

Gold spot premium falls on hope of supply

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Premium for getting delivery of gold in physical markets moderated on expectations of supply woes getting eased. The Reserve Bank of India (RBI) clarified certain procedural aspects, which led to placing orders for import by big jewellers and gold supply is expected to resume in a day or two.

In the last few weeks, gold was quoting at ₹800-900 per 10 gramme premium, which has now come down to around ₹600 and is likely to fall further. Premiums are above the cost of imports. Imports were almost on halt in the last few weeks as linking import with export (20 per cent of import should be for exports) had created confusion. Gold was quoted at ₹31,348 per 10 grams in the Delhi market. The Mumbai market was closed.

Haresh soni, president of the Gem and Jewellery Trade Federation, said: "While jewellers have started placing

orders for imports and supply will also ease spot premiums, condition of 100 per cent down payment for procuring gold from importing agency will increase their cost of working capital which could badly hurt them when demand is slow."

Several jewellers have seen artisans sitting idle as there was no gold available and when it is being made available, they have to be ready with full cash, as "gold loan market is not their after RBI's clarification last week on gold imports," said Soni.

Earlier in the last week of July, RBI had allowed banks to import gold on consignment basis and allowed the metal to be leased to jewellers. But that facility had been tweaked last week by the central bank. RBI allowed banks to import gold through the consignment route, but jewellers will have to pay full amount upfront for buying

gold for the domestic market.

Prithviraj Kothari of RSBL said: "Gold import may resume, but there is no demand and festivals have also come." Gold prices have rebounded from \$1,180 in mid-June to \$1,360 per ounce in the international market and in India, they are trading at eight-month high. But Kothari believes looking at global price of gold, it is a time to sell, but in India, lower rupee may support the fall in the domestic market.

Meanwhile, the domestic bullion market was also ripe with the rumours that the government will take actions against those doing arbitrage in gold in the domestic market and Comex, the US-based exchange where gold is widely traded. Rumours were also floating that RBI may clamp down in some way on currency futures market to stem the rupee from falling.

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