Gold may see profit-booking

DILIP KUMAR JHA
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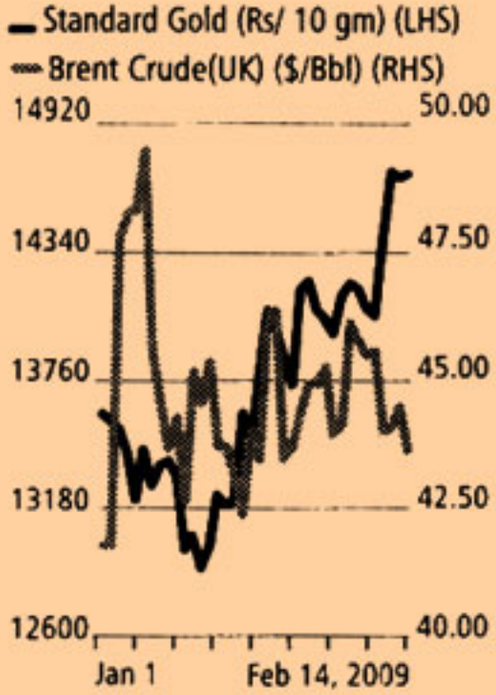

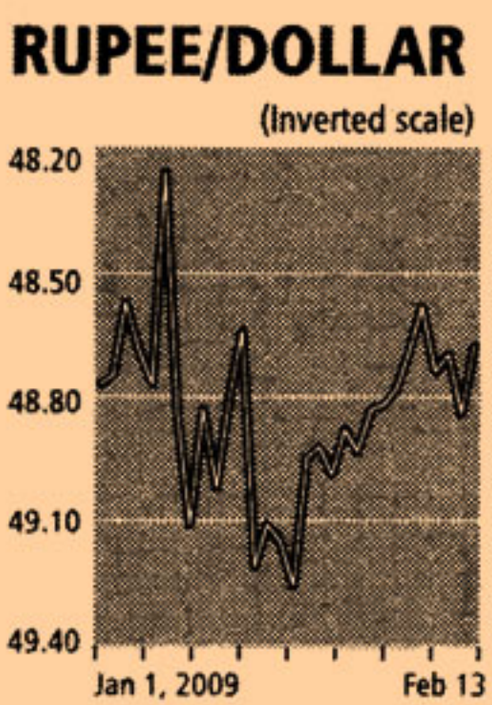

A mixed trend is likely to prevail in the bullion market in the coming week as investors are likely to explore profit-booking opportunities.

The $900 billion US Congress economic booster may provide some energy to the depressing market. However, traders are looking to book profits hoping that the geo-political tension, which holds gold high, has been settled more or less.

Although the economic booster will give some liquidity relief to the market, it won't be sufficient to protect the market from slowdown. Hence, next week the sentiment is expected to remain sideways, says Navin Mathur, head of commodities in Angel Broking.

The dollar and gold will extend their gains on risk aversion as the precious metal of late is departing from its correlation with crude oil. In the past, the US currency traded in the opposite direction of gold and crude oil. In 2009, the precious metal and oil diverged, with the dollar and gold rallying on demand for the safer assets, while the global economic recession kept the price of petroleum low.

The European market is providing more worries than the US market. According to European Union Statistics Office, the economy of the euro-zone countries slumped 1.5 per cent in the fourth quarter of 2008, worse than the 1 per cent fall in the US economy. Most importantly, Germany — the largest economy in Europe — witnessed its economy shrinking by 2.1 per cent in the final quarter of 2008.

Scrap recovery, which constitutes about 30 per cent of overall gold sales today compared to less than 10 per cent during normal circumstances, is a matter of great concern, said All India Gems & Jewellery Trade Federation Chairman Ashok Minawala.

Last week, standard gold in the Mumbai bullion market closed with a gain of 3.45 per cent at Rs 14,600 per 10 gram after hitting a lifetime high of Rs 14 ,705 on Thursday. Similarly, pure gold perked up 3.40 per cent to close at Rs 14,750 per 10 gram.

In London, however, gold gained 2.46 per cent to end the week at $935.5 an oz. On the Multi Commodity Exchange (MCX), the near month gold contract opened the week at 14,161 per 10 grams, which found a good support at Rs 1,3916. Later, prices broke all resistances hitting a high of Rs 14,824 per 10 gram and closed at Rs 14,625.