

## Gold Gains for Third Day in Asia as Dollar Falls After Rate Cut

By Glenys Sim and Feiwen Rong

Oct. 30 (Bloomberg) -- Gold climbed for a third day in Asia as the dollar dropped against the euro, boosting the appeal of the metal as an alternative investment, after the Federal Reserve cut interest rates to match a half-century low.

Bullion also gained after commodity prices yesterday posted the biggest surge in five decades on speculation reduced borrowing costs in the U.S. and China may help spur a recovery in raw material demand.

"A significantly weaker dollar is certainly adding to gold's gains today," Darren Heathcote, head of trading at Investec Bank Ltd., said by phone from Sydney. "We're seeing a bit of stability coming into the stock markets and that's helping sentiment in commodities."

Gold for immediate delivery rose as much 2.1 percent to \$770.93 an ounce, extending yesterday's 1.1 percent gain. It stood at \$769.60 at 1:20 p.m. in Singapore. Silver for immediate delivery was up 3.6 at \$10.2288 an ounce.

The ICE futures exchange's U.S. Dollar Index, which tracks the greenback against six trading partners, fell for a second day, after the rate cut and ahead of a report that may show the world's biggest economy contracted the most since 2001.

"I don't think we're out of the woods yet," said Heathcote. "There's still potential for problems in the financial system and a lot of systemic risk to be ironed out."

Asian stocks rose after China, Taiwan and the U.S. cut interest rates to alleviate a credit freeze and boost growth. The MSCI Asia Pacific Index jumped 7.8 percent to 87.03 as of 1:20 p.m. in Singapore, extending yesterday's 3.8 percent rise. The Reuters/Jefferies CRB Index of 19 raw materials yesterday jumped 5.9 percent, the most since at least 1956.

### Oil Jumps

Crude oil rallied to more than \$70 a barrel for the first time since Oct. 22. Futures are set for the biggest two-day gain in five weeks amid signs that central bank interest-rate cuts may help stimulate fuel demand. Gold often tracks crude oil as investors tend to buy bullion when raw material prices are rising.

"The flashing lights" that investors are seeing ahead "are the lights of inflation and currency depreciation", said Jeffrey Nichols, managing director at consultants American Precious Metals Advisors, in a report late yesterday.

Other precious metals including silver rallied more than bullion as investors "judged these metals to be oversold relative to gold," said Anne-Laure Tremblay, analyst at BNP Paribas in a report dated yesterday.

Gold for December delivery rose 2.1 percent to \$769.80 an ounce in after-hours electronic trading on the Comex division of the New York Mercantile Exchange, and gold for October delivery in Tokyo added 4.3 percent to 2,436 yen a gram (\$771 ounce).

To contact the reporters on this story: Glenys Sim in Singapore at [gsm4@bloomberg.net](mailto:gsm4@bloomberg.net) Feiwen Rong in Singapore at [frong2@bloomberg.net](mailto:frong2@bloomberg.net)

*Last Updated: October 30, 2008 02:08 EDT*