

Rand Refinery Daily Gold Update



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Gold	Today	Change	Week Ago	Month Ago	Year Ago
	\$1,182.40	-\$1.70	\$1,199.60	\$1,244.00	\$952.25

Gold trading was relatively flat for most of the day in Asia yesterday. At 4.30 p.m, Mumbai time, August gold was trading 0.18 percent lower at 18,292 rupees per 10 grams. As prices fell further later in the day, gold traders in India continued to pick up bargains as they sought to replenish stocks for festivals starting August, when demand goes up. India will celebrate the Hindu festival of Raksha Bandhan on Aug. 24, and Janmashthami and Ganesh Chaturthi in September.

Yesterday, news from Europe was not positive. Firstly, Moody's downgraded Ireland's sovereign debt rating from Aa1 to Aa2. And, then the EU and IMF suspended talks with Hungary. They urged the country to do more to cut the budget deficit before resuming the use of the bailout funds. The breakdown in talks means that Hungary will not have access to remaining funds of about 5.5 billion euros (US\$7.1 billion) in its 20 billion euro financing deal until the review is completed.

China's gold output increased by around 6% in the period January to May to 127.34 tons as compared to the previous year, according to the Ministry of Industry and Information Technology (MIIT). Gold output in May alone stood at 28.3 tons, said the MIIT report.

With the crisis of sovereign debt still unresolved, one would expect gold prices to soar. Even though the dollar has now lost more than 7% of its value since the beginning of June, one may ask why gold has declined around 5%. The answer may be found in a rumour that Paulson and Co., a fund that owns large

numbers of shares in Bank of America and Citigroup as well as Anglogold Ashanti and more than \$3 billion worth of GLD has been liquidating some of their holdings in GLD. However, since July 09 up and until July 16, holdings of gold in GLD dropped a mere 9788 ounces from 42, 262, 967 ounces to 42, 253, 189 ounces. This can hardly be construed as panic selling! More than likely, this current drop in the price of the yellow metal is due to renewed selling by the US bullion banks.

Gold prices have remained flat in Asian trade today. Spot gold was trading at \$1181.90/oz at 11.30 am Hong Kong time. And, by 9 am Zurich time it was mostly unchanged, trading at \$1182.40/oz.



About the author: David Levenstein is an independent precious metals market commentator with more than 30 years experience.

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