

Gold hits 3-month low on economic uncertainties

Fri, Feb 5 2010

By Frank Tang and Jan Harvey

NEW YORK/LONDON (Reuters) - Gold fell to its lowest in more than three months on Friday, ending the week 2 percent lower, as economic uncertainties led to heavy selling in gold and other investments perceived as riskier.

Bullion dropped further after posting its biggest one-day loss since 2008 on Thursday, hit by sovereign debt fears in Europe, and signs that economic recovery in United States and China has hit a rough patch.

On charts, gold is vulnerable to extending sharp losses to reach \$1,020-1,030 an ounce if support at current levels fails to hold, and may face a deeper retracement below \$1,000 if it breaks that level, technical analysts said.

The metal, however, could see support in the near term as investors bid up COMEX gold call options and gold miners' stock prices, floor traders and fund managers said.

"Investors are looking to some large-cap gold stocks as a way to hedge currency unrest and potential debt default in Europe," said Brian Hicks, co-manager of Global Resources Fund at U.S. Global Investors, which has over \$2 billion in mutual fund assets.

Shares of the world's largest gold producer Barrick Gold <ABX.TO> and No. 2 Newmont Mining <NEM.N> are about 4 percent higher despite weaker gold prices and broad-based equities weakness.

Spot gold fell to a low of \$1,043.75, and was last at \$1,062.25 an ounce at 2:38 p.m. EST, against \$1,062.60 late in New York on Thursday.

Spot bullion is about 2 percent lower from last Friday's close at \$1,081.05 an ounce.

U.S. gold futures for April delivery on the COMEX division of the New York Mercantile Exchange settled down \$10.20 at \$1,052.80 an ounce.

Gold is extending losses after prices fell 4 percent on Thursday after European Central Bank chief Jean-Claude Trichet predicted rising fiscal imbalances over the euro zone economy, and that knocked the euro.

The euro fell to its lowest level against the dollar since May on rising risk aversion, as the cost of insuring the debt of some euro zone nations against default hit record highs on worries over their fiscal positions.

CRUDE PLUNGES, ETF REPORTS OUTFLOWS

Oil prices briefly tumbled below \$70 a barrel, as the stronger dollar and data showing additional U.S. job cuts weighed on the market.

Earlier on Friday, U.S. data showed that nonfarm payrolls fell unexpectedly in January, but unemployment rate surprisingly dropped to a five-month low.

"Gold is going to show higher volatility until there is more of a trend established in U.S. economic recovery," said Thomas Winmill, portfolio manager of Midas Fund. <MIDSX.O>

Investment in gold-backed exchange-traded funds was lackluster, with holdings of the world's biggest, New York's SPDR Gold Trust falling 5.8 tonnes or 0.5 percent on Thursday.

Silver also tumbled to its lowest since early September at \$14.63, tracking losses in gold. It was later at \$14.91 an ounce versus \$15.23.

Platinum and palladium also hit 2010 lows at \$1,444 an ounce and \$379.50 an ounce respectively. Platinum was later at \$1,471 an ounce versus \$1,499.50, while palladium was at \$394.50 against \$406.50.

(Reporting by Frank Tang and Jan Harvey; Editing by Marguerita Choy)

