



03 February, 2012

Gold	Today	Change	Week Ago	Month Ago	Year Ago
	\$1,758.20	-\$0.20	\$1717.60	\$1,588.30	\$1332.50

Gold prices gained on Thursday amid a speech by Federal Reserve Chairman Ben Bernanke. The price of spot gold touched \$1762.10 an ounce during the morning session in New York when Bernanke urged Congress to put U.S. fiscal policy on a sustainable path. Gold rose in the face of a rising dollar against the euro. The correlation between gold and the euro has been erratic so far in 2012.

Bernanke warned that the US risks the possibility of a sudden fiscal crisis unless action is taken. "Although historical experience and economic theory do not indicate the exact threshold at which the perceived risks associated with the U.S. public debt would increase markedly, we can be sure that, without corrective action, our fiscal trajectory will move the nation ever closer to that point," Bernanke said in a testimony prepared for delivery to the House Budget Committee. The Fed chairman said that Congress should also "take care" not to impede the current economic recovery. He said these two goals were fully compatible. Bernanke said the economy is gradually recovering, but it is still vulnerable to shocks. The labour market has shown signs of improvement, he said.

The US dollar and Treasuries were slightly higher while most commodities weakened with crude oil at a 1-1/4 month low as the Greek crisis drags on. The government is still struggling to reach an agreement with bondholders on cutting its debt burden. The euro also came off of its lows after Chinese Premier Wen Jiabao said that China is considering ways to increase its participation in the EFSF and ESM.

However, Wen also emphasized that the European debt crisis should be resolved by Europe itself. Premier Wen also refused to comment on any participation in the IMF's fund raising even though said he supported a bigger IMF role for solving the debt crisis.

Japan Finance Minister stepped up his rhetoric on yen strength as USD/JPY is starting to approach a record low again. Azumi said that "speculative moves are increasing in the market" as "yen's buying has strengthened, led by short-term and speculative moves on the back of expectations for low interest rates in the U.S. until 2014." Azumi said the government is "calmly watching market moves very closely" and pledged to "respond by taking firm measures".



About the author: David Levenstein is an independent precious metals market commentator with more than 30 years experience.

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