BUSINESS

Gold price, like fear, dives

Drop to lowest level in three months coincides with Fed report on inflation

By Bernard Condon
The Associated Press

NEW YORK — The price of gold, which has climbed for years like a blood pressure reading for anxious investors, plunged Wednesday to its lowest level in three months.

Gold fell almost $58 to $1,614 per ounce. It has declined 15 percent since September, when it hit a peak of $1,907. It had more than doubled from the financial crisis three years earlier.

The decline Wednesday came on an ugly day in the stock market. The Dow Jones industrial average lost 125 points — a day that last year probably would have caused fearful investors to buy gold as a protective investment.

"It's difficult to forecast, but I think the gold bull market is over," said Cetin Ciner, a professor of finance at the University of North Carolina-Wilmington. He likened the surge in gold to dot-com stocks before they collapsed.

Some investors buy gold as a hedge against inflation, and minutes from a Federal Reserve meeting that came out Tuesday suggested that the central bank believes inflation is under control.

Gold's attraction as an asset of refuge during crises also seems to have diminished. The economy has picked up, and worst-case scenarios in the United States and Europe have faded.

"Fear has been gold's best friend, and so to the extent that fear is dissipating, gold should fall," said Jim Paulsen, chief investment strategist at Wells Capital Management. "We might look back at these Fed minutes as the line in the sand."

Gold has been hit in recent weeks by a strike by gold sellers in India, the world's largest buyer of physical gold. Another bearish sign was a surge Wednesday in the dollar, which tends to rise when gold falls.

Gold fetched only $300 to $400 an ounce during the 1990s but climbed steadily last decade. It took off in late 2008, when prices for stocks and corporate bonds plunged, wiping out years of savings, and even money market funds looked suspect. Investors bid up prices for the safest of assets, like U.S. Treasury bonds. Others turned to gold.

"During our bout with Armageddon, people ran to it for safety," said Abraham Bailin, a commodity analyst at Morningstar. "... That's where it started."