

Predictions for Gold Prices in 2012 - Howard B Arnn (12/30/11)

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In 2011, gold prices increased almost 13%. Prices started the year at about \$1,400 an ounce and are ending the year at about \$1,550 an ounce. Will this trend continue or are gold prices preparing for a decline in 2012? Many experts disagree on where gold is heading in the upcoming year. Citing everything from the economy to crises to interest rates, experts in the gold market have a wide range of expectations.

Tom Winmill, a Midas Fund portfolio manager, tells us to “view interest rates in a vacuum.” All indicators point towards continued low interest rates. Low interest rates make it easier for investors to field safe holding onto their gold. According to Winmill, this continued fragility of the economy along with low interest rates indicates the market is ready for gold prices to continue their price surge.

The current state of the economy, however, may not be beneficial for gold prices. George Gero, a consultant at RBC Wealth Management, points towards the Greece debt crisis. “So the behavior of gold during a crisis depends on the type of crisis and whether gold is needed for liquidity purposes to finance war or a bailout.” During the Greece debt crisis, gold prices fell \$50 in a single day after an unfavorable development.

Despite the uncertain correlation between today's economy and the price of gold, expert opinions compiled by Bloomberg point towards higher gold prices in 2012. UBS Ag released a statement saying gold will be “increasingly used as the line of defense against additional negative market outcomes.” The collective predications put the price of gold at



“Can you increase its range?”

more than \$2,000 an ounce by the end of 2012. This would be a much better year than gold's already impressive 2011 performance.

Although most forecasts show gold on an upward trend in 2012, the metal still stands on shaky ground. It is only certain that gold does hold a strong correlation with the economy. As long as the short-term future of the world economy remains uncertain, so will the price of gold.