

**The New York Times**PRINTER-FRIENDLY FORMAT  
DECEMBER 3, 2009

December 3, 2009

## Gold Retreats From Record as Dollar Recovers

By REUTERS

Filed at 11:45 a.m. ET

LONDON (Reuters) - Gold prices retreated from record highs in Europe on Thursday as the euro pared gains against the dollar after comments from the European Central Bank on monetary policy.

Spot gold fell as low as \$1,203.90 an ounce after the remarks, and was at \$1,213.40 at 4:03 p.m. BST, versus \$1,215.90 late on Wednesday. Earlier it hit a record high of \$1,226.10.

The dollar extended gains against the yen, and the euro gave up some of its earlier gains against the greenback, as markets weighed mixed remarks from ECB President Jean-Claude Trichet about possible exit strategies from quantitative easing.

"The dollar is the key input into the gold price, and if we see a strengthening dollar, obviously gold tends to weaken," said Jeremy East, head of metals trading at Standard Chartered.

He said gold was due to take a breather after its sharp run higher in recent weeks.

"This last move up to \$1,226 has been a big one, and we just can't carry on in a straight line," he said. "I think we are due for a retracement, and some consolidation."

A poll of 33 analysts, traders and funds conducted by Reuters this week found most believe gold prices are in for a correction before the end of the year, though the precious metal's bull run is still believed to be intact.

Dollar weakness earlier added fuel to a cross-currency rally in gold prices, sparked by talk of fresh central bank buying and supported by fears over the inflation outlook and a broad-based rise in commodity prices.

Saxo Bank senior manager Ole Hansen said a raft of factors, including central bank buying and fears over the currency markets, were supporting gold. He said the metal was ignoring its usual technical indicators as it moves further above previous record levels.

"We are into new territory every time we make new highs," said Hansen. "It is easy to break up a percent, because there are no levels to look for as resistance."

"The way gold is going, despite showing overbought, just indicates that it is something one shouldn't really get in the way of. All the forces are at play for gold."

Goldman Sachs said on Thursday it sees prices at an average \$1,265 an ounce in 2010, rising to \$1,425 an ounce in 2011. It said low U.S. interest rates will support gold.

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Gold hit record highs in euro and sterling terms as well as in the dollar. Euro-priced gold reached a peak of 812.43 euros an ounce, while gold denominated in sterling hit a high of 735.20 pounds an ounce.

For graphic of gold's performance in other currencies, click on:

[http://graphics.thomsonreuters.com/129/GLD\\_CURR1209.gif](http://graphics.thomsonreuters.com/129/GLD_CURR1209.gif)

Gold analysts say they are watching for signs of further central bank gold buying, after India's 200-tonne purchase announced in early November and subsequent small acquisitions by Sri Lanka, Mauritius and Russia sparked a sharp price rise.

A Chinese industry executive said on Thursday there is more scope for China to increase purchasing gold, but not in the open market and only over a longer-term period.

Among other precious metals, silver was at \$19.01 an ounce against \$19.20. The world's main silver exchange-traded fund, the iShares Silver Trust, said its silver holdings fell 3.49 tonnes from record levels on Wednesday.

Spot platinum was at \$1,489.50 an ounce against \$1,500.50, while palladium was at \$386 versus \$387.50.

The Shanghai Gold Exchange is to begin trading palladium, the exchange chairman told a conference on Thursday. "The government approval process is nearing an end," he said.

(Editing by Sue Thomas)

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