



A Frenzy for Gold

MUSTAFA OZER/AGENCE FRANCE-PRESSE — GETTY IMAGES

With gold selling for record prices, companies around the world are making coins, bars and jewelry as fast as they can to meet demand.

By NELSON D. SCHWARTZ

MENDRISIO, Switzerland

HERE, IN A corner of Switzerland where Italian is spoken and roughly one-third of the world's gold is refined into bars and ingots, business is booming. Every day, bangles, bracelets and necklaces arrive in plastic bags — from souks in the Middle East, from pawn shops in Asia and from corner jewelers in Europe and North America.

"It could be your grandmother's gold or the gift of an ex-boyfriend," said Erhard Oberli, the chief executive of Argor-Heraeus, a major refiner here that processes roughly 400 metric tons of gold a

year. "Gold doesn't disappear."

Amid a global frenzy fed by multibillion-dollar hedge funds, wealthy speculators and governments all rushing to stock up on gold, its price reached \$1,119 an ounce recently, which was a record high.

Long considered the ultimate refuge for nervous investors, gold has climbed as the dollar has steadily weakened, budget deficits have expanded in the United States and Europe, and central banks have continued to pump trillions of dollars into weak economies, creating fears of another asset bubble that will ultimately pop.

"It's not that gold has changed, but gold buy-

ers have changed," said Suki Cooper, a precious-metals strategist for Barclays Capital. "It's a structural shift we're seeing on the investing side, from Asian central banks right down to individual investors buying ingots and coins."

"Gold's appeal has broadened," added Ms. Cooper, who predicts that it will hit \$1,140 an ounce by the second quarter of next year.

Indeed, last month, Harrods, the 160-year-old London department store, began selling coins as well as gold bullion ranging from tiny 1-gram ingots to the hefty, 12.5-kilogram, 400-Troy-ounce

Continued on Page 4

Unstable Era Is Feeding A Frenzy For Gold

From Page 1

bricks that are so often featured in movies and stocked inside the vaults of Fort Knox. Harrods's lower ground floor, where the gold is peddled, has been packed with interested shoppers.

"The response has been astounding," said Chris Hall, head of Harrods Gold Bullion. "Bars are definitely more popular than coins. The 100-gram is the most popular."

In the United States, ads promising high prices for gold are regular fodder for late-night television spots, while buyers are setting up tables at shopping malls or hosting gold-buying gatherings at private homes.

"Everyone and their grandmother has a sign out saying, 'We buy gold,'" said Ron Lieberman, the owner of Palisade Jewelers in Englewood, New Jersey. He estimates that 10 times as many people come into his store to sell gold now as when the metal was selling for \$300 an ounce at the beginning of the decade. "I hear people come in and say gold is going to \$2,000."

Jewelry store shoppers aren't the only ones forecasting lofty prices. Jim Rogers, an investor who has made his name investing overseas and in commodities, recently predicted to Bloomberg Television that gold might reach \$2,000 an ounce — prompting a rebuke from Nouriel Roubini, an economist who gained attention for his early warnings about the global economic crisis. At a conference in New York, Mr. Roubini described Mr. Rogers's forecast as "utter nonsense," saying that there aren't any inflationary or economic pressures that would drive the price of gold to \$2,000 an ounce.

Even the most bullish of gold lovers

Gold Fever

Fed by concerns about the fragility of the world economy, the price of gold is rising.

\$2,000 an ounce

PRICE OF GOLD



Sources: Bloomberg; Bureau of Labor Statistics; World Gold Council

LARGEST GOLD RESERVES, IN METRIC TONS Sept. 2009

United States	8,134	
Germany	3,408	
Int'l Monetary Fund*	3,017	
Italy	2,452	
France	2,444	
China	1,054	
Switzerland	1,041	
Japan	765	
Netherlands	612	
Russia	569	
India*	558	
European Central Bank	502	

*Adjusted to reflect recent sale of 200 metric tons to India by the I.M.F.

THE NEW YORK TIMES

With the dollar weak, many look for a solid investment.

were surprised when the Reserve Bank of India recently stepped in and bought 200 metric tons of gold from the International Monetary Fund for \$6.7 billion, a sign that other central banks might move away from dollar-denominated assets like Treasury bonds in favor of the precious metal. India's huge purchase means that gold will now account for about 6 percent of India's \$285.5 billion of foreign exchange reserves — up from the previous level of about 4 percent.

"We have money to buy gold," said Pranab Mukherjee, India's finance minister. "We have enough foreign exchange reserves."

Sri Lanka's central bank disclosed that it, too, was buying gold, in a trend that could hurt the United States over

time because it needs foreign bond buyers, especially central banks, to finance its growing debt.

China has already doubled its gold reserves over the last six years, but the Indian move underscored how even the most traditional investors are shifting a portion of their assets into bullion.

"I have never been a gold bug," Paul Tudor Jones, the prominent hedge fund manager, told his investors last month. "It is just an asset that, like everything else in life, has its time and place. And now is that time."

Over all, in the second quarter of 2009, consumption of gold for jewelry plunged 20 percent, while investor demand for gold increased 51 percent, according to the World Gold Council.

Inflows of old gold jewelry and individual investor sales are especially strong in the United States and Western Europe, a new phenomenon, said Marwan Shakarchi, the chairman of MKS Finance, a Geneva company. In the past, hoarding gold as an investment was much more popular in the Middle East and Asia. "Europe and the United States

are our emerging markets," Mr. Shakarchi said.

Recent political trends may also be playing a part. With a crackdown on tax havens worldwide and Swiss bankers handing over the names of wealthy American clients to authorities, some experts say rich people now prefer an investment that can easily be hidden from the prying eyes of tax collectors.

"In Europe, people want physical gold to store themselves, with no documents," said Bernhard Schnellmann, director for precious-metal services at Argor-Heraeus.

The region around Mendrisio has retained its distinctive status as the gold workshop of the world. Mr. Oberli, the Argor-Heraeus chief executive, is confident that he is running a business that, even in the middle of one of the worst economic downturns of the last century, is relatively recession-proof and always of interest to investors.

"Gold has been around as an investment for 6,000 years," Mr. Oberli said. "When there is no alternative, it's there."