

Gold Falls on Equity Rally; Silver Drops to Four-Year Low

By Debarati Roy and Nicholas Larkin - Sep 19, 2014

Gold futures fell to an eight-month low as equities surged to a record, crimping demand for the precious metal as an alternative asset. Silver tumbled below \$18 an ounce to the cheapest in four years.

Gold dropped for the third straight week after the [Federal Reserve](#) raised its estimate for a key lending rate even as policy makers affirmed a pledge to keep borrowing costs close to zero percent for a considerable time. The [Standard & Poor's 500 Index \(SPX\)](#) rose to an all-time high, and a measure of the dollar headed for the longest rally since at least March 1967. Holdings in exchange-traded funds backed by gold slumped to a five-year low as price volatility plunged to the lowest since 2010. The metal has dropped 13 percent from this year's high as the [U.S. economy](#) gained traction amid prospects for rising interest rates and muted inflation.

"We are seeing a rush for equities," Tom Winmill, who helps manage about \$220 million of assets in Walpole, [New Hampshire](#), for Midas Funds, said in a telephone interview. "Many investors don't see the need for a safe haven as the dollar has gained strength."

Gold futures for December delivery fell 0.8 percent to settle at \$1,216.60 an ounce at 1:36 p.m. on the Comex in New York, the biggest drop since Sept. 8. Earlier, the price touched \$1,214.20, the lowest for a most-active contract since Jan. 6.

Global [holdings](#) in gold ETFs have dropped 0.5 percent this week to 1,706.47 metric tons, the lowest since October 2009.

'More Optimism'

"Money continues to move into equities, and there is more optimism about the U.S. economy," [David Meger](#), the director of metal trading at Vision Financial Markets in Chicago, said in a telephone interview. "The dollar continues to put pressure on [gold prices](#)."

Silver futures for December delivery fell 3.6 percent to \$17.844, the biggest drop since Dec. 19. The price touched \$17.78, the lowest since July 30, 2010.

On the New York Mercantile Exchange, platinum futures for October delivery dropped 0.9 percent to \$1,337.30 an ounce. The price touched \$1,334.30, the lowest since Dec. 24. Palladium futures for December delivery declined 2.3 percent to \$812.60 an ounce. The metal touched \$807, the lowest since June 13.

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