

# COMMODITIES-Gold hits record on weak dollar; corn up on frost

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\* Falling dollar drives gold to all-time highs

\* Corn up 8 pct to its highest levels in 14 weeks

\* RJ/CRB index of 19 commodities at 2-1/2 week peaks (Recasts, updates with rally in corn, midday prices)

By Barani Krishnan

NEW YORK, Oct 6 (Reuters) - Gold hit record highs on Tuesday as the sinking dollar drove inflation-wary investors to hedge in the precious metal and almost every other commodity.

Corn prices surged 8 percent to 14-week highs on worries that frost could seriously damage what had been shaping up to be a record-large U.S. crop. Soybean and wheat futures were up 3-4 percent each, rising along with corn.

Crude oil and copper joined the rally, taking 19-commodity Reuters-Jefferies CRB index to 2-1/2 week highs. Wall Street's Dow Jones stock index rose almost 2 percent.

"It's all about the dollar for commodities and it's all about the dollar for equities," said Chris Jarvis, an energy markets analyst at Caprock Risk Management in New Hampshire.

The dollar fell after an interest rate hike in Australia and rising equity prices bolstered expectations that the global economy was recovering. This dented safe-haven demand for the U.S. currency.

Further pressuring the dollar, a British newspaper reported that Gulf Arab states were in secret talks to abandon the U.S. currency in oil trade. Big oil-producing countries denied the report.

In gold, the spot price, which reflects trading in bullion, saw an all-time high bid of \$1,043.45 an ounce in New York by 12:30 p.m. EDT (1630 GMT), against Monday's late trade of \$1,016.65.

U.S. gold futures' most active contract, December, jumped \$27.20 to \$1,045 an ounce, surpassing the previous record of \$1,033.90 set in March 2008.

Analysts said gold should climb more in the near- to medium-term if the dollar drops further.

"This is basically the beginning of a many-step process toward \$1,200 gold in the first quarter," said Thomas Winmill, portfolio manager at Midas Fund in New York. "The fiscal and monetary factors are just going to become larger and larger in investors' minds."

In corn, the front-month December contract on the Chicago Board of Trade, or CBOT, rose 28-1/2 cents to \$3.70 a bushel, its costliest price since June 30.

Some experts estimated that frost damage could wipe out about 10 percent, or 500 million bushels, from the upcoming U.S. corn harvest.

More bad weather could also be headed for the key agricultural area in the U.S. Midwest, where soybeans and wheat is grown too, traders said.

"It's very wet and cold and there's a freeze this weekend with almost half the (immature) corn crop at risk," said Vic Lespinasse at GrainAnalyst.com.

Oil prices rose toward \$72 a barrel partly on the dollar's weakening, and also due to a hike in world oil demand forecast by No. 1 energy consumer United States.

U.S. crude for November jumped 2.2 percent, or \$1.56, to a session high of \$71.97 per barrel. Brent crude rose \$1.70 to \$69.74.

The U.S. Energy Information Administration raised its outlook Tuesday for world oil demand during the fourth quarter and for 2010, citing expectations of economic recovery in Asia.

Copper prices closed up 3 percent in London, breaching the key resistance level of \$6,000 a tonne as the weak dollar made the metal cheaper for holders of other currencies.

Copper for three-months delivery on the London Metal Exchange traded as high as \$6,156 a tonne before settling at \$6,116, up \$196 from Monday's close.

In New York, U.S. copper futures for December rose 8.8 cents to a session peak of \$2.7990 a lb.

Some analysts, however, expressed concern that copper prices may have overshot supply-demand fundamentals.

LME copper supplies have climbed since mid-July, reversing a trend of almost constant falls earlier this year. On Monday, inventories of the industrial metal rose 1,200 tonnes to reach 346,425 tonnes in LME warehouses. (Editing by David Gregorio)