

Price of Gold Hits \$1,000 Again

The price of gold reached \$1,000 this month, closing at a high of \$1,008 on September 11. Gold prices tend to rise in September as holiday preparations begin and jewelers build stock. Eid ul-Fitr, which marks the end of Ramadan in September, India's Diwali festival and post-monsoon wedding season and China's National Day in October kick off the season. Hanukah, Christmas and Chinese New Year are also gold giving occasions for the world's largest consumers.

According to *MarketWatch*, gold has gained during 16 of the past 20 Septembers. This increase usually is followed by a decline in the dollar as the equity markets tend to dip. Some analysts predict that the price could rise as high as \$1,200 by the end of the year, however the price usually retreats after spiking.

Gold demand for jewelry, which was at a peak of about 80 percent in 1999, has fallen in recent years. According to the World Gold Council, gold for jewelry has dropped to 749 tons, or 43 percent this year. Gold for investment purposes has doubled since 2007 to about 820 tons.

The price of gold reached an all-time high of \$1,011 in March 2008 when Bear Stearns was on the brink of failure. Previously this year, it closed at \$989 in February following speculation that Citigroup and Bank of America may have to be nationalized, but fell to a low of \$ 926 in June. Prices quoted are from the London PM fix, the most widely recognized index.

JSIS Insurance, September 2009