

(BN) Gold Futures Surge as Retail Fizzle Counters Inflation Surp rise

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By Luzi Ann Javier

(Bloomberg) -- Gold posted the biggest gain in almost 11 months as an unexpected decline in U.S. retail sales clouded the economic-growth outlook, boosting demand for the metal as a store of value.

Purchases at retailers slipped 0.3 percent in January, and December receipts were revised lower, indicating consumer demand in the first quarter may cool, according to government figures released Wednesday. Bullion plunged earlier after a report showing faster-than-projected U.S. inflation.

Global markets were whipsawed last week after U.S. wage data spurred investors to reappraise the outlook for global inflation and weigh consequences for monetary policy and asset valuations. While investors often seek gold as a haven during times of turmoil, the metal fell on the same concerns that helped spark the selloff in stocks: the prospect of higher interest rates. Bullion regained some ground early this week.

The retail sales number "is one of the moving gears that can cause the Fed to actually take a step back from raising interest rates," Daniel Pavilonis, a senior market strategist at RJO Futures, said in a telephone interview. "There's a lot of uncertainty in the market and it's helping gold. Traders are asking, is this number problematic enough to hold off on raising rates, or it is just temporary?"

Gold futures for April delivery rose 2.1 percent to settle at \$1,358 an ounce at 1:30 p.m. on the Comex in New York, the biggest increase since March 16. The metal has advanced for three straight days.

The Federal Reserve Bank of Atlanta's GDPNow index suggests U.S. gross domestic product will expand 3.25 percent in the first quarter, down from 4.01 percent in its previous release on Feb. 9. New Federal Reserve Chairman Jerome Powell has suggested the central bank will push ahead with hikes even as it remains on the lookout for threats to the financial system in the wake of the selloff.

Data this week showed Ray Dalio's Bridgewater Associates raised its stake in SPDR Gold Shares and iShares Gold Trust in the final quarter of 2017. On Monday, Dalio said that risks of a recession in the next 18 to 24 months are rising. Last year, he recommended investors consider placing 5 percent to 10 percent of assets in gold.

A gauge of 15 senior global gold-mining companies tracked by Bloomberg Intelligence climbed 4.7 percent, on track for the biggest gain in more than a year. Newmont Mining Corp. jumped 5.2 percent in New York, poised for the steepest rise since July. Barrick Gold Corp. rose 3.9 percent.

Silver futures also advanced on the Comex, while platinum and palladium futures rose on the New York Mercantile Exchange.

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