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## Gold to Extend Gains as Buyers Seek ‘Safety’ Against Inflation, Fund Says

By Madelene Pearson - Jun 15, 2011

[Gold prices](#), rallying for an eleventh year, will extend gains as investors add bullion seeking a haven against currency debasement and inflation, according to [India](#)’s Quantum Asset Management Co.

“There will be more people moving towards the safety of gold which will take gold prices much higher,” Chirag Mehta, a commodity fund manager at [Quantum](#), which manages about \$1.5 billion in assets, said in an interview in Mumbai. “The gradual increase in gold price will continue.”

Gold for immediate delivery rallied to a record \$1,577.57 on May 2 spurred by concern about faster inflation, [Europe](#)’s debt crisis and a weakening dollar. Prices have advanced 7.1 percent this year, after climbing the past 10 years, the longest run of gains in at least nine decades in [London](#).

“The diversification to gold will continue, gold is still under-owned,” Mehta said yesterday. “Even if a small fraction of financial assets move to gold, I think the price will go much higher than what it is currently.”

Spot gold lost 0.1 percent to \$1,521.70 an ounce at 12:20 p.m. in Mumbai. Gold for August-delivery declined 0.2 percent to \$1,521.60 an ounce on Comex in [New York](#).

Assets held in exchange-traded products backed by gold stood at 2,052.62 metric tons yesterday, compared with record holdings of 2,114.6 tons reached in December, according to data compiled by Bloomberg. Gold holdings in the SPDR Gold Trust, the biggest exchange-traded fund backed by bullion, were unchanged at 1,200.05 tons as of yesterday, according to figures on the company’s website.

### ‘Tidal Wave of Demand’

“There’s a tidal wave of gold demand coming,” Jason Toussaint, the World Gold Council’s managing director of U.S. and Investment, said yesterday at the Bloomberg Link Money Managers Conference in [Boston](#). “A key is the long-term fundamental change in emerging markets. The biggest markets of growth are [China](#) and India.”

Gold demand in India may increase to more than 1,200 tons by 2020 as economic growth boosts incomes and household savings, the council said on March 31.

India and China, the world's largest and second-largest gold consumers respectively, both reported faster inflation last month. India's wholesale inflation accelerated 9.06 percent in May from a year earlier, after an 8.66 percent jump in April, the commerce ministry said yesterday. In China, consumer prices jumped 5.5 percent last month, the fastest pace in almost three years, the statistics bureau said in Beijing.

"Inflation has been persistently on the higher side," Mehta said. "There has been a lot of discomfort amongst the retail public in terms of inflation."

## 'Nowhere Near Potential'

Investments in gold-backed funds in India will continue to increase, he said. Quantum runs one of India's 11 bullion-backed funds, or ETFs. Assets in gold ETFs in the nation rose to a record 54.6 billion rupees (\$1.2 billion) in May, according to data from the [Association of Mutual Funds in India](#).

"The market will increase, it's nowhere near the potential," Mehta said.

Commodity assets worldwide climbed \$5.8 billion in April, bringing total assets under management to a record \$451 billion, according to [Barclays Capital](#), which monitors [index funds](#), exchange-traded products and other commodity-related investments.

Exchange-traded funds allow investors to trade bullion without taking physical delivery. Such funds have become popular worldwide since their creation in 1993 as they widened investors' access to different types of assets. India introduced gold-backed funds in 2007.

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