

Historic high: Gold spikes in local, global markets

KARACHI: Gold created another history by scaling a fresh peak and soared Rs5,100 in a single day to an all-time high of Rs123,800 per tola (11.66 grams) in Pakistan on Monday.

The price growth was expected as the precious metal surpassed the record high of \$1,920 per ounce (31.10 grams) after a gap of nine years and hit a new peak of \$1,944 in the international market during the day.

Experts said the commodity may spark profit-booking at current levels for a very short period and test \$2,000 an ounce in the current calendar year in the world market.

"It is yet to be seen whether this (price growth) is a boom or a bubble," Rays Commodities' former chief operating officer Adnan Agar said while talking to The Express Tribune.

Three major factors will help gold to keep going up. "The worsening of global health crisis in the wake of Covid-19, growing US-China trade (and now diplomatic) tensions and excessive money printing by global economies will help gold to move further north," BIPL Commodities' senior trader Rizwan Ahmed Samra said.

"The time is not far when gold will become an antique. Market talk suggests gold may go as high as \$2,400 per ounce in the long run," said All Sindh Saraf Jewellers Association (ASSJA) President Haji Haroon Chand.

"The United States' and China's directives to close consulates in their respective countries have fuelled uncertainty in world politics and triggered a new wave of gold buying at rising prices," he said.

China is buying gold. "This is the time around which China purchases gold every year," he added.

It has been learnt that Turkey has emerged as the world's largest buyer of gold these days.

Samra stated that a technical correction had been overdue in the commodity for a long time. "We can witness gold losing \$100-200 per ounce at current historically high levels for a short period."

Gold is expected to test \$2,000 anytime during 2020. However, the precious metal may crash only if a successful Covid-19 vaccine is introduced by the world, the US and China end their trade war and global economies stop injecting money into their systems. "Any one of these three events will make gold less attractive," he remarked.

Agar was of the view that investors may book profit at current levels as gold jumped almost \$50 an ounce in a day in the world market. "Profit-selling, however, will prove to be short-lived," he added.

Agar recalled gold stood at around \$1,250 per ounce around Eidul Azha last year. It has soared almost \$700 per ounce in a year.

"If investors avoid profit-selling in gold's journey towards \$2,000 and beyond, then the precious metal will become a bubble that can burst, as happened in 2011," he said.

He added gold had surged \$400 per ounce in a very short span to the previous all-time high of \$1,920 and lost around \$1,500 in 2011. "But if gold moves both ways in the journey towards and beyond \$2,000, then we can term it a boom instead of a bubble."

He believed that the yellow metal would briefly remain somewhere between \$1,980 and \$1,995 if a Covid-19 vaccine was introduced and the US presidential elections were held by November. It will settle at around \$1,825 later.

Rupee recoups losses

Pakistani currency - rupee - on Monday maintained the uptrend against the US dollar for the fifth successive working day. The currency has cumulatively recovered Rs1.43 to Rs166.87 against the greenback since it hit an all-time low close of Rs168.30 in the inter-bank market last Monday (July 20), according to the State Bank of Pakistan (SBP).

The uptrend came as Pakistan recorded a significant growth in workers' remittances as well as foreign direct investment (FDI), even during the four tough months (March-June) under the global health crisis.