

Gold to rise for eighth consecutive year

Gold is set to appreciate for an eighth year as investors seek a refuge from declining interest rates at the same time that central banks inject more cash into the banking system, according to Bloomberg.

Gold to rise for eight consecutive year. Photo: EPA



The metal will average \$910 an ounce in 2009, 4.3 per cent more than last year, according to the median forecast of 20 analysts, traders and investors surveyed by Bloomberg. Silver and platinum, which averaged at least 12pc more in 2008, will decline this year, the survey showed.

More than half of those surveyed predict that the price of gold will end the year above \$910 – with the four biggest bulls suggesting that a price of \$1,000 an ounce will be met by the end of 2009.

Average gold prices have risen for seven consecutive years, the longest winning streak since at least 1949. While the return of 5.8pc through 2008 was the smallest since 2004 in dollar terms, gold rose 1pc in euros and 44pc in sterling, Bloomberg said.

The most bearish analysts were the online trading platform Finotec, bullion dealer Kitco and the bullion banks JP Morgan and Barclays. They all forecast an average price of between 6.3pc and 11.8pc below the average price of \$872/oz in 2008.

But Gold & Silver Investments, the bullion dealer, said that many of the bears 'have been bearish for a number of years and have failed to realise that we are in a bull market'.

Gold & Silver Investments added: "Given the deflationary headwinds assailing us early in 2009, they may be proved right this year as further massive deleveraging could affect the gold price. However, we believe this to be unlikely given the massive macroeconomic and systemic risk and increasing monetary and geopolitical risk.

"And we believe that should the deflationary pressures continue throughout 2009, then most commodities and asset classes will again fall sharply in 2009 but gold will again outperform. Importantly, gold also rose during the last bout of sharp deflation in the Great Depression of the 1930s when Roosevelt revalued gold by 60pc and devalued the dollar by 60pc, from \$22/oz to \$35/oz."