

[Sign in](#) | [Register](#)[Text larger](#) | [smaller](#)Go to: [guardian.co.uk home](#) [Go](#)[Home](#)  
[Jan 10 2008: Today's paper](#)  
[Jobs](#)Search:  [guardian.co.uk](#) [Search](#)**business**[Home](#) | [Markets](#) | [Economics](#) | [Interest rates](#) | [Private equity](#) | [US economy](#) | [Viewpoint](#) | [On America](#) | [On Europe](#) | [Market forces blog](#)

## Gold hits record on rate cut hope; eyes \$900

**More on...****Business**[Related information](#)

Reuters Thursday January 10 2008

(Recasts, updates with closing prices, market activity, changes dateline to NEW YORK)

By Frank Tang

NEW YORK, Jan 10 (Reuters) - Gold set a record high near \$900 an ounce and silver surged to a 27-year peak on Thursday, as funds poured money after comments by the Federal Reserve Chairman Ben Bernanke triggered speculation of further rate cuts and a dollar slide.

"The rate cut (speculation) has been driving the gold market through its impact on the dollar. I expect more of the same going forward," said Thomas Winmill, portfolio manager of Midas Fund in New York, which oversees \$265 million of assets under management.

Spot gold XAU=> hit a record peak of \$894.90, after falling early to as low as \$866 an ounce on profit taking. It was quoted at \$889.90/890.60 an ounce by New York's last quote at 2:15 p.m. EST (1915 GMT), against \$877.70/878.50 late in New York on Wednesday.

Bernanke on Thursday said the U.S. central bank was ready to act aggressively to counter a deep housing slump and credit market strains that were putting economic growth at risk. ID:nN10198225

A rate cut lowers the return of treasury bonds and other fixed-income investments, making gold and stocks more attractive.

Shortly after the release of Bernanke's comments, gold and gold futures accelerated gains, as the dollar slid against major currencies in anticipation of further rate cuts.

"At this particular point, it's all on anticipation of lower U.S. interest rates," said Frank McGhee, head precious metals trader of Integrated Brokerage Services in Chicago.

Bernanke's remarks were in contrast to those of his European Central Bank counterpart, Jean-Claude Trichet. Trichet, citing persistent inflation pressures, indicated further policy tightening was likely in the euro zone, giving additional impetus to the euro.

"The relevant things today are that the ECB said they are going to be vigilant and tight, and Bernanke said that they are ready to take significant action to support growth and help the economy out," said Axel Merk, portfolio manager of Merk Hard Currency Fund in Palo Alto, California, which manages \$250 million of assets.

Recent grim U.S. manufacturing and employment data has intensified the likelihood of a Fed rate cut later this month.

"I think people are realizing now that we are in a recession, or if we are not in one, we are heading into one. There is very little the Fed can do about it, but there is a lot the Fed wants to do about it," Merk said.

Gold, which gained more than 30 percent in 2007, entered the new year on a firm note, rising more than 7 percent on a combination of bullish factors including a struggling dollar and record high crude oil prices.

In other bullion markets, Shanghai gold futures 0#SHAU:> fell 3.7 percent as some investors sold positions a day after the contract rallied 6.3 percent at its debut. ID:nSP132351

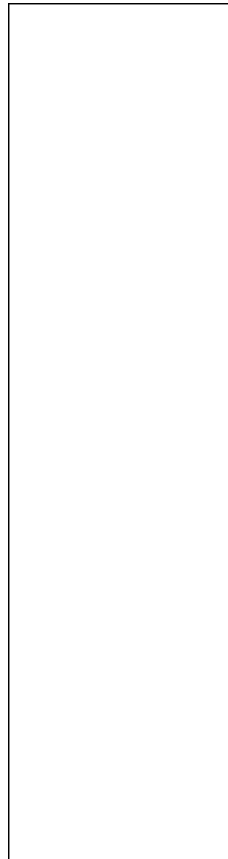
The key Tokyo gold futures contract for December 2008 delivery 0#JAU:> ended 17 yen per gram lower at 3,117 yen.

**FED COULD DISAPPOINT**

However, the failure of the Fed to lower rates to boost growth could disappoint investors and backfire on gold prices, fund managers said.

"It seems like the market is betting that there is a going to be rate cut. I would say that the surprise factor going forward would be that there will be a less-than-expected or no rate cut, and that I think it would be adverse to gold," Winmill said.

In industry news, South Africa's gold output fell 12.7 percent in November from a year earlier, tightening supplies in the world's top producer of the metal. ID:nL10613297  
Gold production has been on a downward slope in South Africa, tumbling by over 50

**Latest news on guardian.co.uk**

Last updated two minutes ago

**News**[New bird flu fears as virus found in dead swans](#)**Sport**[I'm not bitter, says Allardyce](#)**Business**[Interest rates held at 5.5%](#)**Sponsored features**[Love the theatre?](#)

Find the best of London theatre away from the West End with

[Win a Sat Nav](#)

Become an urban guide and win a TomTom

percent over the past decade, as high-grade mines run out of ore and firms grapple with more difficult and high-cost underground operations.

Silver XAG=> surged to a 27-year high of \$16.24 and was last quoted at \$16.14/16.19, versus its previous close of \$15.67/15.72 late on Wednesday.

Platinum XPT=> was flat at \$1,550/1,555 an ounce, after hitting a record of high of \$1,560 on Wednesday. Palladium XPD=> was also little changed at \$373/376 compared to its Wednesday late quote,. (Additional reporting by Atul Prakash in London, Lewa Pardomuan in Singapore and Chris Kelly in New York)

onwestend.com.

## guardianjobs



[Graduate Media Account Executive - London - 20K](#)  
Graduate Recruitment Company. London. £19000 - £20000 per annum + Excellent package.

[Mechanical Services Project Engineer](#)  
Railwaypeople.Com. Mechanical Services Project Engineer Our Client -.... Negotiable.

[Human Resources Recruitment Consultant - Mancheste...](#)  
Pfj. Manchester. £22000 - £28000 per annum + Excellent OTE, flexible working.

[Browse all jobs](#)

## Advertiser links

[marketing services](#)  
Free Ad for Your Business On Kudzu.com's Service Directory.  
**Kudzu.com**

250 Business Cards for \$16.99  
Custom full color or spot. Easy online design.  
Fast,...  
**iprint.com**

Wooden Desktop Business Card Holders  
Business Card Holders 4-48 pockets for reception area....  
**colorcards2go.com**

Find: [golf equipment](#) | [endowment](#) | [design site web](#)  
| [it support](#) | [control stock](#)