Why the pop in prices?

Comments

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The spike in gold is due to the dramatic decline in the value of the dollar.

"Gold has been in a bull market for about seven years. It's the only asset class that has gone up all of those years, as opposed to stocks and the housing market," said Tracey Ryniec, value stock strategist at Zacks Investment Research in Chicago. "People are rotating out of buying the dollar and getting into something safer, which they believe is gold."

Investors are helping drive up the price because they can take advantage of more options for investing than ever, including buying exchange-traded funds that own the physical gold, she said.

Ryniec said the U.S. Mint has had to suspend sales of certain gold coins because supplies of gold cannot meet the demand.

Tom Winmill, a portfolio manager at New York-based Midas Fund, a gold and precious-metals oriented fund, said he expects gold to reach $1,500 an ounce by the end of 2010. The $1,500 price isn't an all-time high if it's adjusted for inflation, Winmill said. The record high occurred in 1980 when gold reached $850 an ounce, which would equal $2,300 an ounce in today's purchasing power, he said.

"I would hang on to gold for a while and think about it as something that should keep up with inflation over the long term," Winmill said.

Winmill said gold will remain at such high prices because the U.S. government's policies of keeping interest rates low and spending more than it's taking in in tax revenue could lead to the dollar's purchasing power declining by half (50 percent) in the next 10 years.

"The government is making it hard for people to put dollars into a savings account [due to the low interest returns]," Winmill said. "I advise people to own gold, real estate and a no-load precious metals fund."