

Gold prices on a crash course

After yesterday's global meltdown, bullion prices fall 3.5% in domestic markets; analysts see downtrend continuing

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Mumbai, 13 April

The gold price bubble seems to have burst, finally. Prices have declined more than four per cent in the international market since yesterday evening. In India, gold and silver prices fell 3.5 per cent today. And, most analysts say the downtrend would continue.

In Mumbai's Zaveri Bazar, gold is trading at a 13-month low, while silver is at a 16-month low. Today, gold lost ₹1,010 to close at ₹27,880 per 10g and silver closed ₹1,890 lower at ₹50,605 per kg. In the New Delhi market, gold fell by ₹1,250 to close at ₹28,350 per 10g, a level last seen on April 7.

In MCX futures, traders are understood to have increased their bearish bets further. The open interest on MCX gold rose from 14,184 lots on Tuesday to 15,556 lots today and brokers said the rise in open interest, at a time when prices were falling, suggested an increase in bearish bets.

Prices came under pressure, following heavy selling by institutional investors, amid fears central banks would act on the lines of the European Union, which had said Cyprus needed to sell gold reserves to raise about €400 million to meet its financing needs.

According to World Gold Council's latest data, Cyprus holds only 13.9 tonnes of gold (62.4 per cent of its total reserves). Now, there are concerns that other struggling countries such as Portugal, Ireland, Italy, Greece and Spain may be pushed to do the same. Together, these countries hold about 3,230 tonnes of gold, worth about €125 billion.

Yesterday, prices fell sharply — in just a couple of hours, gold corrected about four per cent. Such volatility is



The bullion trajectory

	Recent high date	Recent high close	Apr 13, 2013	% change
Gold (\$/oz)*	4-10-2012	1,790.40	1,483.00	-17.17
Silver (\$/oz)*	4-10-2012	35.01	26.00	-25.73
Gold (₹/10g)	26-11-2012	32,500.00	27,880.00	-14.22
Silver (₹/kg)	26-11-2012	64,350.00	50,605.00	-21.36

*As on April 12, 2013

Source: Exchanges; Compiled by BS Research Bureau

rare for a commodity such as gold. Funds started selling after a 'sell' call by Goldman Sachs, whose commodity research wing said, "We are lowering our US dollar-denominated gold price forecast once again. We have conviction the turn in the gold cycle is materialising and our new forecast is further below the forward curve, with year-end targets of \$1,450/oz (ounce) in 2013 and \$1,270/oz in 2014."

Goldman is not the only one. Now, for precious metals, most analysts have turned bearish. Projections suggest gold would fall further and analysts say the next targets in the one

and half years are \$1,450, \$1,365 and \$1,270. If these targets are met, gold in India may be available at ₹25,000-26,000 per 10g.

Kunal Soni, research analyst at Emkay Commodities, said, "We see prices falling to our next target at \$1,445; these could go down further to \$1,365 (₹27,200)."

Gold prices saw about a decade of bull run — from 2001 to September 2011 — when prices rose to a high of \$1,900/oz, resulting in returns of about 700 per cent. From that peak, prices have fallen about 22 per cent. And, there is no sign of an end to

Value of ₹1 lakh invested in gold (As on Apr 13, 2013) in ₹

1 month ago	94,460.44
3 months ago	91,620.11
6 months ago	87,125.00
1 year ago	1,00,577.20
3 years ago	1,69,534.81
5 years ago	2,15,040.49

Govt oil subsidy, petrol prices to fall



With Brent crude oil prices falling to an eight-month low on Thursday, oil marketing companies are expecting some relief on their revenue losses. However, a weak rupee continues to worry them. Petrol prices have fallen by ₹3.45 a litre since the beginning of March to ₹67.29 a litre (in Delhi), and are likely to fall further. However, diesel prices may continue to rise, owing to the government's phased decontrol policy, **JYOTI MUKUL** reports from **New Delhi** ▶

the decline.

Some traders in India, however, see a ray of hope in the falling prices. They feel Indian households would keep buying gold at every level. "We see customers coming back to market after a long time, as prices have fallen significantly," said Prithviraj Kothari, managing director, RSBL.

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▶ Paulson loses \$300 mn as gold declines