



Gold at All-Time High \$1,150 Despite Stronger US Dollar

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Gold Price News

Gold set a new record closing high at \$1,150.80 in spite of U.S. dollar strength as investors continued to seek gold exposure through gold ETFs, gold futures, and gold mining stocks. Gold, as measured by the COMEX December futures contract, has moved straight up, posting gains in fourteen of the fifteen trading days in November. December COMEX gold has appreciated \$106, or 10.1% in November.

JP Morgan has raised their price target on [gold](#) to \$1,300 per ounce, noting that "so far the massive expansion of the Fed's and other central banks' balance sheets has not affected inflation due to the scale of the de-leveraging and slower money velocity, but, we believe it's reasonable to assume the risk of significantly higher inflation in one or two years. With respect to golden portfolio protection; remember the time to purchase insurance is before your house catches fire." The investment bank discussed the fact that long-term price targets for gold were still below \$1,000 per ounce and that **gold** tends to overshoot and undershoot its long-term trends.

JP Morgan stated the case for exposure to the **gold mining** equity sector, observing that investors bullish on the gold price could allocate to this more leveraged play on gold. "We see gold equities outperforming when gold is performing well but lagging if gold prices stabilize." The firm has overweight ratings on AngloGold Ashanti (AU), Newmont Mining (NEM), Randgold Resources (GOLD), Barrick Gold (ABX), Gold Fields (GFI), Goldcorp (GG), and Lihir Gold (LIHR).

An even more bullish gold price prediction is forecasted by Tom Winmill, portfolio manager of gold-focused Midas Funds. In an interview with Hard Assets Investor, Winmill projected a \$1,200 per ounce average price in the first quarter of 2010. The fund manager cited numerous bullish tailwinds driving the gold price and emphasized that the "very low monetary target set by the [Fed](#) in the U.S., and the lack of fiscal discipline in the U.S. Congress" will lead to much higher gold prices in the future. In quoting gripping statistics emanating from the Office of Management and Budget that there will be "a \$10 trillion cumulative overspend over the next 10 years," Winmill stated that he believes the gold price will reach \$2,200 to \$2,400 per ounce.

Higher and higher gold price projections, which have dovetailed with increasingly [bullish sentiment](#) amongst gold timers, make Mark Hulbert of Hulbert Financial Digest nervous that a correction could be coming. The Hulbert Gold Newsletter Sentiment Index (HGNSI) currently sits at 68%, reflecting the average recommended gold market exposure by the gold timing newsletters tracked by Hulbert. Previous readings at this level - March 2008 (65%), July 2008 (64%), February 2009 (61%), and June 2009 (57%) - resulted in corrections ranging from 7.2% to 24.8%. According to Hulbert, "Contrarian analysis suggests that the gold market is a particularly high-risk bet."

Hulbert's concern with respect to bullish sentiment was echoed by Robert Prechter, founder of Elliot Wave International, who cited in his most recent letter that 97% of futures traders reported being bullish on the gold price according to MBH Commodities - representing the highest two-day reading since the organization began keeping this data in 1987.

On the other hand, there does not appear to be a significant amount of retail speculation in small-cap gold mining shares. And while near the peak of the NASDAQ bubble in 2000 every water cooler conversation revolved around the next 10-bagger technology stock, there is scant evidence of such euphoria in the gold price or gold stocks. The bottom line may be that the risks of a short-term correction may be rising, but longer-term, the gold bull market appears to have further room to run.