



## Gold Jumps to Record as Slumping Dollar Spurs Investment Demand

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By Nicholas Larkin and Pham-Duy Nguyen



Nov. 23 (Bloomberg) -- Gold jumped to a record price as the slumping dollar boosted bullion's appeal as an alternative asset. Silver also gained.

Gold futures touched an all-time high of \$1,174 an ounce in New York, after the dollar fell as much as 0.9 percent against the euro. Gold has posted records

during nine sessions this month, and is up 32 percent this year as investors and central banks increased their holdings of the metal to preserve wealth. Russia's central bank said it bought more bullion last month.

"All this buying shows no confidence in the dollar," said **Bernard Sin**, the head of currency and metals trading at bullion refiner MKS Finance SA in Geneva.

Gold futures for December delivery rose \$17.90, or 1.6 percent, to \$1,164.70 an ounce on the New York Mercantile Exchange's Comex division, the biggest gain in a week.

In London, bullion for immediate delivery climbed \$13.73, or 1.2 percent, to \$1,164.33 an ounce

at 7:43 p.m. local time after earlier touching a record price of \$1,174.

Gold may surge to \$1,500 an ounce over the next 18 months, Bank of America Merrill Lynch analysts said today in a report.

The **U.S. Dollar Index**, a six-currency gauge of the greenback's value, slid on speculation that the Federal Reserve will hold U.S. **interest rates** at historic lows indefinitely. The Fed cut the target range for its benchmark lending rate to zero percent to 0.25 percent in December. The dollar index is down 7.6 percent this year.

Russia's central bank increased its gold holding to 19.5 million ounces last month from 19 million ounces in September, Bank Rossii said on its Web site.

#### Government Buying

Governments, the biggest holders of gold, have been expanding their bullion reserves, helping to spur an 8.3 percent rally in the metal's price from Oct. 20 to Nov. 20. India's central bank bought 200 metric tons from the International Monetary Fund in October. Mauritius and Sri Lanka also have been buying gold. The IMF still has about 200 tons left to sell.

"Any given emerging-market central bank cannot hedge against further U.S. dollar weakness by buying euros or sterling," Bank of America Merrill Lynch said, citing the likelihood of rate moves by the European Central Bank and the Bank of England. "This is because there is a significant probability that the ECB and the BOE will have to follow any monetary policy moves by the Fed."

The ECB's benchmark lending rate is at 1 percent and the Bank of England's main rate is at 0.5 percent.

#### Non-Dollar Purchases

**Dennis Gartman**, an economist and the editor of the Gartman Letter in Suffolk, Virginia, told investors to buy gold denominated in other currencies.

"Owning gold across the currency spectrum has effectively hedged the dollar exposure," Gartman said in a note to clients.

Holdings in the SPDR Gold Trust, the biggest exchange-traded fund backed by bullion, were unchanged for a second day at 1,117.49 tons as of Nov. 20, according to its Web site. The fund's cache reached a record 1,134 tons on June 1.

Sales of American Eagle gold coins by the U.S. Mint jumped 88 percent this year through October, to 1.07 million ounces, from the first 10 months of last year, data on the mint's [Web site](#) shows. The mint lists November sales at 99,500 ounces of the coins. The U.K.'s Royal Mint said last week that it quadrupled output of gold coins in the third quarter.

Gold is in the second stage of a rally to \$1,500 that began with the credit crisis in August 2007, Bank of America Merrill Lynch said. The second stage is marked by dollar weakness. In the third stage, a recovery in energy and commodity prices will boost investment into precious metals, the bank said.

Silver futures for December delivery climbed 17 cents, or 0.9 percent, to \$18.61 an ounce, after touching a 16-month high of \$18.935 earlier. The metal is up 65 percent in 2009.

To contact the reporters on this story: **Pham-Duy Nguyen** in Seattle at [pnguyen@bloomberg.net](mailto:pnguyen@bloomberg.net); **Nicholas Larkin** in London at [nlarkin1@bloomberg.net](mailto:nlarkin1@bloomberg.net).

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