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**Subject:** Fwd: WSJ: Dubai Gold Buyers Seen Switching From Jewelry To Bullion

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**WSJ: Dubai Gold Buyers Seen Switching From Jewelry To Bullion**

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BY Brinda Darasha

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<http://www.zawya.com/story.cfm/sidZW20111012000094/Dubai-gold-buyers-seen-switching-from-jewelry-to-bullion>

DUBAI – The recent violent volatility in gold prices is disrupting traditional buying patterns in Dubai, with customers moving from jewelry to bullion as they renew a focus on the yellow metal's investment potential, a trend that is prompting more city jewelers to stock gold in the form of coins and bars.

Dubai, known as the city of gold, is a long-established market for bullion and wholesale and retail jewelry. Its trade is fueled by demand from India, the world's number one gold consumer, and domestic consumption which, at 19 tons in the second quarter of 2011, makes the United Arab Emirates the second-largest consumer of gold jewelry and bullion in the Middle East after Saudi Arabia.

Whereas traditional retail demand was for jewelry, there has been a change in buying patterns, said Pradeep Unni, senior relationship manager at Richcomm Global Services, a Dubai-based commodity services company and a broker of the Dubai Gold and Commodity Exchange, or DGCX, which trades a gold futures contract.

"Earlier while women would buy gold in the form of jewelry, now one can see men, finding themselves with a bit of spare cash, go into a jewelry shop and buying ten-tola bars," he says. A ten-tola bar, called TT bar in the trade, is a traditional Indian measure of weight that equals 3.75 ounces.

"Sales of gold coins and TT bars are up 30-40% on year as they aren't as expensive as the kilo bar," said Unni.

Cyriac Varghese, general manager of Sky Jewellery in Dubai, has noticed a similar trend. "When prices went up in early August, there was a drop in jewelry business and people who had spare cash moved into gold coins and bars as they thought the price would rise further," he said.

The gold price has soared 35% since January 2011 to above \$1900 per ounce in September as investors sought refuge in its safe haven status in the face of an uncertain global economic outlook and concerns about the health of the U.S. dollar.

**According to Ahmed Bin Sulayem, executive chairman of the Dubai Multi Commodities Centre, those who are looking to invest in gold now are "those who don't have gold in their portfolios; people who think that in addition to having a bank account, they need to have gold." The Dubai Multi Commodities Center is one of the backers of the DGCX, and helps promote the local gold trade.**

The World Gold Council, an industry organization, says demand for physical bars and coins in the United Arab Emirates--the grouping of seven emirates that includes Dubai--rose 6% in the second quarter of 2011 from the previous year period, while demand for jewelry was down 1% in the same period.

If the trend continues, it could suggest that demand for gold in Dubai is becoming more speculative, local jewelers said, since buyers appear more willing to sell their bars and coins into any rise in the price. Buyers of jewelry, in contrast, are less likely to sell for cash as women prefer to exchange it for a newer design or pass it on from one generation to the next.

"There is slightly more demand than before for bars and coins. This was also exacerbated by a shortage of supply for these in the market. We also noticed that when the price of gold fell, people came back into the stores to try sell the coins

and bars back again," said Raj Sahai, director-retail, at jewelry retailer Damas.

Jewelry shops in Dubai, from souk to glittery malls, are stocking up on bullion to meet the higher demand. Damas has been ordering more coins and bars, Sahai noted.

Gold certificates are also increasingly popular. Demand for local bank Emirates NBD's Gold Certificates, that can be redeemed either in cash or physical gold bars, has risen five-fold in August and September from the beginning of the year, Gerhard Schubert, head of precious metals, at Emirates NBD said. "There's been unprecedented buying from the moment of the market opening till close," he said adding that many of the certificate buyers are fresh buyers.

However street wisdom holds that there's a marked preference for physical gold in Dubai. "Unlike in the West where people are happy to invest in gold certificates and exchange traded funds, here they like to handle gold; it's a cultural difference," said an analyst who declined to be named.

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