

Gold Buyers Throng Indian Stores for Second Week on Rally (3)

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(Updates prices in sixth paragraph. For more on gold bear market, see EXT5)

By Swansy Afonso

April 26 (Bloomberg) -- Gold consumers in India, the world's biggest importer, thronged jewelry stores across the country for a second week on speculation that bullion may extend a rally after the biggest plunge in three decades.

"We waited for sometime to see if prices will fall more but when we saw them moving up again, we decided it's time," said Sripal Jain, a 77-year-old silver dealer who came with his younger brother, daughter and daughter-in-law to buy gold necklaces at Mumbai's Zaveri Bazaar. "We don't have any wedding or occasion coming up. The rates fell, so we decided to buy." Bullion slumped 14 percent in two days, reaching the lowest price in two years on April 16, triggering a frenzy among coin and jewelry buyers from the U.S. to India, China and Australia. The surge in demand has helped prices rally 12 percent since April 16, and jewelers in India are paying premiums of as much as \$10 an ounce to secure supplies, according to the Bombay Bullion Association.

"Everyone is thinking that they will miss the bus if they don't buy now as prices have started moving up," said Ramesh Pahlajani, partner at Mumbai-based Bherumal Shamandas Jewellers. "Demand has been very good since last week."

Gold will rally to \$1,800 an ounce by December as skepticism over the global recovery increases demand, billionaire Indian jeweler T.S. Kalyanaraman said on April 19. The metal hasn't traded at that level since November 2011. Prices may climb to \$1,550 within six months on physical and investment demand, according to Mark Pervan, global head of commodity strategy at Australia & New Zealand Banking Group Ltd.

Gold Shortage

Spot gold fell 0.3 percent to \$1,463.45 an ounce at 1:43 p.m. in Mumbai today. Bullion has lost 13 percent this year and is 6.3 percent below the April 11 close of \$1,561.45 an ounce that preceded the 14 percent slump in two sessions through April 15, the worst since 1983.

The rush to buy has led to a shortage in India and jewelers are paying premium of as much as \$10 an ounce compared with \$2 just 10 days earlier, said Bipin Jain, owner of Vimalson Jewellers and a vice president of the bullion association.

“Three days ago there were queues to buy coins and bars,” Jain said from his shop in Zaveri Bazaar, the largest bullion market in the country. “Demand has slowed a bit from then but buying will remain strong till Akshaya Tritiya.”

Festivals, Weddings

The Akshaya Tritiya festival on May 13 is considered by India's more than 900 million Hindus as the traditional day to buy precious metals. Gold is bought during festivals and marriages in India as part of the bridal trousseau or gifted in the form of jewelry by relatives. The main festival season runs from August to October followed by the wedding season from November to December and from late March through early May. “My sister-in-law is getting married and I have advanced buying because of the recent price fall,” said 33-year-old costume designer Praveena Saleja, as she examined a 350,000-rupee (\$6,460) necklace studded with gems. “Prices will rise again. Nowadays the designs are more trendier so I can pair them with western outfits as well as Indian.”

Saleja said she considered gold as a long-term investment and was not deterred by the price slump.

Morgan Stanley said this week the peak in the price “has now passed,” while Goldman Sachs Group Inc. said April 23 it exited a bet on lower prices while saying bullion may fall even more. The declines in prices are attracting retail investors, while billionaire John Paulson has stuck with his view that the metal will climb as a hedge against inflation.

UBS Sales

“Some bullion dealers are asking buyers of coins and bars to lock-in price today and come two days later as they do not have much inventories,” said Dharmesh Parekh, a partner at R.V. Jewellers in Mumbai.

Nationwide daily sales of jewelry, coins and bars may be about 4 metric tons, compared with normal levels of about 2 tons to 2.5 tons, Rajesh Mehta, chairman of Rajesh Exports Ltd., said yesterday. UBS AG said April 23 that physical-gold flows to India approached the highest since 2008, while Standard Chartered Plc said shipments last week were 20 percent above a previous record.

“Demand has been extraordinary in the past 15 days and sales this April have been much better than last year,” Kamal Gupta, chairman of P.P. Jewellers Ltd., said by phone from Delhi. “Demand may slow from now on as prices have started to rise.”

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