



Gold Rises Most in Six Weeks as Dollar Drops; Silver Advances

By Pham-Duy Nguyen

Nov. 4 (Bloomberg) -- **Gold** futures rose the most in six weeks as the dollar declined against the euro, boosting the appeal of the precious metal as an alternative investment. Silver jumped almost 8 percent.

The euro climbed as much as 2.8 percent, rebounding from the lowest level against the dollar in a week. Last month, gold dropped 18 percent, the most in 28 years, as the dollar climbed 11 percent against the euro. The metal reached a record in March as the euro headed for an all-time high in July.

"It's all about the weaker the dollar with gold," said **Frank McGhee**, the head dealer at Integrated Brokerage Services in Chicago.

Gold futures for December delivery rose \$33.70, or 4.6 percent, to \$760.50 an ounce at 11:28 a. m. on the Comex division of the New York Mercantile Exchange. A close at that price would mark the biggest percentage gain for a most-active contract since Sept. 22.

Silver futures for December delivery rose 76.5 cents, or 7.9 percent, to \$10.515 an ounce.

Before today, the metal was down 35 percent this year, while gold dropped 13 percent.

The U.S. will have to borrow more money than other governments to bail out its financial system, sending the dollar lower against other currencies, McGhee said.

The U.S. said yesterday that fourth-quarter borrowing needs probably will grow to \$550 billion from a prior estimate of \$142 billion.

` Back to the 1970s'

`` You have to look back to the 1970s to see a falling dollar and rising interest rates," McGhee said. `` At some point, investors will start seeing the impact of the bailout and government interventions. You'll have long-term interest rates rising and a falling dollar."

Gold futures gained from 1977 to 1980, peaking on January 21, 1980, at \$873. That record held until this year, when gold reached \$1,033.90. The dollar fell against major currencies from 1977 to 1979.

Still, gold's gains may be limited as investors prefer the safety of the U.S. currency to other assets, analysts said.

`` The level of deflation in this country is massive," said **Leonard Kaplan**, the president of Prospector Asset Management in Evanston, Illinois. `` Trillions of dollars have gone up in smoke. The government can print money and it may not result in inflation because of the money that's been lost."

Since the collapse of Lehman Brothers Holdings Inc. on Sept. 15, which helped trigger passage of a \$700 billion bailout plan by the U.S., gold has traded as low as \$681 on Oct. 24 to as high as \$936.30 on Oct. 10.

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