Rs 22890 per 10 gram. In terms of dollar, the yellow metal also jumped by 2.58 per cent to settle at \$1553.47 an oz. Silver also followed the suit and closed with a gain of 4.07 per cent at Rs 56775 a kg. In dollar terms, the white precious metal jumped by 9.75 per cent.

Bhargav Vaidya, an analyst with B N Vaidya & Co, sees the decline in trading volume as a result of buyers' apprehensions over dealing in bullion at the current high. Although, the recent bomb blast has nothing to do with global bullion prices, yet the incident gave buyers a reason to postpone fresh bookings till things gets normal, he added.

Bullion dealers' exit in other streets has also recorded a slump in bullion sales. "Our sales have declined at least by 50 per cent in the last 2-3 days. It is impossible to presume when the trade will be restored," said an executive of Jugraj Kantilal & Co, a bullion dealer.

The company normally sales 4-5 kgs of gold daily, which now has come down to 2-2.5 kgs.

However, Prithviraj Kothari, president of the apex trade body Bombay Bullion Association (BBA), does not find the decline in trade volume unusual. "Precious metals sales decline during monsoon especially between June 1 - July 15 and gradually pick up in the third week

Gold demand has now declined by nearly 15 tonnes a month from the annual average of nearly 80 tonnes a month.

But, bullion stockists are likely to commence by end of the month, as preparations for the forthcoming festive season begins from September. This means fresh bullion demand will hit the street in a week or two from now.