

Gold Settles Above \$1,205 on US Jobs Worries

COMMODITIES, FUTURES, GOLD, DOLLAR, SPOT GOLD, GOLD PRICES, US DOLLAR, U.S. DOLLAR, PRECIOUS METALS, EURO ZONE, PLATINUM, METALS, RESOURCES, PALLADIUM, US ECONOMY, PALLADIUM, JOBS REPORT, US JOBS REPORT, JOBLESS CLAIMS,

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Gold hit a three-week high Friday, gaining 1 percent after a dismal U.S. nonfarm payrolls report increased the metal's safe-haven investment appeal amid worries of a slower economic recovery.

A flurry of disappointing economic indicators this week including consumer spending, housing and retail sales data powered gold to its biggest gain in the last 7 weeks.

Bullion's two-percent rise this week also snapped its three-week losing streak.

Gold accelerated gains and **Wall Street** sank in earlier trade after government data showed U.S. private employers added fewer workers to their payrolls in July than expected, a big blow to an already weak economic recovery.

Thomas Winmill, portfolio manager of Midas Fund, said gold benefited from economic fears after data showed a double-dip recession was still possible.

"The job numbers made it clear that the second quarter was weak. All these economic reports are suggesting that interest rate will be low for the time being, and that is of course very good for hard assets relative to other assets," Winmill said.

Spot gold rose as high as \$1,210.90 an ounce, its strongest level since July 15, and was last around \$1,205, against \$1,193.10 late in New York on Thursday.

U.S. gold futures for December delivery settled up \$6 at \$1,205.30.

Technical support also helped gold futures after a first buy signal was triggered in four months according to the closely watched MACD analysis.

The gold market also took heart from expectations of higher physical demand from China, which earlier this week vowed to develop its market and to allow more domestic banks to export and import gold to encourage more as steps to encourage more liquid trade.

China is a key player in a number of commodity markets, but although it is the biggest producer and the second biggest consumer of gold, its trade has typically been largely domestic.

"We believe greater availability of physical gold and gold related financial products and improved accessibility for international players will likely increase the trading volume on the Shanghai gold exchange," said Deutsche Bank in a note.

Inverse Dollar Link

On Friday, gold was boosted by a weak dollar, which fell against the euro and approached a 15-year low against the yen.

The usual inverse relationship between gold and the dollar has shown signs of a resurgence, after the link loosened earlier this year as extreme risk aversion benefited both assets.

"We saw that negative correlation shift to a positive correlation between the dollar and gold since January, up until the last few weeks," said RBS analyst Daniel Major.

"Gold is going to fall back more into its traditional relationship with the dollar," he said.

Recent outflows from gold exchange-traded funds also seemed to have stalled on Thursday, with holdings of the biggest gold ETF **SPDR Gold Trust** rising for the first time since mid-July.

A Federal Reserve policy meeting next week is now in focus, as a spate of weak economic data has strengthened the argument the Fed may have to take further steps to boost the economy.

Silver last rose in line with gold to \$18.44 versus \$18.31. Platinum was last near \$1,565.60 an ounce against \$1,566.75 and palladium last touched \$485.50 versus \$492.20.

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