

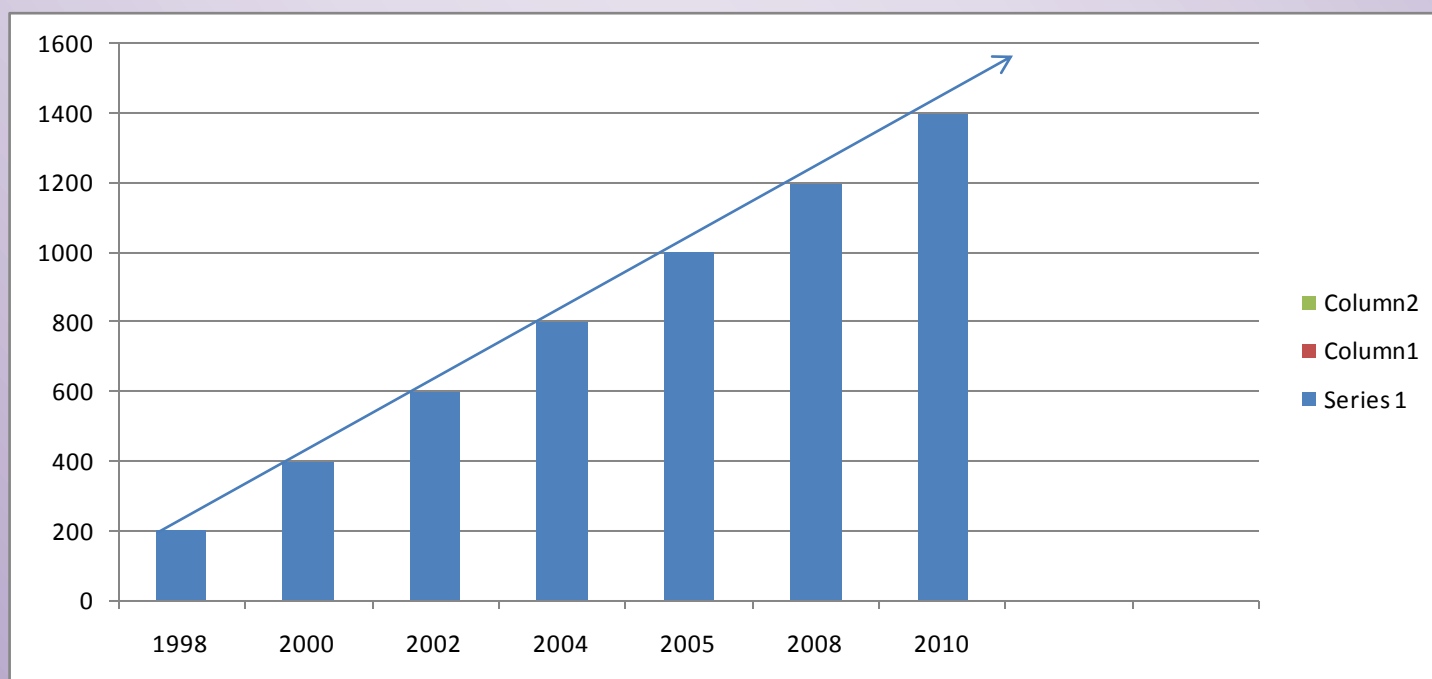
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GOLD REPORT



This Report presents global scenario of **INDIAN GOLD MARKET**. This contains analysis of History, recent developments and the Increasing demand of Gold.

India is termed as world's biggest gold consumer Industry. In the year 2010, demand for gold has breached out the falling levels of Gold as in 2009. In 2009, total demand for Gold in India reached US \$ 19 bn, or Rs 874 bn, which accounted for 15% of the Global Gold market. Over the past ten years, the value of Gold demand in India has increased at an average rate of 13% per year. In India, Gold is seen as a symbol of security and a sigh of wealth & prosperity. Unlike the other gold markets, Indians love to spread love for gold from generations to generations while maintaining their Social status intact. Indian consumers regard gold jewellery as an investment and know the value as how to keep them safe in storage. Moreover, Gold is recognized in the form of Liquid money for retrieving instant cash in need. Considering the fact that Gold is a solid form of money, the expectation of the consumers in 2009 led a purchase of 200 tons of Gold from the IMF. As consumers are having the expectation in up warding movement, a further rise in Gold jewelry is expected and the trend is projected to continue over the long run as Local consumers are buying Gold and getting their wealth accumulated.



