

GOLD NEWS

GOLD PRICE WATCH

Gold Futures hit \$1000; shares hit highest level in 12 months

Analysts not yet convinced of the sustainability of the rally

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TOKYO (REUTERS) -

Asian shares touched their highest level in a year on Tuesday, while gold futures hit \$1,000 an ounce for the first time in six months on investor concerns about the sustainability of the global economic recovery.

With no direction from U.S. markets due to Monday's Labor Day holiday, it was a mixed start for Asian markets, with Australian shares climbing as a flurry of deals lifted hopes for a pick-up in merger activity, while Shanghai stocks were dampened by profit-taking.

The MSCI index of Asian shares excluding Japan rose to its highest in a year, gaining 0.8 percent on the day, while Japan's benchmark Nikkei index fluctuated between gains and losses.

Spot gold touched \$997.20 an ounce, its strongest since February, with both simmering economic worries and longer term inflation concerns driving the gains.

But analysts warned volume was thin, with the risk the rally would quickly peter out as demand faded at such a high level.

"Gold bulls are easily spooked around these numbers and need to see them sustained to bolster confidence," said Mark Pervan, senior commodities analyst at ANZ Bank.

"Gold is rallying on fears of an equity retreat. U.S. jobs data has been pretty disappointing. The risk is that stocks will fall and people are hedging that by buying gold."

Many investors are worried that stock market rallies have got ahead of the turnaround in the global economy, that the recovery will not create jobs and that it will be hard to sustain once the effects of stimulus measures by governments begin to fade.

But a weekend agreement by the G20 leading nations to keep economic stimuli running helped prop up optimism on Monday, sending world stocks close to their highest level for the year.

News of a \$16.7 billion bid by North America's Kraft Foods for UK confectioner Cadbury was also taken as a sign of recovery after the turmoil of the past year, even though the bid was rejected. The news spurred gains on Australia's S&P/ASX 200 index, which rose more than 1 percent.

Resources deals also gave the market a boost.

State-owned China Railway Materials Commercial Corp is set to take a stake in iron ore explorer FerrAus and Chinese state-owned power producer China Guangdong Nuclear Power Holding Co. Ltd agreed a takeover for uranium explorer Energy Metals.

In Taiwan, shares rose 1% as a smaller than expected fall in its exports in August offset the surprise resignation of its premier, a move not expected to have big political or economic impact.

Notoriously volatile Shanghai shares opened down 0.5% as profit-taking set in after five sessions of gains but then turned higher, while the Nikkei was flat, pressured by falls in Honda Motor Co and other exporters on a stronger yen.

In currency markets, growth-linked currencies like the Australian and New Zealand dollars held near one-year highs set against the U.S. dollar on Monday.

The dollar index, its measure against a basket of six currencies, was flat but has been edging down in the past week towards August's 10-month low.