

## Coverage-

London Gold Market Report

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### **Gold Hits Volatility, Silver Hits \$25, Ahead of Fed's "Dangerous Gamble with Global Economy"**

**THE PRICE OF GOLD** was volatile in a widening price-range on Wednesday morning in London, whipping between \$1353 and \$1364 per ounce ahead of the Federal Reserve's widely-expected relaunch of quantitative easing, aka QEII.

World stock markets traded higher as the US Dollar fell, and major-economy government bonds also rose in price, nudging 10-year US Treasury yields down to 2.55%.

Crude oil jumped back towards \$85 per barrel, while the Australian Dollar rose through parity to the US currency for the first time since July 1982.

Silver recorded its first London Fix above \$25.00 per ounce since 3 March 1980.

"The Federal Reserve's proposed policy of quantitative easing is a dangerous gamble with only a small potential upside benefit and substantial risks of creating asset bubbles that could destabilise the global economy," says Harvard economist Marty Feldstein in the Financial Times today.

Back in early 1980, the silver price dropped more than \$4 per ounce in 3 days, falling from \$27 to just \$12 by the start of May.

"There's certainly going to be more hearings and more pressure" on Fed chairman Ben Bernanke after the Republican Party re-took a majority in the House of Representatives in the mid-term elections, says Mark Calabria at the Cato Institute to Bloomberg.

Kentucky's new Senator-elect, Tea Party candidate Rand Paul, has previously attacked the Fed for imposing inflation – "the sneakiest tax of all" – on US citizens.

"In a world of very low real returns, individuals and investors begin to seek out higher yielding assets," says a new research paper from the Federal Reserve Bank of St. Louis.

"In 2003-2004, many investors...chose to invest heavily in subprime mortgage-backed securities. [Again today, they] might be tempted to seek out more speculative investments."

Italy's Banca Monte dei Paschi today announced the country's first new issue of mortgage-backed securities since 2007's global credit crunch shut the market.

Japanese investors last month poured a record \$5.3 billion into developed-world equity markets, says a note from French bank Société Générale, while European investors put some \$240 million into ETF Securities' gold-bullion-backed trust funds, according to a press release.

In the first week of Oct. alone, US investors put \$6bn into emerging-market funds say fund-flow analysts EPFR Global.