Demand for Gold from 1998-2010.

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The fact that India Gold jewellery and the demand for its Investment are Robust, despite of rising prices. The desire among local consumers to purchase Gold driven jewellery, mainly to offset and hedge the effects of depreciation and erosion of both savings and income. The country has currently one of the highest saving rates in the world estimated at around 30% of total income, of which 10% is invested in Gold. Continued rapid growth of economy and urbanization will create wealth but also inflationary pressure stimulating Gold demand.

As per a survey, Asian demand for Gold will be a key driver of the Gold market for the further decades to come. In the current times, India and China together account for approximately 25% of the annual Gold Demand. They are expected to overcome their current demand in the years to come. In the further years to come, middle class and declining age profile should ensure consumption of Gold.

Fundamentals of Gold Price Forecast of 2011

There is no definitive answer to where the price of gold will be in 2011. The best an investor can do is to look at possibilities based on historical data. If an investor assumes that paper currency will continue its debasing trend, what would be a high estimate on gold prices per ounce? To answer that one needs to look for the highest that gold has been in the past.

January 21st, 1980 saw the price of gold reach 850 US dollars per ounce. To understand how much money this is worth today one would need to adjust the figures according to the Consumer Price Index. 850 dollars in 1980 is worth 2,250 US dollars in the year 2010. If gold were to repeat the value of a previous high it could double from the price it is trading at in June of 2010.

Other analysts suggest that because the current economic output is many times greater than 30 years ago, the peak price of gold could even reach 5,000 dollars per ounce.

On the other hand the argument could be made that markets are based on mass psychology and trader emotions. Some might suggest that the average person would not believe that the price of gold could ever reach up to 5,000 dollars, thus creating a resistance to that level ever being achieved. Some analysts believe that as the market recovers in 2011 and beyond, the price of gold will retreat dramatically as the economic woe gets pushed to the backs of people's minds and their hedging tactics are tossed aside.

Gold and silver prices seem to be waiting for the New Year to dawn before starting a renewed bull run. With festival season and holidays coupled with a heavy snow in Europe impacting several businesses, gold and silver prices also showed signs of a dip this week. However, analysts said the prices are bound to shoot up in the New year.

In India gold fell by Rs 40 to Rs20,720 per 10 gm in continuation to a combined loss of Rs60 in last two sessions, while silver fell by Rs130 to Rs44,820 per kg, after a decline of Rs350 in the last two days. More inflation is good for gold, but raising key interest rates, the way to combat inflation is bad for the metal. As the cost of borrowing increases and paper currencies get stronger, gold becomes less appealing. But so far rates have not been hiked high enough to damage gold prices, or in China's case, not at all. January and February are good months for gold as investors buy back positions they shed ahead of the new year. Gold prices are expected to move up Strengthening the Back bone of economy and weakening the Potential of DOLLOR.

Below is the chart of 27 Dec , 2010..

Chart is stating the view of Surging of Gold prices in further period of time. At present the Gold prices are hovering around its Over sold zone.. MACD of the prices are moving parallel to each other which states further demand of Gold . On 27th nov, Gold made a Hammer pattern in the chrt which explains the Upsurging movement of the prices of the Gold.

RSI of the chart is on its over SOLD zone and expected to breakout from the resent levels. Due to heavy demand with Indian and the consure in China, Gold is expected to move at near levels Technically as well as fundamentally.



Some of the Fact figures of Year to Go(2010)

- India is estimated to have accounted for 15 percent of global gold demand in 2010.
- Imports amounted to 624 tonnes in first three quarters against 559 tonnes during whole of 2009.
- Prices touched all-time high of Rs.20,893 per 10 gms Dec 7.
- Gold prices appreciated nearly 30 percent this year against 15.5 percent rise in Sensex.
- Prices seen crossing Rs.25,000 per 10 gms by Diwali 2011.
- The Indian government's gold reserves shot up from \$3.832 billion last December to \$22.124 billion now.
- Nearly 10 percent of India's household savings invested in gold.
- Demand for gold from jewellery up 53 percent during first nine months
- 2010 expected to end with largest demand from the Indian jewellery sector since 2005.

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