

Gold prices slip to 6-month low of under ₹30k per 10 g in Mumbai

Global cues may further weaken the yellow metal; imports seen under control after January surge

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Gold prices today continued their losing streak, with standard gold falling to a six-month low in Mumbai's Zaveri Bazar, on global cues.

Spot gold today slipped below the ₹30,000 per 10g level, for the first time since August 17 last year, to close at ₹29,890 — down ₹200 from yesterday's close — mainly on

weakness in underlying fundamentals. Over the past week, the yellow metal has declined 3.4 per cent in the international market, while it has weakened by 1.95 per cent in Mumbai due to a weaker rupee.

"With the indications of a recovery in the US economy, the dollar is strengthening against the euro. A stronger dollar leads to weaker gold prices," said Gnanasekar Thiagarajan, director, CommTrendz Research, a Mum-

bai-based risk advisory firm.

Over last six months, gold has remained extremely volatile. After hitting a high of ₹32,500 per 10g on November 11, it has steadily moved downwards. Over the past month alone, it has recorded a fall of 2.45 per cent. However, the decline in India has been less steep than in the international market due to a weak domestic currency.

Meanwhile, India's import of gold surged 23 per cent in

January — to 100 tonnes from 81 tonnes in the same month a year ago — as Indian traders and agencies built a massive inventory before the government announcing an increase in import duty from four per cent to six per cent. According to Bombay Bullion Association President Mohit Kamboj, jewellers boosted their inventory to their full capacity ahead of the duty hike.

The import of the metal is likely to remain stable at 50

tonnes in each of February and March as traders expect a reduction in activity towards the end of the financial year. The expectations of a further moderation in gold prices, besides the built-up inventory, would also keep demand — and imports, therefore — under control.

"Gold price has declined to below ₹30,000 per 10g after many months. But, the demand is yet to pick up in the physical market, as consumers await

more price fall. The spot market is currently facing a huge liquidity tightness, creating a demand pressure," said Prithviraj Kothari, managing director, RiddiSiddhi Bullion.

According to Kothari, gold import would continue to be at around 60 tonnes a month in the near future, irrespective of price movement and the government's control mechanism. This would continue a pressure on India's current account deficit.

In London, spot gold fell to \$1610 an oz on Friday, a decline of \$38.8, or 2.3 per cent, this week.

According to reports, George Soros and other fund managers have lowered their precious metal holdings and fund managers are now looking at other asset classes, including equity and currency, as long-term bets, diverting their focus away from gold. Most analysts, however, agree gold's long-term fundamentals look "intact" upwards.

COOLING DOWN

