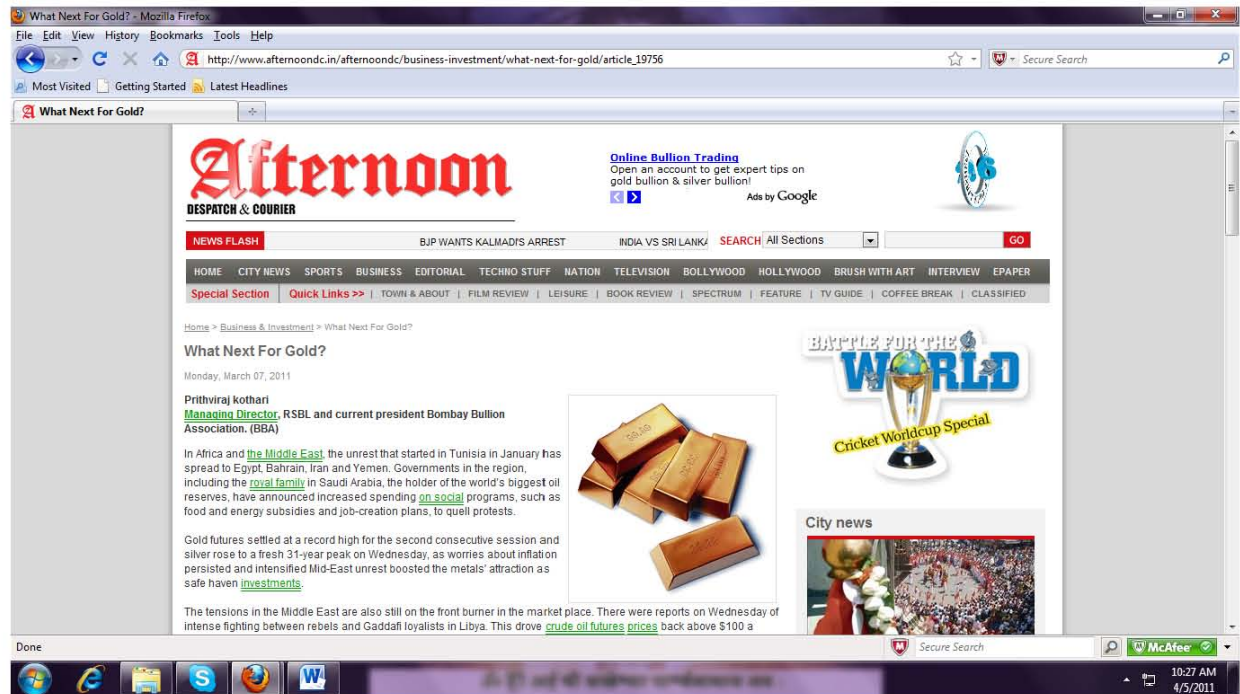


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What Next For Gold?

Monday, March 07, 2011



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In Africa and the Middle East, the unrest that started in Tunisia in January has spread to Egypt, Bahrain, Iran and Yemen. Governments in the region, including the royal family in Saudi Arabia, the holder of the world's biggest oil reserves, have announced increased spending on social programs, such as food and energy subsidies and job-creation plans, to quell protests.

Gold futures settled at a record high for the second consecutive session and silver rose to a fresh 31-year peak on Wednesday, as worries about inflation persisted and intensified Middle East unrest boosted the metals' attraction as safe haven investments.

The tensions in the Middle East are also still on the front burner in the market place. There were reports on Wednesday of intense fighting between rebels and Gaddafi loyalists in Libya. This drove crude oil futures prices back above \$100 a barrel on Wednesday.

The overall Middle East situation and its uncertainty are still inviting safe-haven investment demand into the precious metals markets. Any new flare-up in the Middle East would now likely push gold prices sharply higher. Precious metals traders and other traders will continue to look to the crude oil market as a gauge of tension in the Middle East. Today's sharply higher crude prices reflect an escalation in tensions in that critical region of the world.

Gold traded near a record as concern that turbulence in the Middle East will fuel inflation and hamper the global recovery bolstered demand for the metal as a store of value.

Comex gold futures prices ended modestly higher Wednesday and scored a fresh all-time record high of \$1,441.00 an ounce, basis the April contract. Meantime, Comex silver futures notched another fresh 31-year high. The precious metals bulls are benefiting from inflation fears, safe-haven investment demand and a weakening U.S. dollar index. Comex April gold last traded up \$5.30 an ounce at \$1,436.50. Spot gold last traded up \$3.00 at \$1,436.75.

Oil rose for a third day to near a 29-month high after Libyan forces loyal to Muammar Gaddafi attacked rebels on the east coast where much of the country's oil is refined and shipped. Nouriel Roubini, an economist who predicted the credit-market collapse, said that an escalation of unrest in the Middle East may push the price as high as \$140 to \$150 a barrel.

Last month, bullion gained 6 per cent, marking for the strongest monthly rise since August last year.

Tensions in the Middle East might ease a little after Libyan leader Muammar Gaddafi accepted the international peace plan to end the crisis striking Libya.

The President of the Arab League and Gaddafi agreed to a peace plan from Venezuela's President Hugo Chavez which was threatening to slide down into an all out civil war.

Gold and silver are the two investments I think everyone should hold a core position for the long run no matter what happens to the price.