Don’t Catch a Falling Knife! ABN Sees Gold at $800 Next Year

By Glenys Sim - Nov 6, 2014

The selloff in gold is set to deepen as the dollar will probably extend gains, according to ABN Amro NV, which forecast that the precious metal may end this year at $1,100 an ounce and finish 2015 at $800.

“Don’t try to catch a falling knife,” analyst Georgette Boele wrote in an e-mailed report received today. “The U.S. dollar rally has further to run, especially if the Fed turns more hawkish this year.”

Bullion retreated to the lowest level since April 2010 yesterday as the dollar advanced and holdings in the largest bullion-backed exchange-traded product contracted. Investor positions are still substantial and while recent figures show that wagers have been reduced modestly, more sales are likely, Boele wrote in the report.

Bullion for immediate delivery traded at $1,146.15 an ounce at 2:28 p.m. in Singapore, down 4.6 percent this year, according to Bloomberg generic pricing. The metal is headed for the first back-to-back annual decline since 2000 as the Federal Reserve moves closer to raising interest rates after ending a bond-buying program on schedule last month.

Gold dropped to a low of $1,137.94 yesterday as the Bloomberg Dollar Spot Index rose to a five-year high after Republicans gained control of the Senate in the U.S. midterm elections. Republicans hold a more hawkish view on fiscal and monetary policy, said Boele.

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