

Publication: Gulf News - Business
Country: UAE
Circulation: 113,006
Date: 14 March 2014
Page: B8

Bumpy ride will continue for gold investors

Such instability will require them to look for asset alternatives

DUBAI

By **NIDAL ABOU ZAKI**
Special to Gulf News

The surprising decline in gold prices by the end of 2013 went against type and raised questions about the future of the precious metal. Based on key economic indicators, we find that 2013 was indeed a turning point as the price even dropped below \$1,200 per ounce.

The price instability left an

impact on the status of the metal; doubts surround what was once the safest choice among investors following the global financial crisis.

The sudden drop can be attributed to several factors, most notably the reduction of the US monetary stimulus programme that led to the rise of the dollar on the one hand and the increased sell-off of gold on the other. This influenced a decline of more than 3 per cent on total deposits in the global listed gold funds.

Unpredictable shifts in the world economy and the rise in stock prices undoubtedly played major roles in destabilis-

ing gold across global markets, especially as investors view the constantly-rising stock markets as the most stable alternative in terms of profitability.

Fluctuations

Observing the fluctuations, it would be very difficult to predict the exact nature of what the future holds. Economic approximations vary between positive and negative; some expect the price of gold to continue to under-perform below \$1,050 per ounce according to Goldman Sachs.

Consensus forecasts from six major banks – Bank of America Merrill Lynch, Bar-

clays, Deutsche Bank, HSBC, J.P. Morgan, and UBS – predict an average of \$1,209 an ounce this year. The average of the individual calls represents a 14.5 per cent drop from the average price in 2013.

But it is also worth noting that central banks in several developing economies are aiming to raise inflation and so the gold market could take a turn and end 2014 in the higher realms. On the other hand, others are looking at additional factors to confirm that gold has got out of a bottleneck.

■ *The writer is the managing director at Orient Planet.*