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Gold futures surge to new all-time record high

By [Polya Lesova](#), MarketWatch

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NEW YORK (MarketWatch) -- Gold futures surged to a new all-time high on Tuesday, soaring as high as \$879.40, as dollar weakness, rallying crude-oil prices and tensions between the United States and Iran boosted demand for the precious metal.

Gold for February delivery hit \$879.40 an ounce in electronic trading on the New York Mercantile Exchange, surpassing the previous record of \$875 set on Jan. 21, 1980. Still, the new record high was considerably lower than the inflation adjusted high of about \$2,200 per ounce. Spot gold also reached a record.

"Large funds and specs continue to buy and hold into this gold rally, and I believe that you will continue to see the trend of long gold, long crude continue throughout 2008," said Zachary Oxman, a senior trader at Wisdom Financial.

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Cool. The "Buy and Hold" types have watched Gold go up for enough years that they can't stand it any more and are buying. And the financial advisors (sic) are adding Gold to portfolios to appear fashionable.&nb...
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— *Zachary Oxman, Wisdom Financial*

"Geopolitical worries are still forefront in traders' minds along with continued dollar weakness," Oxman said.

Gold futures were last up \$14.40 to \$876.40 an ounce in regular trading on Nymex.

"Gold's strength is likely due to buying on inflation hedging, credit crisis risk and general macroeconomic and geopolitical risk," said Mark O'Byrne, director of Gold and Silver

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Investments Ltd., in a research note.

"The incident in the strategically vital Strait of Hormuz highlights that geopolitical risk remains heightened," he said.

Five Iranian speedboats harassed three U.S. Navy ships over the weekend in the Strait of Hormuz, according to media reports. The Iranian boats approached the U.S. vessels and threatened in a radio transmission to blow them up. The U.S. ships were about to open fire when the Iranian boats retreated.

US Secretary of State Condoleezza Rice said that the actions of the Iranian boats were provocative and dangerous, while Iran described the event as "an ordinary occurrence," the BBC reported on Tuesday.

"Gold prices raced to a new record high this morning, with recession fears, a weak US dollar, high oil prices and renewed geo-political tensions all factors supporting the precious metal," said analysts at Action Economics.

Crude-oil futures rose 2%, rebounding from their steep decline in the previous session, amid expectations for an eighth consecutive drop in U.S. crude supplies. [See Futures Movers.](#)

The dollar was mixed, as a strong opening on Wall Street buoyed it against the yen but weak home sales data pushed it down against the euro. The dollar index, which tracks the performance of the greenback against a basket of other currencies, edged down 0.2% to 76.050. [See Currencies.](#)

Also on Nymex, other metals futures posted strong gains. March silver rose 37 cents, or 2.4%, at \$15.660 an ounce, and January platinum gained \$15.80, or 1%, to \$1,540 an ounce.

March palladium edged down 35 cents to \$376.50 an ounce, while March copper rallied 10.45 cents, or 3.3%, to \$3.2455 a pound.

Metals stocks surge

Indexes tracking mining and metals shares rallied on Tuesday. The Philadelphia Gold and Silver Index ([XAU](#):

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, ,) rose 4.2% at 190.30 points. The CBOE Gold Index (GOX:

, ,) rallied 6% at 200.19 points and the Amex Gold Bugs Index (HUI:

, ,) surged 5.8% at 461.08 points.

As for sector's exchange-traded funds, the StreetTracks

Gold Trust ETF (GLD:

, ,) rose 1.8% at \$86.32, the iShares Silver Trust ETF (SLV:

, ,) gained 2.5% at \$154.24 and the Market Vectors-Gold

Miners ETF (GDX:

, ,) rallied 5.6% at \$51.81.



Gold warehouse inventories rose by 49,538 troy ounces to stand at 7.4 million troy ounces as of late Monday, according to Nymex data. Silver stockpiles dropped by 761,765 troy ounces to stand at 132.6 million troy ounces as of late Friday, while copper supplies edged down 160 short tons to 14,931 short tons. ■

Polya Lesova is a MarketWatch reporter based in New York.

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by [sbenard](#) 2 hours ago

The fed is losing its credibility, and gold is perhaps the greatest indicator of that. It reaches new highs on growing fear of inflation. With the Fed being pressured for a 50 basis point cut, inflation will simply continue to accelerate. When will the Fed listen and allow the free markets to work instead of multiplying the problem? When will they accept responsibility for the catastrophes they create? Until that days comes, turmoil will continue to be the password. I'll just keep buying commodities.

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by [RaceToTheBottom](#) 1 hour ago

Agreed, read somewhere the Fed governors said they would consider their tenure a success if they left with gold prices stable. Gold acts as a indicator of how they are doing as it is a dollar subsitute. It will be interesting to watch it in the next few weeks. Is this pop in effect pricing in the fed meeting in a few weeks? and the resultant dollar drop?

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by [Boom2Bust.com](#) 1 hour ago

Great headline inside the January 14 issue of BusinessWeek. "Headlines Aside, Gold Has Lost Luster." Looks pretty bright to me...

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by [Governor](#) 1 hour ago

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