

Gold price jumps ₹600 as global cues weigh

In London, gold price hit the highest in six year at \$1,437 an oz

DILIP KUMAR JHA
Mumbai, 3 July

Gold price in India jumped by nearly 2 per cent on Wednesday following global cues as escalating geo-political tensions raised the metal's safe haven appeal.

Standard gold in India's popular Zaveri Bazaar rose by ₹607 or 1.81 per cent to trade at ₹34,214 per 10 grams on Wednesday, abysmally lower than the lifetime record high reached a week ago.

In London, gold price hit the highest in six year to reach the day's high of \$1,437 an oz on escalating geo-political tensions, indication of the interest rate cut by the United States Federal Reserve (US Fed) and uncertainty looming over trade talks between the United States and China.

The bullion, however, witnessed a correction to trade at \$1,425 an oz on profit booking by traders at the current high.

"There has been an uptrend in gold prices on the escalating geo-political tensions in West Asia, fresh eruptions in already heightened tensions between Israel and Palestine and emerging new round of economic uncertainty. Gold prices are set to hit \$1,550 an oz in the medium term, translating thereby over ₹36,000 per 10 grams in India," said Gnanasekar Thiagarajan, director, Commtrendz.

By and large, silver has followed suit with a marginal uptrend. Since long, however, silver prices awaited an uptrend and performed below its potential due to a slowdown in industrial demand. Thiagarajan believes silver prices to follow gold in future.

"Gold prices continue to rally on the back of poor economic data flows from US, China and Europe, which greatly increases dovishness across central banks and the probability of a rate cut. While gold



Retail jewellery sales in India have declined by 50 per cent since gold price started its uptrend nearly two weeks ago

prices rallied internationally, in the domestic market a strong rupee took some shine off the rally. However, going forward we continue to be bullish on gold with a target price of ₹34,700 per 10 gram in the near term," said Pritam Kumar Patnaik, head commodities, Reliance Commodities.

Retail jewellery sales in India have declined by 50 per cent since gold price started its uptrend nearly two weeks ago. Buyers deferred their fresh purchase amid expectations of a correction in gold prices from the high level currently.

The weak buying sentiment was also supported by the lack of seasonal buying due to end of the long wedding season this year and delayed monsoon which prompted farmers to defer their jewellery purchase plan. Consumers also awaited a cut in the gold import duty as demanded by the jewellers' body the All India Gems and Jewellery Council (GJC) in a pre-Budget submission.

"Buyers have seen gold prices hovering around ₹30,000 per 10

grams level in the last few years. Suddenly, gold price hit the lifetime high with analysts turning bullish. With the proposal for a cut in import duty, buyers deferred their fresh purchase resulting into a decline in fresh jewellery sales by half," said Anantha Padmanaban, managing director, NAC Jewellers, a Chennai-based gold jewellery retailer on the sidelines of Manthan Gems and Jewellery Conclave, the two-day seminar being organized by GJC on Wednesday.

Saankar Sen, chairman and managing director of Senco Gold, a Kolkata-based jewellery retailer, said, "Jewellery retailers are facing acute shortage of working capital due to one or two instances of defaults. Lenders are not sanctioning new loans while existing sanction limits are reduced."

Prompted by weak demand, many jewellers have started offering massive discounts and freebies on fresh purchases of precious ornaments to encourage consumers to book orders.