

Reuters

## PRECIOUS-Gold rises after jobs data but retracement possible

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UNITED KINGDOM - \* Gold supported by weak U.S. jobs data in February

\* Retracement possible in an overbought gold market

\* GLD holdings static, iShares sees outflow (Recasts, updates with quotes, closing prices, adds NEW YORK to dateline)

By Frank Tang and Jan Harvey

NEW YORK/LONDON, (Reuters) - Gold ended higher Friday as stock markets reversed initial gains to fall back into the red, but trade was choppy in the wake of payrolls data showing the U.S. economy shed more than half a million jobs in February.

The metal fluctuated widely after U.S. non-farm payrolls data that showed the unemployment rate hit a 25-year high of 8.1 percent in February.

"It's a mixture of fear and worry that the recession and credit deflation are going to take gold price lower," said Thomas Winmill, portfolio manager of Midas Fund in New York.

Spot gold was at \$937.95 an ounce at 2:23 p.m. EST (1923 GMT), up 0.6 percent from its last quote \$932.00 in New York late Thursday. Bullion reached a session high of \$944.60 immediately after the jobs report.

U.S. gold futures for April delivery settled up \$14.90, or 1.6 percent, at \$942.70 an ounce on the COMEX division of the New York Mercantile Exchange.

"Gold is considered in the first instance at the moment an insurance premium and a safe haven," Commerzbank analyst Eugen Weinberg said. "It is the equity markets and risk aversion that are moving the market."

However, fund managers said that prices could consolidate further due to weak jewelry demand and as short-term traders take profits after a sharp rally driving gold to above \$1,000 an ounce Feb. 20.

"At this time of the year, there is very little fundamental demand from jewelry fabrication. I will be concerned that there is too much speculative flow in the gold market at this time," Winmill said.

The dollar extended losses against the euro after the U.S. job report added to concerns the recession is still deepening.

A weaker dollar typically lifts gold, which is often bought as an alternative asset to the currency. While the relationship has recently weakened as both assets reacted to risk aversion, it remains an important factor in the gold price, analysts said.

### STALE ETF BUYING

Buying of gold-backed exchange traded funds was also stagnant, with holdings of New York's SPDR Gold Trust, commonly known as GLD, remained static for a fifth consecutive session.

But falling demand for gold jewelry is being balanced by strong investment demand.

This is rising on fears over the longer-term implications of the government's attempts to kick-start economic recovery, partly by flooding banking systems with money via "quantitative easing."

Among other precious metals, spot silver at \$13.28 an ounce, up 0.5 percent from its Thursday finish. Earlier it touched a one-week high of \$13.50.

Spot platinum at \$1,065.00 an ounce, up 0.6 percent from its previous close of \$1,058.50, while spot palladium was at \$200.50 an ounce, up 2.3 percent from its late Thursday New York quote of \$196, having earlier reached a 10-day high of \$202.50. (Editing by Christian Wiessner)

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