



Gold Rises as Bailouts Spur Speculation Recession Will Deepen

[Email](#) | [Print](#) | [A A A](#)

By Pham-Duy Nguyen

Jan. 20 (Bloomberg) -- Gold prices rose to the highest in more than a week on speculation that the recession will deepen as banks continue to fail, boosting the appeal of the precious metal as a haven. Silver declined.

The British government yesterday said it would spend an additional 100 billion pounds (\$139.3 billion) to stabilize its banking system. About 250 billion pounds was committed in October. The U.S. has already spent about \$350 billion to help banks as the credit crisis intensified. Gold rose 5.5 percent last year, the eighth straight annual increase.

"Gold is gaining on systemic fear," said **Frank McGhee**, the head dealer at Integrated Brokerage Services LLC in Chicago. "These governments are going to have to infuse more money into the financial system, and that will eventually lead to inflation."

Gold futures for February delivery rose \$15.30, or 1.8 percent, to \$855.20 an ounce on the Comex division of the New York Mercantile Exchange. Earlier, the price reached \$866.60, the highest since Jan. 9. Floor trading was closed yesterday for the Martin Luther King holiday.

Silver futures for March delivery fell 4 cents, or 0.4 percent, to \$11.175 an ounce. The metal

slumped 24 percent in 2008.

Equities Fall

Equities fell in the U.S., Europe and Asia, and the Reuters/Jefferies CRB Index of 19 raw materials dropped as much as 2.2 percent. The **dollar** rose the most in a month against a weighted basket of six major currencies.

Gold generally moves in the opposite direction of the dollar. On days when they move in tandem, investors are seeking safety, McGhee said.

Investment in the **SPDR Gold Trust**, the biggest exchange-traded fund backed by bullion, was unchanged on Jan. 16 after reaching a record 795.3 metric tons the previous day. The fund's assets grew 24 percent in 2008.

"New concerns over illiquidity and inflation stemming from new stimulus packages" will support gold, said **Tom Pawlicki**, an analyst at MF Global Ltd. in Chicago.

Gold futures reached an all-time high of \$1,033.90 on March 17. Futures averaged \$873.98 last year.

To contact the reporter on this story: **Pham-Duy Nguyen** in Seattle at pnguyen@bloomberg.net.

Last Updated: January 20, 2009 14:37 EST

