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Coverage

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Gold And Silver To Rally Again

I t is starting to feel that it was a lifetime ago that the government and the Federal Reserve were confidently declaring that recovery was underway. They saw an increase in manufacturing activity and the potential for stimulus dollars to improve the job outlook. That kind of talk quickly evaporated; and even though some people still pay lip-service to the idea of recovery, I believe that if there is one building it is on an incredibly shaky foundation.

This instability is building a significant amount of fear in investors, and another potential level of support for gold and silver.

The U.S. dollar gold price dropped to a low of 1,517 dollars per ounce on Wednesday morning (London time) – a 3.8% fall from last month's all-time high – while stock and commodity markets fell and US Treasuries gained after Eurozone finance ministers failed to break the deadlock over Greek debt.



In Greece itself, meantime, a general strike began on Wednesday, closing offices, ports, banks and public transport across the country. Police were deployed in Athens as hundreds of protesters tried to prevent legislators from entering parliament, where they are due to debate austerity measures.

Greece's budget deficit widened in the first five months of 2011, the country's finance ministry announced on Tuesday.

Gold price bounced back on 14th June as it rose by .58% to \$1,524.

Silver also inclined by 1.94% to \$35.41.

During June, gold decreased by 0.8% while silver declined by 7.6%.

Both gold and silver are still below their initial price level from the beginning of June, but silver price fell much more precipitately than gold price did, this was also the case during May.

Support for the gold price will be offered by "a sub-par [US] recovery, from a lack of progress on debt limit negotiations, safe haven demand stemming from Greece, and from potentially higher Chinese commodity demand." I still speculate that in the midterm gold and silver will rise and will commence once there will be some breaking news from the US.

In the meantime it seems that gold and silver will moderately change, but will remain near their current price level.