

Tue, Dec 07, 2010  
Reuters

By Lewa Pardomuan

SINGAPORE, Dec 7 (Reuters) - Gold ticked lower on Tuesday as speculators booked profits after sending the price to another record, but worries over Europe's sovereign debt problems and speculation the U.S. Fed will extend monetary easing helped cushion the fall.

Silver matched a 30-year high hit on Monday in volatile trade.

Investors shrugged off news that China, the world's second-largest gold consumer, may raise interest rates this weekend, saying the move had been widely anticipated to cool inflation.

Spot gold fell US\$1.15 to US\$1,421.70 an ounce by 0647 GMT after hitting a record around US\$1,427 on Monday in thin trade.

"There doesn't seem to be any follow through buying, so you can say gold is attracting some year-end profit taking. This is a sign of consolidation," said Ronald Leung, director of Lee Cheong Gold Dealers in Hong Kong.

"There's no change in sentiment ... cautiously bullish."

A bullish target at US\$1,435 an ounce for spot gold is intact as the rise to a record high in the previous session confirmed an extension of the current wave development, according to Reuter's technical analyst Wang Tao.

Gold's role as a hedge against inflation got a boost after Federal Reserve Chairman Ben Bernanke said on Sunday the bank could buy more than the \$600 billion in U.S. government bonds it has committed to purchase.

"We've seen some retracement but I would still think fundamentals are strong and we've lost confidence in paper money," said a dealer in Hong Kong.

"I think the market will keep this momentum in the next few days and after that we will reach another record high."

Silver slipped below US\$30 an ounce before rebounding and hitting a high of US\$30.25, matching a 30-year high hit on Monday on European debt woes.

Dealers in Hong Kong said silver was catching up with gold, while those in Tokyo said the metal was supported by physical buying from the industrial sector.

The world's largest silver-backed exchange-traded fund, iShares Silver Trust, said its holdings rose to 10,816.69 tonnes by Dec. 6 from 10,778.68 on Dec. 2. The holdings jumped to an all-time high of 10,893.68 tonnes on Nov. 23. U.S. gold futures for February rose US\$6.5 to US\$1,422.6 an ounce.

The euro won a slight reprieve on Tuesday though it was still dogged by worries over debt problems in the euro zone, while the dollar slipped to a three-week low against the yen after breaking below key chart levels.

Persistent worries over the debt problems in Europe sent gold priced in euros to another record on Tuesday.