

Asian bargain hunters pile into gold

By Josh Noble in Hong Kong

Asia is witnessing one of the strongest waves of physical gold buying in 30 years, with bargain hunters using the [drop in prices](#) to secure jewellery and gold bars.

The feverish buying has left many of Hong Kong's banks, jewellers and even its gold exchange without enough yellow metal to meet demand. In Shanghai, the gold exchange saw volumes – often seen as a proxy for demand – rising to a record on Monday, while queues formed outside some jewellery shops in Beijing.

“Physical markets have responded to the much cheaper gold price levels,” Joni Teves, precious metals analyst at UBS, said in a note to clients. “Our physical flows to Asia have been particularly elevated this week.”

The surge in buying across China, Hong Kong, India and other Asian countries contrasts vividly with heavy selling last week, when financial investors dumped billions of dollars of gold-related assets. The strong Asian buying has provided support for global gold prices. On Monday, the cost of the metal rose to \$1,438.66 per troy ounce, up 8.1 per cent from the low set last week.

Haywood Cheung, president of the Hong Kong Gold & Silver Exchange Society, said the exchange had effectively run out of most of its holdings as members looked to meet a shortfall in supply amid [rampant retail demand for gold](#).

“In terms of volume, I haven't seen this gold rush for over 20 years,” he said. “Older members who have been in the business for 50 years haven't seen such a thing.”

Gold traders in Asia said that premiums – the price paid for a particular product over and above the value of the gold it contains – which are seen as a barometer of physical demand, had more than doubled in recent days.

[Chow Tai Fook](#), the Hong Kong-based company that is the world's biggest jeweller by market capitalisation, said that some stores in areas popular with mainland Chinese tourists had sold out of gold bars. It said demand had not been this strong for gold products since the late 1980s, a view echoed by other vendors in the city.

China is the world's second-largest gold buyer after India. At Beijing's largest gold store, Caibai, the queue to buy gold bars stretched as long as 10 metres on Friday morning, as gold enthusiasts stood in line to buy investment-grade bullion bars.

Trading volume on the Shanghai gold exchange jumped to a record high on Monday, reaching 43 metric tonnes, according to Bloomberg data. The previous record, set on April 19, was 30.4 metric tonnes.

Gold traders said demand has been strong in India, the world's top consumer. However, Indian buyers had not matched the levels of consumption of elsewhere in Asia as they waited for the yellow metal to drop below the key local price point of Rupees 25,000 per 10 grams before entering the market en masse. On Monday, local prices were at around 26,500 rupees per 10 grams.

Gold traders, nonetheless, reported stronger-than-usual buying in India as bargain hunters feared that prices have bottomed and will start rising once again. The proximity of some Hindu festivals, usually trigger points for gold demand, further exacerbated buying. "Indian physical demand and premiums rose," Suki Cooper, metals analyst at Barclays in London said in a note to clients on Monday.

Additional reporting by Julie Zhu and Paul J Davies in Hong Kong, Jack Farchy in London and Leslie Hook in Beijing