Gold Poised for Best Quarter Since 2010 on Investor, Bank Demand

By Glenys Sim - Sep 26, 2012

Gold advanced for the first time in three days, extending the best quarterly gain in more than two years, as central banks and investors bought the metal to hedge against the prospect of weaker currencies and slowing growth.

Spot gold rose as much as 0.3 percent to $1,765.20 an ounce and was at $1,763.80 at 11:57 a.m. in Singapore. The metal reached $1,787.52 on Sept. 21, the highest price since Feb. 29, and is 10 percent higher since the end of June. That’s set for its biggest quarterly climb since the three months to June 2010.

Bullion has rallied after central banks from the U.S. to Japan took steps to boost their economies, driving investor holdings in exchange-traded products to a record. The Federal Reserve announced on Sept. 13 a third round of debt purchases to bolster the largest economy, potentially weakening the dollar.

“A poor economic backdrop will keep global stimulus measures on the cards for a while and gold is set to profit from that,” Sun Yonggang, a macroeconomic strategist at Everbright Futures Co., a unit of China’s largest state-owned investment group. “Gold continues to consolidate recent gains as the market waits for the next piece of bad news or more stimulus to take it past $1,800.”

December-delivery gold was little changed at $1,766.10 an ounce on the Comex, after dropping 0.3 percent. Holdings in gold-backed ETPs climbed to 2,551.859 metric tons yesterday.

Kazakhstan expanded its gold reserves for a 13th month in August, buying 1.4 tons, data on the International Monetary Fund’s website showed. South Korea bought 16 tons in July, and Paraguay purchased 7.5 tons that month.

Central Banks

“A key, long-term driver for gold demand will be central-bank gold purchases,” Lachlan Shaw, an analyst at Commonwealth Bank of Australia, wrote in an e-mail. They need more gold in reserves “because the precious metal maintains its value and adds to the diversification benefits of portfolios.”

In China, cash gold of 99.99 percent purity on the Shanghai Gold Exchange was little changed at 358.15 yuan a gram ($1,766.19 an ounce) up 11 percent this quarter and set for the biggest such gain since the period to December 2009.

Cash silver rose as much as 0.8 percent to $34.0425 an ounce and was at $33.955. The metal is set for a quarterly gain of 24 percent, the best since the three months to December 2010.

Spot platinum gained for a second day, climbing as much as 0.5 percent to $1,636.50 an ounce. The metal is up 13 percent since the end of June as labor disputes halted supplies in South Africa, the world’s largest producer. ETP holdings tracked by Bloomberg were at a record 47.438 tons yesterday.

Palladium was little changed at $639.75 an ounce, poised for monthly and quarterly advances.

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