

## Gold is 1000 Dollar and growing?

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U.S. gold futures hit a record of \$1,000 an ounce on 14 March, 2008 and spot metal set historic highs as a dollar slump forced investors to look for alternative assets.

Record high oil prices also lifted gold's appeal as a hedge against inflation.

Spot gold rose as high as \$997.50 an ounce and was last at \$994.90/995.70 at 1320 GMT, against \$981.90/982.70 late in New York on 13 March, 2008. U.S. futures GCJ8 were last traded at \$996.90 an ounce.

It is obviously a dollar move. I think there is more upside for gold and generally the precious metal complex because the Fed is going to be delivering a very negative real interest rate environment and that is great for gold.

The dollar fell below the psychologically key 100 yen mark for the first time in over a decade, as well as plumbing fresh record lows versus the euro, the Swiss francs and a basket of major currencies.

Investors remained on edge about the ailing U.S. economy and the likely extent of future interest rate cuts as the Federal Reserve battles to stave off a recession.

The rise in gold is reflecting several factors, including the general uncertainty regarding the economy, particularly with inflation pressures in the system.

The likelihood is that if the dollar continues on its downward trajectory that would put further upward pressure on dollar-based commodities.

A weaker dollar makes gold cheaper for holders of other currencies and often lifts bullion demand. The metal is also generally seen as a hedge against oil-led inflation.

Oil rose to a fresh record high, hitting new peaks for the seventh trading day, as a weak dollar overshadowed an increase in U.S. crude inventories.

## Lower demand for OPEC oil

Gold has jumped about 20 percent this year on top of a 32 percent rise in 2007, mainly on inflation worries following firm oil prices and chances of more rate cuts in the United States, which elevates gold's appeal as an alternative investment.

But some analysts advised caution. At the moment, the environment looks inflationary, but we think the recession in the U.S. could be deeper and longer than thought and spread to other parts of the world.

They think that the environment will (later) turn more deflationary and this will not be good for gold. The dollar is now undervalued according to purchasing power parity and we don't see gold going further.

Jewelers were on the sidelines, but dealers in Japan saw purchases from the electronics sector. Gold-plated connectors are an integral part of plugs and sockets, and the metal is also used in wiring to connect parts of semiconductors.

In industry news, No. 2 gold producer Newmont Mining Corp said global gold mine output will decline over the next decade or so because of production constraints and past underinvestment in finding new resources.

Official data showed that South African gold output fell 16.5 percent in volume terms in January compared with the same month the previous year.

