As Gold hits a record $1625 an ounce, analysts have pegged their forecas year

Balkan Business News Correspondent - 29.07.2011

As Gold hits a record $1625 an ounce, analysts have pegged their forecasts higher for the end of the year.Precious metals economist and Managing Director of American Precious Metals Advisors, Jeff NIchols had already predicted $1700 per ounce for gld by end of 2011 which now looks within easy reach.

Dr Edel Tully, UBS Bullion bank precious metals strategist has forecasts $1,800 by Christmas as gold is in deficit for 2011 as a result of moderate mine-supply growth, a lower level of recycling than in 2009 and the steady buying of gold by central banks.

Official statistics published monthly by the IMF show that central banks, as a group, have been busy buying gold. Russia, India, China, Saudi Arabia, Mexico, and Brazil have been among the big buyers in recent years and a number of other countries have added smaller amounts of gold to their official reserves. One big surprise was Mexico’s purchase of some 100 tons earlier this year as a hedge against the possible decline in the value of their U.S. dollar reserve holdings, according to Jeff Nichols.

The UBS precious metals analyst expects central bank buying currently at 150 tonnes in 2011-year to date to challenge the level of 282 tonnes of 1988.

This time around the US debt crisis and the financial uncertainties around the world have not induced frenzied buying of gold, according to a report in Financial Times.

"However the debt crisis has not sparked frenzied buying in the bullion market to the same extent as in April-June 2010, when fears about the eurozone hit the market, or in January-April 2009, during the depths of the global financial crisis."

"Sales of bullion coins, such as the popular American Eagle, have not picked up significantly over the past few weeks, signalling restrained retail buying. This month, the US Mint sold 60,000 one-ounce American Eagle Gold coins, at par with last month’s level and below the 107,000-108,000 coins of April and May."

Gold fund portfolio manager Tom Winmill agrees gold will lose some of its luster in the short- term, but he sees the price hitting $1,800 an ounce by the end of next year.

Should European and US debt problems fade, there would be no reason for gold to remain at record highs, but any downside would cause strong physical demand, irrespective of whether or not it takes place inside or outside the high-demand Indian wedding season.

The fear factor is prompting Europeans to buy significantly more small gold bars and coins and an investor angle is also present in Indian gold jewellery buying,according to a report in Mining Weekly.

Source : http://www.commodityonline.com/