

Gold 'will rocket to more \$1,000 an ounce'

By David Litterick

Last Updated: 1:16am GMT 01/11/2007

- [The gold rush: how to strike a rich seam](#)

The gold price will soar to more than \$1,000 per ounce over the next five years as dwindling supply of the precious metal combines with increased demand, Credit Suisse has forecast.

The investment bank believes that gold, which earlier this week rose to a 28-year high of \$795 an ounce, will reach \$1,050 an ounce by 2012.

"In the current environment, upward pressure on the price of gold is being driven by the economic environment surrounding the US economy, in particular the strength of the US dollar, the oil and commodity prices and a change in the dynamics surrounding gold supply and demand," Credit Suisse analyst David Davis said in a note yesterday.

He wrote that global gold production will fall in the coming years, as the diminishing number of new reserves fails to compensate for dying mines.

"We find that over the last 18 years, apart from on three occasions, the supply of gold has been in deficit. This primary deficit has been masked by the secondary supply of gold into the market mainly from central bank sales. We believe central bank sales will wither going forward and the banks could become net buyers of gold."

The recent rally was sparked by the decision by the US Federal Reserve to cut interest rates by a quarter point. Analysts at Bear Stearns said fresh cuts in rates after the Fed's meeting today could send the price over \$800 within a week and it on its way to the all-time record of \$830. Gold was fixed at \$783 in London.



Gold production is set to fall

Credit Suisse said high oil prices were also a factor. "Higher oil prices are likely to result in inflationary pressures in the US, which in turn will likely result in upward pressure on the gold price because of gold's use as an inflation hedge."