



Gold Climbs, Capping Ninth Annual Gain, on Currency Outlook

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

By Claudia Carpenter and Pham-Duy Nguyen

Dec. 31 (Bloomberg) -- Gold futures rose, capping the ninth straight annual gain, on speculation that the dollar will extend a slump, spurring demand for the metal as an alternative investment. Silver had the biggest yearly increase since 1979.

Gold advanced 24 percent this year as government spending aimed at reviving the U.S. economy sent the dollar down 4.2 percent against a basket of six major currencies. The metal rose to a record \$1,227.50 an ounce on Dec. 3 and also reached all-time highs based in sterling and euros.

"Gold is my favorite because it's real and honest money," said [Michael Pento](#), the chief economist at Delta Global Advisors Inc. who correctly predicted in January that the price would climb above \$1,200 an ounce this year. "It prospers in an environment where there's currency depreciation."

Gold futures for February delivery climbed \$3.70, or 0.3 percent, to \$1,096.20 on the Comex division of the New York Mercantile Exchange. The metal more than tripled this decade, rising from \$289.60 on Dec. 30, 1999.

The price will trade from \$1,000 to \$1,200 in January to June and climb as high as \$1,500 in the

second half, Pento said.

"Investors are waiting for the Fed to tighten in 2010, and when they realize it's not going to happen, that's going to be the fuse that lights up gold," Pento said.

Currencies 'Eroded'

The Federal Reserve has kept its benchmark lending rate at close to zero percent since December 2008. The Bank of England's main rate is 0.5 percent, and the European Central Bank's rate is 1 percent.

"The purchasing power of all currencies is being eroded," said **James Turk**, the founder of Jersey, Channel Islands-based GoldMoney.com, which held \$911 million in gold, silver and platinum for investors at the end of November. "I look at the real price of goods and I see hyperinflation for the dollar in the not-too-distant future. That means a declining value of the dollar and higher gold prices."

Investment in the SPDR Gold Trust, the biggest exchange-traded fund backed by the metal, was up 45 percent this year to 1,133.6 metric tons as of yesterday, nearing a record set in June.

Investors may buy more gold futures to reflect the metal's increased weighting in a benchmark raw-materials index, analysts said.

Comex futures will make up 9.1 percent of the Dow Jones UBS Commodity Index in 2010, compared with 7.9 percent this year, according to Dow Jones Indexes/STOXX Ltd. The gauge will be rebalanced from Jan. 11 to Jan. 15, said Andrea Weidemann, a Dow Jones spokeswoman in Frankfurt.

\$1,500 Forecast

The change will boost gold “definitely, particularly should more money be allocated to commodities in 2010 as we forecast,” said **Tom Winmill**, a New York-based portfolio manager of the Midas Fund. The precious-metal fund has \$120 million in assets and gained 83 percent this year through Dec. 29, he said.

Gold will average \$1,300 in 2010 and reach \$1,500, Winmill said.

Silver futures for March delivery rose 4.3 cents, or 0.3 percent, to \$16.845 an ounce in New York. This year, the metal climbed 49 percent. The price tripled from \$5.453 at the end of 1999.

Platinum futures for April delivery rose \$7.70, or 0.5 percent, to \$1,471 an ounce today. This year, the metal jumped 56 percent, the most since at least 1987. The price has more than tripled from \$422.20 at the end of 1999.

Palladium futures for March delivery rose \$12.75, or 3.2 percent, to \$408.85 an ounce. This year, the most-active contract more than doubled, the biggest increase since at least 1987. The price dropped 9 percent from \$449.20 at the close of 1999.

To contact the reporters on this story: **Claudia Carpenter** in London at ccarpenter2@bloomberg.net; **Pham-Duy Nguyen** in Seattle at pnguyen@bloomberg.net

Last Updated: December 31, 2009 14:34 EST

