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Gold Advances as Concern European Debt Crisis

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May Worsen Increases Demand

By Pham-Duy Nguyen and Nicholas Larkin - Nov 30, 2010

Gold in New York rose the most in a week as Europe's escalating debt woes boosted demand for the precious metal as a haven asset.

The dollar climbed today to a 10-week high against the euro. Investor concern has shifted to burgeoning debt in Spain and Portugal after European governments bailed out Ireland and Greece. Gold has risen 26 percent this year, touching a record \$1,424.30 an ounce on Nov. 9.

"Gold is moving higher predominantly on the continued fear of debt contagion in Europe," said Frank McGhee, the head dealer at Integrated Brokerage Services in Chicago.

Gold futures for February delivery rose \$18.10, or 1.3 percent, to \$1,385.60 an ounce at 11:29 a.m. on the Comex in New York. The price is up 2.1 percent in November, heading for the fourth straight monthly gain.

Investors should continue to hold gold as a hedge against currency debasement and long-term inflation, Societe Generale SA said in a report.

The euro fell as much as 1.2 percent against the dollar as investors shunned riskier assets amid speculation that Europe's debt crisis will broaden and as unemployment in the region rose to a 12-year high. In June, gold priced in euros reached a record when Greece received a bailout.

"The euro-zone backdrop puts a floor on gold prices," said Matt Zeman, a metals trader at LaSalle Futures Group in Chicago.

China Buying

The metal also rallied after Lion Fund Management Co. became the first firm to receive approval from China's government to invest in overseas exchange-traded funds backed by gold. China was the biggest buyer of gold in the third quarter after India, according to the producer-funded World Gold Council.

"Now there's more perceived demand from China since a previous barrier for entry into the gold market has been lifted," said Adam Klopfenstein, a senior market strategist at Lind-Waldock in Chicago.

Silver futures for March delivery rose 67.7 cents, or 2.5 percent, to \$27.87 an ounce on the Comex, heading for a fourth monthly advance. The price reached a 30-year high of \$29.34 on Nov. 9 and is up 61 percent this year.

Palladium futures for March delivery rose \$4.15, or 0.6 percent, to \$699 an ounce on the New York Mercantile Exchange. Prices are up 8.4 percent in November, heading for a fifth monthly increase. Platinum futures for January delivery advanced \$15.90, or 1 percent, to \$1,660.50 an ounce, poised for the first monthly decline since August.

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