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MCX records five-fold rise in platinum deals

Goldman Sachs report boosts trading of the white metal

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For the first time, platinum has attracted investors on the domestic platform with the daily average volume in the white metal on the Multi Commodity Exchange (MCX) rising five times in July. The volume has risen to 200-300 lots (250 gm) from 50-60 lots in the beginning of July. Open interest has gone up four-fold to 127 lots.

Jigar Pandit, a precious metal analyst with broking firm Sharekhan.com, says this is due to growing popularity of the white metal among Indian traders. As volumes have picked up, the spreads between buy and sell have also narrowed. However, the metal was becoming popular only for trading and not for delivery, said Pandit.

Traders have been apparently induced by a report by Goldman Sachs & Co, the global investment advisor, about the potential for price rise in the metal. Referring to the record price of $2,308.80 an ounce in March 2008, Goldman recently advised investors to "buy" platinum futures for January delivery on the New York Mercantile Exchange (Nymex). The price touched a record on reduced supply from the world's largest producer, South Africa, due to mine blackouts.

Goldman further said the recovery would be over a long period. It said the metal, used mostly for pollution-control devices in cars, might again expose South African supply problems in the second half of 2009. The July delivery contract is trading around $1,171 an ounce on the Nymex.

It had slipped to $863 an ounce in January when demand for cars slowed and the economic outlook turned bleak. The metal dropped 42 per cent last year as global car sales plunged due to the economic meltdown. Car-makers consume 60 per cent of the total production of the metal.

According to a section of analysts, the demand for cars is expected to start picking up later in the year, boosting demand for metals in the platinum group. Therefore, the price may average $1,125 an ounce in the third quarter of this year, rising to $1,175 in the fourth, they say.