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Gold loses shine as price falls sharply to Rs 51,049 per 10 gram, silver tanks by Rs 1,636/kg

Gold prices declined by Rs 611 to Rs 51,049 per 10 gram in the Mumbai retail market amid increased risk appetite for riskier assets and heavy sell-off yesterday in the global market. The precious metal's safe-haven appeal was dented by a rebound in the dollar and rise in 10-year US Treasury yield by over 1 percent.

While price for 10 gram 22-carat gold in Mumbai was Rs 46,761 plus 3 percent GST, 10 gram 24-carat gold was set at Rs 51,049 plus GST. Meanwhile, 10 gram 18-carat gold quoted at Rs 38,287 plus GST in the retail market.

US Labour Department reported that the number of Americans filing unemployment benefits fell by 3,000 to a seasonally adjusted 787,000 for the week ended January 1 against 790,000 in the previous week.

Care Ratings in its update on gold said, "FY21 has been challenging for both jewellers as well as consumer in India. The jewellery retail business was sharply hit in the first half of FY21 by elevated gold prices, job loss fears, shut of retail stores and liquidity crunch, among others."

The rating agency said India's gold import declined 40.3 percent year-on-year to \$12.3 billion or 222 tonnes in 8M-FY21. During this period, the country imported one-third of its gold from Switzerland against 48 percent in the same period last year.

The US dollar trades higher at 89.85 or up 0.39 percent against a basket of six currencies.

Gold holdings in SPDR Gold Trust, the world's largest gold-backed exchange-traded fund were unchanged at 1,186.77 tonnes.

Spot gold was steady at \$1,918.35 an ounce at 1210 GMT in London trading.

MCX Bulldesk climbed 120 points, or 0.76 percent, at 15,950 at 17:42. The index tracks the real-time performance of MCX Gold and MCX Silver futures.

Navneet Damani, Vice President, Motilal Oswal said, "Gold prices had quite a volatile session yesterday as initially, we saw it gaining strength amidst the stimulus optimism, weakness in the dollar and negative economic data although later in the data significant rise in US yields and vaccine-related update put pressure on the metal prices. The 10-year US Treasury yield rose above 1% for the first time since March. Also, Moderna became the second firm to win the regulatory approval in Europe after Pfizer hence putting pressure on bullions."

The broader trend on COMEX could be in the range of \$1,935- 1,955 and on domestic front prices could hover in the range of Rs 50,500- 51,100.

The gold/silver ratio currently stands at 74.42 to 1, which simply translates to the amount of silver ounces required to buy one ounce of gold.

Silver prices dropped Rs 1,636 to Rs 68,592 per kg from its closing on January 6.

In the futures market, the gold rate touched an intraday high of Rs 51,046 and an intraday low of Rs 50,700 on the Multi-Commodity Exchange (MCX). For the February series, the yellow metal touched a low of Rs 41,560 and a high of Rs 57,100.

Gold futures for February delivery gained Rs 419, or 0.83 percent, at Rs 50,928 per 10 gram in evening trade on a business turnover of 9,056 lots. The same for April rose Rs 446, or 0.88 percent, at Rs 51,000 on a business turnover of 5,454 lots.

The value of the February and April's contracts traded so far is Rs 3,433.43 crore and Rs 466.31 crore, respectively.

Similarly, Gold Mini contract for February edged higher by Rs 355, or 0.70 percent at Rs 50,900 on a business turnover of 11,932 lots.

Trading Strategy

Tapan Patel- Senior Analyst (Commodities), HDFC Securities

We expect gold prices to trade up with COMEX gold resistance at \$1,940, support at \$1,900. MCX Gold February support lies at Rs 50,500 with resistance at Rs 51,200.

Ravindra Rao, VP- Head Commodity Research at Kotak Securities

"COMEX gold trades higher near \$1,918/oz on expectations of additional stimulus. Fed's cautious tone on the US economy and disappointing ADP jobs report has added to expectations of more stimulus measures. However, weighing on price is the rise in US 10-year bond yield to March highs and progress on the vaccine front with the EU approving the Moderna vaccine. Gold may witness choppy trade as it struggles to build momentum above \$1,900/oz level however the general trend remains positive due to the weaker US dollar."

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