



## Gold Rises on Investor Demand for Store of Value; Silver Climbs

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By Pham-Duy Nguyen

April 8 (Bloomberg) -- Gold rose for a second straight day in New York as some investors purchased the metal to hedge against financial turmoil. Silver also gained.

The U.S. Treasury Department extended last year's taxpayer-funded bank bailout to life insurers. Earlier, the bailout was broadened to include automakers and credit-card companies. Researcher GFMS Ltd. said yesterday that gold may reach a record this year as government spending raises inflation concerns.

"The reasons why investors bought gold -- fears of longer-term inflation and currency debasement -- remain intact," **John Reade**, the head UBS AG metals strategist in London, said today in a report. Once gold prices have stabilized, "we expect bottom-fishers to begin the next cycle of investment," he said.

Gold futures for June delivery rose \$2.60, or 0.3 percent, to \$885.90 an ounce on the New York Mercantile Exchange's Comex division. Gold set a record of \$1,033.90 on March 17, 2008. This year's high of \$1,007.70 was reached on Feb. 20. The most-active contract is little changed this year, advancing 0.2 percent.

Silver futures for May delivery gained 15 cents, or 1.1 percent, to \$12.54 an ounce. Silver has climbed 9.3 percent this year.

U.S. stocks gained, erasing earlier declines, while shares in Asia dropped and equities in Europe rose. Before today, the Standard & Poor's 500 Index **surged** 19 percent since March 6, when it touched a 12-year low, while gold dropped 6.3 percent. The S&P 500 jumped as much as 1.6 percent today in New York.

### Short Covering

Gold also rose, extending yesterday's 1.2 percent advance, as speculators purchased the metal to cover positions intended to produce gains if the price fell, said **Marty McNeill**, a trader at R. F. Lafferty Inc. in New York. Before yesterday's gain, gold dropped 5.9 percent in the previous three sessions.

"People didn't expect gold to run up after the sharp decline, so you have some short covering today," McNeill said.

Gold will surpass last year's record on speculation that inflation will accelerate, fueled by government programs to bail out failing banks and ease the recession, GFMS said yesterday. Since the second quarter of 2007, banks have reported almost \$1.3 trillion in credit losses and writedowns related to the financial crisis.

The Treasury Department also began financing-support programs through General Motors Corp. and Chrysler LLC to help auto-parts makers survive the industry's slump. U.S. sales of new cars and light trucks sank 38 percent in the first quarter.

GM will get \$2 billion under the programs, which guarantee payments owed to suppliers, a company spokesman said. Chrysler may be able to use \$1.5 billion.

## Platinum, Palladium Rise

Platinum and palladium, which are used in pollution-control parts for cars and trucks, also gained.

Platinum futures for July delivery climbed \$12.40, or 1.1 percent, to \$1,187.40 an ounce on the New York Mercantile Exchange. The metal has jumped 26 percent this year.

Palladium futures for June delivery rose \$9.70, or 4.3 percent, to \$235.70 an ounce on Nymex. The metal has surged 25 percent this year.

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