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Drop in Dollar, Stocks, Pushes Gold Higher

By Amrith Ramkumar
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Gold prices reversed earlier losses to close higher for a fourth straight session Tuesday, helped by declines in the dollar and U.S. stocks.

Front-month gold for January delivery closed up 0.1% to \$1,335.40 a troy ounce on the Comex division of the New York Mercantile Exchange. Futures extended those gains slightly in after-hours trading. Prices have risen to their highest level since September recently as the dollar has fallen. A dollar-denominated commodity, gold becomes cheaper for overseas buyers when the U.S. currency weakens.

On Tuesday, the WSJ Dollar Index, which tracks the dollar against a basket of 16 other currencies, was recently down 0.1% following its lowest close since May 2015.

U.S. stocks also fell, with the Dow Jones Industrial Average recently down 0.1% at 25768 after earlier climbing as high as 26086. Many investors favor gold and other haven assets when they think markets might turn rocky.

“It’s a combination of a weaker dollar and equities being a little dicier,” said Bob Haberkorn, senior market strategist at RJO Futures. “That’s a flight to safety you’re seeing in the metals right now.”

Many analysts have said they expect gold prices to continue closely tracking moves in the dollar moving forward. Investors will also be keeping an eye on central-bank signals and economic data for clues about the Federal Reserve’s outlook for future interest-rate increases because gold struggles to compete with yield-bearing assets like Treasuries when rates rise.

Among base metals, front-month copper also largely pared earlier losses and closed down less than 0.1% at \$3.1990 a pound. Prices have fallen about 3% from nearly four-year highs hit in late December, with some analysts attributing the declines to profit-taking following a robust base metals rally in the second half of last year.

Some investors have expected a Chinese economic slowdown to hurt base metals prices and have remained cautious despite recent price gains.

“China’s fixed asset investment is expected to continue to slow, so that slowdown in China will weigh on select commodities in 2018,” said Atul Lele, chief investment officer at Deltec International Group, adding that he expects the slowdown to affect prices toward the second and third quarters of the year.