

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES				
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY	
▲ 1.50%	▲ 1.39%	\$1,928.70	\$45.34	▼ 0.15%	▲ 1.78%	▲ 1.28%	▲ 0.04%	BUY TK	83.95	98.12	108.71	11.89
4,703.32	8,072.93	(per ounce)	(per barrel)	38,310.49	23,249.61	2,595.97	3,320.73	SELL TK	84.95	101.92	112.51	12.50



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Should Bangladesh Bank scale up its gold holdings?

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Gold. The precious yellow metal that is universally considered a haven when things go wild and the certainty of everything is questioned -- as in the times we are in.

No had imagined that a rogue microscopic organism would ever bring the world to a standstill and send the global economy down a rabbit hole, prompting governments, particularly the US's, to debase their fiat currencies and push real interest rates to all-time lows.

This has left many central banks around the world to consider ramping up their gold purchase this year in an attempt to diversify their reserves away from dollars, as per a survey conducted by the World Gold Council in May.

About 20 per cent of the central banks surveyed intend to increase their gold reserves over the next 12 months, compared to just 8 per cent of respondents in the 2019 survey.

But the Bangladesh Bank, the country's central bank, has no such plans. BB now holds 13.96 tonnes of gold, which 2.33 per cent of its foreign exchange reserves worth \$37.48 billion as of 5 August.

The practice of investing in gold by both institutions and individuals is unheard of in Bangladesh, said three BB officials who are directly involved with the operation of the foreign exchange reserve.

For this reason, there is a shortage of experts for analysing the projection of the global gold market.

"This has created a roadblock in taking a decision to this end," said one of the officials. BB has invested 85 per cent of its foreign exchange reserves in different top-rated commercial banks and the Federal Reserve, the central bank of the US, whose products are almost all pinned to the US dollar.

The rest of the reserve has been invested in the pound sterling, Australian dollar, Canadian dollar, Singapore dollar, Chinese renminbi and Japanese Yen.

But the US Federal Reserve and other major central banks signalled that they will remain firmly in easing mode for an extended period as the economic fallout from the pandemic looks increasingly likely to linger.

The trend of the ongoing recession has already given an indication that the economic recovery is likely to be a slower 'U' or a more volatile 'W'-shaped. It will take 12-24 months to get economic recovery as per the definition



interest rate on the 10-year US bond increased slightly. But by mid-afternoon, the price of the yellow metal went up 1.3 per cent to \$1,935 an ounce.

As much as 88 per cent of respondents in WGC survey say that negative interest rates are a relevant factor for their reserve management decisions.

The continuation of expansionary monetary policies due to the coronavirus pandemic, which coincided with the fieldwork of this survey, will likely keep interest rates near zero for the foreseeable future.

Furthermore, 79 per cent of respondents view gold's performance during times of crisis as an important reason to hold gold, up from 59 per cent in 2019.

Besides, 74 per cent of respondents consider gold's lack of default risk to be an important reason for holding the metal, up from 59 per cent in 2019.

Besides, since the 2008 financial crisis, a good number of central banks have widened their gold reserves to mitigate the risks deriving from the fiat currency system. After the recession, many countries have invested hefty amounts of their assets into gold reserves.

Similarly, BB in 2010 also bought 10 tonnes of gold formally for the first time from the International Monetary Fund to diversify its investment of the country's foreign exchange reserve.

"We did not buy any gold after 2010. And there is no thinking to purchase the precious metal once again to keep up with the time," said one of the three central bankers.

The price of the gold will hover until at least the end of the ongoing recession, said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

Gold is on the whole considered as a "safe haven" asset in times of recession as it is less volatile than other investments.

He, however, said there is no need to invest in anything like gold or other products given the profit on a short-term basis.

"The US dollar will dominate the global market for the next 15-20 years. So, the central bank should gradually get ready to shift investment from the dollar to the other products in time," said Mansur, also a former high official of the International Monetary Fund.

Gold has a traditional inverse relationship with the dollar: the metal's price will increase when the greenback depreciates.

But the weakening dollar is among the market factors aggressively driving the push into gold.

Central banks, however, cut their purchase of gold in the first half of this year, according to another WGC report.

Between January and June, global central banks bought 233.4 tonnes of gold on a net basis, down from 39 per cent year-on-year.

The ratio is also 6 per cent lower than the 10-year first half average of 247 tonnes.

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of 'U' while 'W' means an economy fall double-dip recession consecutively.

This mean, the yield curve to their securities are abnormally low or even below zero.

For instance, the yield on the 10-year US benchmark T-bond dropped 0.05 percentage points to a record low 0.52 per cent last week, according to the US Treasury department.

