

Gold hits new high as investors seek safety

Stephen Bernard, Associated Press, 5-13-10

The price of gold reached a record high Wednesday as investors uneasy about the euro put their money and their trust into the metal.

Gold for June delivery jumped as high as \$1,249.20 an ounce, nearly \$22 above the previous record of \$1,227.50 set Dec. 3. It later settled at \$1,243.10, up \$22.80 from Tuesday's close.

The gold rally is a sign that investors aren't completely convinced that weak European countries will be able to control their rising debts through cost-cutting. The doubts are persisting even though European leaders agreed earlier this week to a nearly \$1 trillion bailout to support countries including Greece that are struggling to pay their debts.

The uncertainty has driven investors away from the euro, which is used by 16 European countries, and toward safer investments like gold. Analysts said the potential for other countries to be overwhelmed by debt has investors rethinking how much money they want to put into currencies in general.

"Clearly, gold has become the only reserve currency not backed by debt," said James DiGeorgia, publisher of GoldandEnergyAdvisor.com. DiGeorgia said gold could climb as high as \$1,500 an ounce this year.

Gold tends to rise when investors are uneasy about risky investments, and so gold often gains as stocks fall. However, stocks continued to recover from last week's big drop, and that's a further sign that investors' unhappiness right now is with the euro. After a rally early Wednesday, the euro fell back against the dollar and is now hovering near 14-month lows.

The uneasiness with the euro has investors looking into the future rather than concentrating on short-term trades. George Gero, vice president at RBC Global Futures, said there are increasing signs of long-term investor interest in gold, including already strong trading volume for December gold futures.

Silver has also benefited from investors' search for safety. July silver touched a record high of \$19.735 an ounce early in the day. It rose 36.9 cents to settle at \$19.663 an ounce.

July platinum rose \$46.50, or 2.7 percent to settle at \$1,747.30 an ounce, while June palladium rose \$15.25, or 2.9 percent, to \$547.45 an ounce. Both metals have been rising lately on signs of economic strength in the U.S. and abroad. They are used in manufacturing, particularly by automakers.

Oil was one of the few commodities to drop Wednesday.

Benchmark crude for June delivery lost 72 cents to settle at \$75.65 a barrel on the New York Mercantile Exchange after the International Energy Agency cut its 2010 forecast for global demand in its latest monthly report.

Other energy contracts rose. June heating oil climbed 1.90 cents to settle at \$2.1591 a gallon, and gasoline rose 1.52 cents to settle at \$2.2104 a gallon. Natural gas gained 15.3 cents to settle at \$4.284 per 1,000 cubic feet.

Grain and bean prices were mixed. Wheat dropped 1.75 cents to \$4.915 a bushel, while corn rose 1.25 cents to \$3.7825 a bushel. Soybeans fell half a cent to \$9.655 a bushel.