

Gold price dips Rs2,500 on vaccine hopes

With a fresh drop of Rs2,500 per tola (11.66 grams) on Tuesday, the gold price has fallen by a total Rs3,900 in the past three successive working days to a 10-day low at Rs112,100 in Pakistan in line with a downward trend in the global market.

“Gold lost around \$100 per ounce (31.10 grams) in one-go to \$1,877 in the past one-day following the announcement by the global pharmaceutical firm Pfizer that its Covid-19 vaccine has achieved over 90% effective results in the final testing phase,” Rays Commodities former chief operating officer Adnan Agar said while talking to The Express Tribune.

International investors mostly invest in gold during crisis times to avoid deflation in their respective currencies. The much-awaited announcement for the successful Covid-19 vaccine has started to end the global health crisis. Accordingly, investors lost appetite for the precious yellow metal.

Earlier, gold price hit an all-time high of \$132,000 per tola in Pakistan on August 7 following the trend of the global commodity that touched a new peak of \$2,070 per ounce on August 6 in international markets amid a spike in infection cases around the world, according to All Sindh Saraf Jewellers Association (ASSJA) President Haji Haroon Chand.

Agar said that gold may maintain the downward trend in the short-run. “It may touch \$1,790-1,800 an ounce on the downward side in the current streak by end of December 2020,” he said.

He, however, anticipated gold bouncing back to \$1,970-2,000 per ounce in the medium-run (by end of February 2021) with the US President-elect Joe Biden swearing-in on January 20, 2021. “Biden is set to announce stimulus package worth around \$2 trillion to sail his domestic economy out from the negative effects of Covid-19,” he added.

The injection of huge amount of dollars into the US economy should cause depreciation in the US dollar. Accordingly, the expected development would once again invite demand for the safe-haven of gold from investors, he predicted.

“However, it may not be a smooth ride for Biden to get the bill approved for injecting \$2 trillion into his economy from the US parliament and the Senate, as Democrats did not let (US incumbent President) Donald Trump doing the same through strong opposition in the recent past,” he said.

Agar said Biden’s win in the race to the White House may keep stocks market in good mood in the short run. However, much would depend upon Trump’s future strategy regarding whether he would bring a legal battle with Biden in Supreme Court or not.

Trump's continued denial that the elections were far from getting over may cause fluctuations in international financial markets eg gold, stocks, currencies and crude oil between now and January 20, 2021, the analyst forecasted.

Besides, Pfizer may go into commercial production of the vaccine by sometime around December and soon roll out the vaccine into the markets. The vaccine, however, would not be available to developing countries until mid-2021. This will also keep the financial markets in check-in intervals.