

Gold Prices Circle \$1,900 as Investors Seek Safety

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Video: [How to Trade \\$1,900 Gold](#)

NEW YORK ([TheStreet](#)) -- [Gold prices](#) were closing in on \$1,900 an ounce Monday on rampant safe-haven buying and as Japan threatened to intervene in the currency market.

The rally has defied calls from traders, strategists and experts who are still expecting upwards of a 20% correction.

Gold for December delivery was popping \$11.20 at \$1,863.40 an ounce at the Comex division of the New York Mercantile Exchange, although trading well off earlier highs. The [gold price](#) has traded as high as \$1,898.60 and as low as \$1,858 while the spot gold price was adding \$7.90, according to Kitco's gold index.



[Silver prices](#) were up 38 cents at \$42.81 just shy of its early morning high of \$44 an ounce. The [U.S. dollar index](#) was down 0.14% at \$73.90 while the euro was flat vs. the dollar.



Gold prices continued to strengthen Monday as [Goldman Sachs\(GS\)](#) was the latest investment bank to cut U.S. growth targets for the rest of 2011, to 1% and 1.5% for the third and fourth quarter, respectively. [Morgan Stanley](#), [JPMorgan Chase\(JPM\)](#) and [Citigroup\(C\)](#) had all cut their growth targets last week.

Also helping gold was news that the Bank of Japan might again intervene in the currency market to help curb a rising yen, which is hurting the country's exports and growth prospects. Whenever governments mess with currencies it reminds investors of the

fragility of paper money and helps gold shine as a stable currency.

Although gold prices were still high, they were a far cry from their \$30 rally in early trading, which had pushed prices to nearly \$1,900 an ounce. George Gero, senior vice president at RBC Capital Markets says that there could be a "re-allocation of assets by portfolio [managers] if the stock rally lasts and could provide a setback" for gold prices. Most strategists are still clamoring for a big correction.

Tom Winmill, portfolio manager for the **Midas Fund**(MIDSX), is looking for a \$150 selloff in gold. "I think fundamental information was spooking the [stock] market [so] to the same extent if there was positive news there could be a reversal ... for that we need surprising news about growth in the economy and jobs." If stocks stabilize, then there could be a mass rotation out of gold - the anti-fear premium.

For the longer term, Winmill is bullish on gold, arguing that the metal's \$300 rally in 5 weeks is just a dress rehearsal of what will happen in the first quarter of 2013 "then I think the gold price could go haywire."

Winmill thinks that Washington's special committee won't be able to come to a deficit reduction deal by the end of 2011 which will trigger broad budget cuts, further debt negotiations and the eventual end of the Bush era tax cuts -- all of which will point to a time of great uncertainty in the market. "This is a walk through ... and that will be a time of massive political impasse and the gold price could go way way up if this market comparison is any indication ... I think gold will serve a psychological need at that time."

Mark Arbeter, chief technical strategist at **Standard & Poor's**, also a long-term gold bull, is calling for a correction as well. "Gold is extremely overbought ... Bullish sentiment is at the highest level in over three years ... We think gold could drop into the 1,450 to \$1,550 an ounce range in the coming months."