

# Gold prices slide for 2nd day; should investors worry?

By Matt Krantz, USA TODAY

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Gold suffered a serious dent Wednesday, tumbling \$104 an ounce, or nearly 6%, as some of the fears that had repeatedly driven the precious metal to record levels this year began to ease.

The price of gold has fallen from its record close of \$1,888.70 an ounce Monday to \$1,754.10 on Wednesday on optimism the financial system and the economy may be stabilizing.

But some warn not to make too much out of the two-day slide. "Gold has been on such an amazing tear, it's only normal to have a slight correction," says Tom Winmill, fund manager at Midas Funds. Even after Wednesday's drop, gold is up more than 23% this year as investors seek shelter from concerns about European debt and deficits in the U.S.

By Sam Panthaky, AFP/Getty Images

Two 24-carat gold bars.

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Recent data have helped calm fears about the economy and sent gold sliding, Winmill says. Demand for durable goods was surprisingly strong in July, the government said Wednesday. While hurting gold, that boosted stocks: The Dow Jones industrials rose 144 points to 11,321 for a three-session gain of 4.7%.

Some have noted the furor over gold has reached intense levels. Gold "is a bubble that is poised to burst," Wells Fargo said in a report issued last week.

Gold bulls, however, don't see anything alarming, saying:

- This is acting like a normal sell-off.** The typical price correction in gold is 10%, says [Jeff Clark](#), precious metals analyst at Casey Research, so this decline is "actually normal and not unexpected."
- Doubt about paper currencies favors the outlook.** Gold continues to be the best place for investors who are afraid the value of the U.S. dollar and euro will continue to erode, says [Robert Cohen](#), portfolio manager at Dynamic Funds. "Gold is a barometer of what paper money is worth," he says.
- Government deficits and debt increase gold's allure.** Problems in the U.S. and

Europe only bolster the case for owning gold, says Jeffrey Nichols of Rosland Capital. To balance the U.S. budget, higher taxes and less government spending will be necessary, Winmill says, and that will allow gold prices to rise.

"Bubbles are usually associated with greed. This run-up is more associated with fear," Clark says. "This is more of a fear mania. There's more upside."