

Gold Rush Seen Ahead of Festivals

Correction in global gold prices accompanied by a strong ₹ has pushed down local prices

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A correction in global gold prices accompanied by a strong rupee has pushed down gold prices in India, which has prompted a wave of buying in the country from the beginning of this week which marked the end of the inauspicious shradh paksh.

Bullion dealers and jewellers are stocking gold at this price for the upcoming festival season. Gold traders say there has been an increase in demand by 10% in October compared to the previous month which may go up further if there is a further correction in prices. Mohit Kamboj, president of Bombay Bullion Association, said: "In the July-September quarter, India imported 167 tonne of gold. We are expecting an import figure of 260 tonne in the October-December quarter on account of festivals and wedding demand. A fall in prices will be advantageous for us."

Global gold inched up on

Wednesday, rising for a second day with the support of a stronger euro as concerns about the bloc's debt crisis eased after Moody's affirmed Spain's rating and German business sentiment improved. Gold has moved up to \$1,750 an ounce. The rupee, which strengthened on Wednesday,

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prices to some extent. The rupee plays an important role in determining the landed cost of the dollar-quoted yellow metal.

Mukesh Kothari, director, Riddisidhi Bullion said: "Jewellers are stocking gold at this level. The equity market has improved and there has been profit book-

ing capped the upside in prices. Indian gold prices are generally determined by international prices. During festival seasons, local demand and currency movement also influence the



ing. Retail investors are diverting these funds into the gold market." Spot gold price in Mumbai was hovering around Rs 30,900 per 10 gm.

Jewellers of Zaveri Bazaar said consumers' appetite for gold is back with more footfalls seen in jewellery shops. "This is the beginning of the festival season which will continue until Diwali followed by the wedding season in north India. At this price level,

jewellers and bullion dealers are active," said Ketan Shroff, director of jewellery and bullion firm, Penta Gold. Shroff further added that investors are waiting for more corrections. "The government has announced its policies on foreign direct investment. If foreign funds flow in, we can expect the rupee will get stronger further. That will check local gold prices even if international prices go up. At that level there will be more buying," he said.

Interestingly, China might not become the big gold buyer of the future that many people are banking on, bullion traders say. Trade statistics released last week showed Chinese imports of gold from Hong Kong slowed dramatically in August. Hong Kong shipments of the metal to China for the month totalled 54 tonne, a drop of 29% from the 76 tonne shipped in July, according to data from the Hong Kong Census and Statistics Department.

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