This gives gold a competitive edge, as it bears no interest of its own and investors don't sacrifice lost interest income by holding it when bond yields and savings rates are low or near zero.

This has sent investors piling into gold, vaulting the prices for the precious metal, which is a safe but a yield-free asset, to a record high of \$2,063 an ounce last week.

And the precious metal, which is the only currency that cannot be printed, is especially in-demand during economic crises as a shield against inflation. When the Federal Reserve floods the economy with cash, like it is doing now, dollars can get less valuable.

Gold prices declined slightly to \$1,864 early on Wednesday as the

WHY DO WE NEED GOLD?

- Jewellery accounts for largest demand for gold
- Accounts for **50%** of global demand
- More than half the demand for gold jewellery comes from India and China
- Gold has become a reliable, tangible long-term store of value
- Central banks are increasing their purchase of gold for official reserve management
- Nanotechnology driving new uses of gold in medicine, engineering and environmental management

WHERE DOES GOLD COME FROM?

- Mine production accounts for **75%** of gold supply
- Annual demand requires more gold than is newly mined
- Shortfall made up from recycling
- Since gold is indestructible, nearly all the gold ever mined is theoretically still accessible
- About **90%** of recycled gold comes from jewellery

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Gold jewellery: a love lost in pandemic

MAHMUDUL HASAN

The chatter of well-heeled ladies as they try out glistening bangles or necklaces typically filled the air of the sprawling flagship showroom of Jarwa House on the capital's Gulshan Avenue.

Now, it has been replaced by ennui and gloom.

With much safety precautions and great expectations, the country's oldest jewellery store had opened its doors to affluent customers on an appointment-only basis soon after the countrywide general shutdown was lifted on 30 May after two-and-a-half months.

Since its clientele largely hails from the affluent class, whose purchasing power has not taken as big a hit as those not as well-off as them, Jarwa House, which has two showrooms in Dhaka and one in Chattogram, was hoping it would be returning to a version of normality when it reopened.

The reality though has been starkly different.

"I have never seen such a downturn in business in my 40-odd years in this business," said Badal Roy, managing director of Jarwa House, a third-generation jeweller.

Jarwa House, whose roots date back to the 1900s, has regained only 20 per cent of its sales since reopening, with small-ticket items like rings selling the most.

While Roy can absorb a slump in business, for the smaller jewellers, the drop in footfall could be potentially cruel.

One such jewellery shop is Parineeta Gold, housed in the capital's Pink City shopping centre. Parineeta Gold's sales plunged to 15 per cent of what it was before the pandemic.

"There is no sign of our business bouncing back. People's financial condition is very bad," said Pijush Kanti Paul, the owner of Parineeta Gold.

Weddings account for the lion's share of Parineeta Gold's sales. And there are hardly



Jarwa House's sprawling, opulent flagship showroom on Gulshan Avenue has largely been empty after it opened its doors to its affluent client base in June on an appointment-only basis to maintain social distancing amid the coronavirus pandemic. Since reopening, the country's oldest jeweller has managed to claw back only 20 per cent of its sales. The photo was taken on Wednesday.

any weddings taking place nowadays. "People are getting married amid the pandemic but without any ceremony. So, there is no need for jewellery."

If the trend continues, Paul said he will be in deep trouble. And what's worse, the 35 goldsmiths that supply Parineeta Gold with its wares have become jobless.

In Bangladesh, goldsmiths are not salaried employees but are paid for each piece of jewellery they make.

And the pandemic along with its accompanying economic depression has left thousands of such artisans down on their knees.

"If the business does not return to normal in the coming month, a dire situation awaits the jewellers, especially the small ones, and the goldsmiths," Roy said.

While it is an unfortunate development for goldsmiths, for aspiring jewellery buyers the cocktail of circumstances in the form of the government request for staying at home to flatten the curve on coronavirus and the squeeze on disposable income could be a stroke of good fortune too because the gold prices are moving from strength to strength, making affordability an issue.

On 5 August, the price of each bhoori 22-karat gold stood at Tk 77,216 -- a record high.

One bhoori equals 11.664 grams. On 13 August, the price came down to Tk 73,716, but it is still more than the rates prevailing at the beginning of the year and before that.

The price of per bhoori of gold was Tk 60,361 on 5 January. Five years earlier, it was Tk 43,014, according to data from the Bangladesh Jewellers Samity (BAJUS).

"As the price of gold in the international market has been rising for the last few months, we have also had to raise the price of gold again and again," said Enamul Haque Khan, president of BAJUS.

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