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Investors bet on further rise in yellow metal

Gold April Contract Sees Record Open Interest Of 20.5 Tonne

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WITH gold futures on the Multi Commodity Exchange (MCX) trading strong at above Rs 14,000-per-10-gram levels, the open interest that indicates the trading activity of the investor is also at record levels. This shows that despite gold scaling new highs in the Indian market, most investors are bullish that the yellow metal will rise further.

"Gold has been spurred by the sudden investment demand, with all economies looking very uncertain," said Subodh Gupta of Anand Rathi Commodities. The gold April contract has seen a record open interest of 20.5 tonne, indicating how bullish investors are about the yellow metal in the next couple of months. The April contract traded at Rs 14,260 per 10 gram.

"One can expect gold to go up even more. Gold has decoupled from both the euro and the dollar and is charting its own path based on its fundamentals," said Mr Gupta. Both the European Central Bank and Bank of England are expected to cut interest rates, and this could spur gold further, he said.

Also, the world's largest gold-backed ETF, New York's SPDR Gold Trust, said its holdings jumped more than 10 tonne last week to a record 844 tonne. This would put pressure on the supply of gold as investment demand mounts. But the high price may hit jewellery demand. Mr Gupta expects gold to cross \$1,050 per ounce levels in the international market by the end of March.

Si Kannan of Kotak Commodities also believes that gold will move above \$1,000 in the same period. Even though demand in India is next to nil, the price is high because of the weak rupee, he pointed out. "I expect that the price in Indian market to touch Rs 15,500 levels in the next month," he said.

The high price, has in fact, prompted many Indian consumers to sell their old gold. There have been very negligible fresh imports of gold into the market since December.

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