

Gold premiums gone as junk jewellery floods market

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FROM a premium of as much as \$35 per troy ounce a couple of weeks back, gold is now available at a discount of \$60 in the Indian market. With the prices touching all-time high levels, consumers are increasingly selling off their old gold – jewellery, coins and bars.

Since July, when the Reserve Bank of India (RBI) brought in import restrictions, jewellers have been paying a premium to

secure gold from banks and other importing agencies. The premiums had gone up from \$5 per troy ounce to a high of even \$35 as the supply crunch intensified with imports coming to a standstill.

“However, in the past 10 to 12 days, the premium has not only gone, but gold is now sold at a discount of \$60 per troy ounce,” said Prithviraj Kothari, managing director, Riddi Siddhi Bullions.

As the gold prices zoomed past Rs 30,000 per 10 gm and touched a high

of Rs 35,075 in the futures market, customers are selling off their gold, be it jewellery, coins or bars.

According to Bachhraj Bamalwa, past chairman of All India Gems and Jewellery Trade Federation, coins and bars are coming in huge quantities into the market.

“There are two types of investors who are selling off their gold now. Some of the investors had bought gold earlier when the price was around Rs 30,000 and were holding on to the asset for a long time. Hav-

ing seen prices dip to Rs 25,000 level; they have now found an opportunity to liquidate their assets,” he said.

The second type of investor who had bought gold when the prices dipped, too is utilising the opportunity for profit booking. In the past 10 to 12 days, around 25 to 30 tonnes of old gold would have come to the market, he added.

“The Zaveri Bazaar has been buying around 100 kg from the customers on a daily basis. Usually the

market purchases 10 to 20 kg old gold a day and when the prices fell the old gold quantum was almost nil,” said Suresh Hundia, president (Emeritus), Bombay Bullion Association.

“The imports were not happening for the past two months but in the past 10 days, the gold demand was being met by the recycled gold,” he said.

According to Kothari, it will take at least one month for gold to be sold at the market rate. By then the festive demand will pick up.