

Gold price surges but local demand flat

The gold price maintained its uptrend in the domestic market and surged Rs2,500 to close at Rs132,000 per tola on Friday in line with the surge in international bullion market.

Cumulatively, in the past five trading sessions (since July 31), the price of gold has soared Rs9,250, according to the All Sindh Saraf and Jewellers Association.

Speaking to The Express Tribune, Pakistan Mercantile Exchange Managing Director Ejaz Ali Shah said the prevailing uncertain conditions have sparked a flight from risky commodities towards safer commodities.

"Gold is considered one of the safest investments; hence, its price is skyrocketing as investment is pouring in at a rapid pace," he said. "Gold is considered a universal asset because the commodity can be traded anywhere in the world."

As the dollar continues to weaken day after day, investors' confidence in the currency has tumbled and they have diverted their investment to gold.

Alpha Beta Core CEO Khurram Schehzad added that there is virtually no demand for gold in Pakistan and the price rise was solely due to imports.

"The price hike is a reflection of persistent rise in international price of gold," he said. "Fears over weakening global economic cues are still fresh while true economic impact of Covid-19 is still unclear hence investors are resorting to buy safer commodities at such as time."

Countries have injected substantial liquidity through stimulus to combat Covid-19 which has uplifted gold prices.

Echoing his views, Arif Habib Limited Head of Research Tahir Abbas said Covid-19 pandemic has triggered a global recession which in turn caused a massive wave of uncertainty in financial markets.

"At such a time, safer commodities turn attractive and garner investor interest, which is exactly the case with gold," he said

Global market

In the international market, gold's record-breaking rally paused on Friday as the dollar got some respite from investors looking for a hedge against the US-China spat, but fears over worsening pandemic kept bullion on track for its longest streak of weekly gains in about a decade.

Spot gold was 0.6% lower at \$2,051.52 per ounce by 1158 GMT, having hit another record high of \$2,072.50 in early trade. It has added about 4% so far this week for what would be its ninth straight weekly gain.

US gold futures eased 0.3% to \$2,064.20. "There is a bounce in the dollar in the last 24 hours and it is key to the profit-taking we are seeing in gold," said OANDA analyst Craig Erlam.

However, the momentum is still very much with the bulls and \$2,100 for gold is likely in the near term, he added.

"The dollar's performance has a major say on how much runway gold bulls are accorded," said FXTM market analyst Han Tan.

Gold has risen about 35% this year amid surging Covid-19 cases that have battered economies and prompted unprecedented global stimulus measures.

[WITH ADDITIONAL INPUT FROM REUTERS]