



Gold Climbs as Investors Seek Alternatives to Holding Cash

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By Pham-Duy Nguyen

Jan. 30 (Bloomberg) -- Gold rose, capping a third straight monthly gain, as investors sought an alternative to holding cash. Silver also increased.

While gold is traded in dollars, the price in **euros** is up 15 percent this month and 5.9 percent in U.K. **pounds** as central banks lower interest rates and governments spend trillions of dollars to revive economies. Investment in the **SPDR Gold Trust**, the biggest exchange-traded fund backed by bullion, reached a record 843.6 metric tons yesterday.

"Central banks are going to start printing money and it's not an ideal place for investors to be," said **Joel Crane**, a metals strategist at Deutsche Bank AG in New York. "People don't have faith in currencies at the moment. There is still an underlying faith that gold will go higher."

Gold futures for April delivery rose \$21.90, or 2.4 percent, to \$928.40 an ounce on the New York Mercantile Exchange's Comex division. The metal is up 5 percent this month.

Silver futures for March delivery climbed 42 cents, or 3.5 percent, to \$12.565 an ounce. The price jumped 11 percent in January, also a third straight monthly gain. The metal slumped 24 percent in 2008 while gold gained 5.5 percent.

The U.S. economy shrank 3.8 percent in the fourth quarter, the steepest drop since 1982, as consumer spending slowed, the Commerce Department said today. The economy may contract 1.5 percent this year, the median estimate of economists surveyed by Bloomberg.

"The economic climate remains highly constructive for gold," said **William O'Neill**, a partner at Logic Advisors in Upper Saddle River, New Jersey.

Stimulus Pending

A stimulus plan valued at more than \$800 billion is pending in the U.S. Senate, after passing the House of Representatives earlier this week. The government has spent \$350 billion under the Troubled Asset Relief Program to help financial companies.

The Federal Reserve kept its benchmark interest rate at as low as zero this week and said it was prepared to buy long-term Treasuries to revive credit markets. The Fed's assets have grown by \$1 trillion over the past year under credit programs ranging from \$416 billion in term loans to banks to purchases of \$350 billion in commercial paper issued by U.S. corporations.

Gold will rise in the longer term, "based on a growing distrust of all paper currencies," said **Adrian Day**, president of Adrian Day Asset Management in Annapolis, Maryland. "People are turning to the one true money, which can't be created by governments and holds its value."

Gold has more than tripled since 2000, gaining for eight straight years. The metal reached a record \$1,033.90 on March 17.

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