

# FINANCIAL POST

# FP TRADING DESK

Main | About | Contact Editor | Subscribe RSS

## US dollar decoupling from gold

Posted: April 30, 2010, 6:40 AM by Jonathan Ratner  
Mining, gold, US dollar, euro, currencies, gold price, Bullion, gold bullion

Those that follow the gold and currency markets know that the price of bullion and the U.S. dollar typically move in opposite directions. However, this negative correlation can turn positive from time to time and is happening now.

The correlation between weekly changes in the U.S. dollar and bullion has turned from -0.7 at the start of 2010 to +0.41. This is the biggest positive since 2007.

During gold's biggest rally ever between 1978 and 1980, the U.S. dollar traded sideways. Back then, demand for bullion was being driven by fears of a collapsing global monetary system, and investors fled all paper currencies. These days, the situation isn't very different except that U.S. dollar reserves are being accumulated in large numbers.

Sovereign debt concerns in Greece, Portugal and elsewhere in Europe continue to put pressure on the Euro currency as investments in gold and the U.S. dollar are in high demand from investors seeking safe havens.

Historically, episodes of U.S. dollar appreciation coupled with rising gold prices tend to be fleeting, according to Stéphane Marion, chief economist and strategist at National Bank Financial.

In a note to clients he wrote, "...we still think that the historical negative correlation between gold and the greenback will resume once the uncertainty is lifted about the introduction of credible loan programmes between eurozone partners to help certain members reduce their fiscal deficits."

As Adam Kritzer of [forexblog](#) notes, at the moment the correct interpretation is that anything is preferable to the Euro since its sovereign debt problems are the most pressing.

He also points out that many are betting that gold will eventually distance itself from the U.S. dollar if and when America's fiscal problems escalate to the level of a Greek-style crisis. "At this point, gold will start to trade as an alternative to the entire forex market!"

According to [Deutsche Bank](#), gold has decoupled from the dollar since at least the end of March. "If the correlation re-establishes itself before July, either the dollar must continue to decline or investment into bullion-backed funds must pick up in order to avoid erosion in gold prices," analysts at the investment bank said recently.

Jonathan Ratner

Search

### Stock Quote



Powered by [Interactive Data](#) Managed Solutions

### Energy News Releases »



Junex Inc  
19/04/10 - [Junex Announces Undiscovered Gas-in-Place ...](#)

Dejour Enterprises Ltd  
13/04/10 - [Dejour's 2010 IPAA Webcast Now Available For ...](#)

Dejour Enterprises Ltd  
07/04/10 - [Dejour to Present at the 2010 IPAA Investment ...](#)

**FREE OIL & GAS PROFIT ALERT**  
Dozens of new triple-digit profit  
[Opportunities in the weeks ahead](#)

### Mining News Releases »

Semafo Inc.  
29/04/10 - [SEMAFO: Corporate Social Responsibility Remains ...](#)

Argex Silver Capital Inc  
29/04/10 - [Argex reports 192 metres of Titaniferous ...](#)

Creston Moly Corp.

BOOKMARK   Comments (0)   Send to a friend   Permalink

### POPULAR

[RIM may turn some skeptics at WES](#)

[Copper supply heading for deficit](#)

[Brazil is overheating](#)

[Analysts weigh in on RIM's new software after capital markets day at WES](#)

[Canadian bank dividends: The wait](#)