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Gold down on profit taking, seeks direction

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By Atul Prakash and Anna Ringstrom

LONDON (Reuters) - Gold ended lower on Tuesday as investors took profits from recent highs, awaiting central banks' rate announcements later in the week that could give the market direction.

Gold hit an intra-day low of $907.90 an ounce and was at $913.10/913.90 by New York's last quote at 2:15 p.m. EDT. On Monday it jumped to a one-week high of $929.10.

The bullion hit an all-time of $1,030.80 on March 17.

"Yesterday was decent (but) when it didn't push through a few technical levels around the $930 mark, people decided to take some money off the table instead," said David Thurtell, analyst at BNP Paribas.

Analysts said a slowdown in physical demand could contribute to the slide in prices, as could news the International Monetary Fund announced plans to sell some of its gold.

The IMF agreed on Monday to put its finances on sounder footing by selling some of its gold and investing the profits in government and corporate bonds, and possibly equities.

"The sale will be within the confines of the European Gold Agreement so it shouldn't be depressing the market. But this might mean the banks do meet the 500-tonnes quota, so it is slightly bearish," Thurtell said.

The European central bank gold agreement (CBGA) allows for the sale of 500 tons a year. The quota is not always filled.

"It's not something that's going to rock the market. I think the market can absorb it. And in the long term, for the market, it's a healthy development that gold is moving more towards private hands," said Axel Merk, portfolio manager of the $400 million Merk Hard Currency Fund in Palo Alto, California.

The U.S. dollar as well as oil prices -- often drivers for gold -- were little changed on Tuesday. Gold is generally seen as a hedge against oil-led inflation and often moves in the opposite direction of the dollar as it becomes cheaper for investors holding other currencies.

"The potential (for gold) to break higher is still there but it will depend on the euro-dollar," said Frederic Panizzutti, metals analyst at MKS Finance.

Key rate announcements and statements from central banks this week could give the forex markets and thus gold some fresh legs, analysts said. The Bank of Japan is seen on hold on Wednesday, as is the European Central Bank on Thursday. Bank of England is seen cutting its key interest rate on Thursday.

Economists reckon the ECB will not cut rates from 4 percent until the third quarter and expect the bank to stick to a relatively hawkish message on Thursday.

The Federal Reserve, however, is seen cutting by at least 25 basis points at the end of this month from 2.25 percent.

Lower U.S. interest rates tends to weaken the dollar as investors switch to other alternative assets, including gold, for better returns.

IMF GOLD SALES

IMF's planned gold sales are pending approval by Congress and the IMF's 185 member countries. Under the proposal, an endowment will be created with the sale of 403.3 metric tons of the fund's 3,217 metric tons of gold stocks.

"Should sales be given the go-ahead, we would expect them to be done in a controlled manner that the market can absorb, although this is a significant amount," Fairfax investment bank said in a market report.

An IMF official said the gold would be sold on the market or offered to central banks at market prices.

"Given that the sales would happen over some years and within the CBGA, this amount, if approved, would be readily absorbed by the investment and jewelry quarter," said Ross Norman, managing director of TheBullionDesk.com.

Other precious metals tracked gold.

Spot silver fell to $17.65/17.70 an ounce from $18.06/18.11 late in New York on Monday.

Spot platinum dipped to $2,008/2,018 an ounce from $2,030/2,040 -- well below a lifetime high of $2,290 hit on March 4 due to mining disruptions in top producer South Africa.

Spot palladium edged down $1 to $449/457 an ounce.

(Additional reporting by Frank Tang in New York; editing by Matthew Lewis)