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# Gold Drops as Euro Gains

By ALLEN SYKORA

Gold fell, after losing some of its recent safe-haven luster as equities and the euro rallied after stronger economic data in Europe.

The metal trimmed its loss briefly late in the session when Moody's Investors Services downgraded Greece's debt rating to junk territory, although any renewed safety buying was limited, since the news wasn't a major surprise.

Meanwhile, other precious metals, with more industrial uses than gold, all climbed amid improved economic sentiment.

Gold for August delivery fell \$5.70, or 0.5%, to \$1,224.50 an ounce on the Comex division of the New York Mercantile Exchange.

"Safe-haven-oriented gold demand ebbed at the start of the new trading week as improved risk appetite diverted fund flows into other assets," said Jon Nadler, senior analyst with Montreal-based Kitco Metals.

The mood in other markets began improving after consumer-sentiment data late last week, then continued after a report showed that April euro-zone industrial output rose 9.5% from a year ago, Mr. Nadler said.

As the Comex gold pit closed, the Dow Jones Industrial Average was around 65 points higher. The euro was at \$1.2244, up from \$1.2077 late Friday.

"The fear premium, or the amount of the gold price represented by people who invest on fear, dissipates as things kind of stabilize," said Tom Winmill, portfolio manager of the Midas Fund in New York.

Still, gold pared its loss briefly late in the session when some safe-haven buying re-emerged after Moody's downgraded Greece's government bond rating by four notches to Ba1 from A3. However, gold's uptick was not as strong as it was following other downgrades of European debt in the last two months.

"It wasn't a big surprise," said Tom Pawlicki, analyst with MF Global in Chicago, suggesting there is a perception that ratings agencies are sometimes late making such calls. "The fact that risk markets have been performing pretty well the last few days indicates maybe we have already priced the worst of it in, and the market is looking past the Greek news."

Mr. Winmill cautioned that it can be tricky trying to profit on the so-called fear factor, which tends

to ebb and flow. "If I were trying to make money on the fear factor, the time to buy would be now, when people are going into riskier assets such as stocks," he said.

Worries about sovereign deficits are likely to pick up again, he said. Also, concerns about inflation may heat up, and gold is often bought as a hedge against this. Inflation in China and India is already rising, Winmill pointed out. While U.S. inflation is contained for now, this is not likely to last, Winmill said. Many analysts have suggested that the massive liquidity pumped into the Western economy the last two years, aimed at jump-starting growth, will eventually lead to rising price pressures.

Mr. Winmill suggested gold could retreat another \$15 to \$20, but stabilize. He called for the metal to hit \$1,300 by the end of the third quarter.

For now, he said, there may be less jewelry-fabrication demand from nations such as India, due to high prices. But when prices fall back, and as the jewelry industry becomes accustomed to a higher cost, this buying tends to pick up again, Mr. Winmill said.

Meanwhile, the improving economic outlook lifted silver and the platinum group metals. Winmill estimated that some 60% of silver demand and some 70% of platinum demand is industrial.

"When you see a resurgence in confidence in equities, that reflects confidence in the overall economy," he said. Mr. Winmill said he looks for platinum to outperform gold and silver over the next year.

Silver for July delivery rose 18 cents, or 1%, to \$18.411. July platinum climbed \$28.40, or 1.9%, to \$1,563.40. September palladium rose \$14.05, or 3.1%, to \$462.60.

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