Gold And Silver ETFs Soar As Fed Hints At QE3

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Wed., July 13, 2011 3:36 PM ET

Tags: ETFs - Gold - Silver - Federal Reserves - QE3

Gold ETFs soared to a new high while silver and mining ETFs surged to five-week highs Wednesday as the Federal Reserve Chairman said the central bank is ready to ease monetary policy further if needed.

The bullion and mining company ETFs extended a rally that started Tuesday afternoon, when the Fed released minutes from the June 21-22 meeting that showed some members were willing to consider further stimulus. Loosening monetary policy weakens the greenback, which increases the price for gold and other commodities. Gold also serves as a safe haven in the face of Europe's mounting debt crisis and America's looming debt ceiling deadline.

SPDR Gold Shares(GLD), the most widely traded ETF for the metal, rose 0.8% to an all-time high of 154.71 intraday in heavy volume. The ETF backed by gold bars broke out of a two-month cup base and cleared a 153.71 buy point. It's risen for the last seven session.

IShares Silver Trust(SLV) gapped up 5.4% to as much as 37.35 intraday. It's trading above its key 50-day moving average for the first time in two months.

"Current gold prices should be seen as a buying opportunity in the gold and silver markets," Julian Phillips, publisher of the Gold Forecaster newsletter, said in a client alert. "Gold and silver will not simply be a profit opportunity, but one of the few places where wealth, as it was valued yesterday, will not only hold, but grow its value, tomorrow."

He projects the yellow metal to hit $1,650 and consolidate before marching higher to $1,760 an ounce. That translates to about $165-$176 a share in GLD.

Fla. Believes gold could reach $2,000 an ounce by the end of the year. However he's uncertain about how trading in the yellow metal will be affected in the short term by the new Dodd-Frank Law that goes into effect Friday, July 15.

"Dodd Frank aims to make sure those buying, selling and trading physical metals actually can prove they have physically stored in a vault or can deliver it within 28 days," Sacka said. "Once we see how this settles we will be in better position to gage the direction going forward."

If the Fed prints more money through more quantitative easing, investors will buy more hard assets as a store of value as "currencies are being trashed," said Tom Winmill, manger of Midas Fund (MIDSX). He's invested 120%

of fund assets in bullion and gold miners. He's borrowing money to amplify returns because he's so sure about his bets. The more gold prices rise, the more miners profit from digging it out of the ground. All the while, their shares are trading at half their historic values based on price-to-earnings, price-to-cash flow and other valuation metrics, he said.