

Gold Swings Expand as Jobs Help Gauge Stimulus: Chart of the Day

By Nicholas Larkin - Jul 31, 2013

Gold traders should brace themselves for bigger-than-normal price moves tomorrow as investors use U.S. jobs data to gauge when the Federal Reserve will slow stimulus that helped cap a 12-year bull rally last year.

The CHART OF THE DAY shows gold's swings were above average on five of the seven days this year, including the last four, when the Labor Department released its monthly employment report. The metal traded as much as \$42.22 an ounce above its intraday low on July 5, when payrolls rose more than economists surveyed by Bloomberg had forecast. The average daily swing this year has been about \$26.08, data compiled by Bloomberg show.

Gold dropped 21 percent this year after some investors lost faith in the metal as a store of value. Prices rose in July for the first month since March after Fed Chairman Ben S. Bernanke said it's too early to decide whether to curb bond buying in September, after saying on June 19 that purchases could slow if the economy improves. Fed policy makers pledged to keep buying \$85 billion in bonds every month at the conclusion of a two-day meeting yesterday.

“The gold price is driven primarily by U.S. government monetary and fiscal policies,” said Tom Winmill, who helps manage about \$200 million of assets in Walpole, New Hampshire, for Midas Funds. “That is why the gold market is looking so hard at jobs data. Gold will continue to be very volatile.”

Payrolls probably grew by 185,000 workers in July after rising by 195,000 in June, according to the median forecast of economists in a Bloomberg survey. Tomorrow’s data may also show the unemployment rate fell to 7.5 percent, the survey showed. Half the economists in a July 18-22 Bloomberg survey said the central bank will trim monthly bond buying to \$65 billion in September, from \$85 billion now.

Gold for immediate delivery traded at \$1,325.25 an ounce in [London](#) yesterday. Prices, which reached a record \$1,921.15 in September 2011, set a 34-month low of \$1,180.50 on June 28. The metal closed lower on four of the days this year when the Labor Department released monthly jobs data.

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