

PRECIOUS: Gold and Other Metals Decline on 'Surprise' U.S. Data
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By Marvin G. Perez

(Bloomberg) -- Gold fell the most in two weeks after stronger-than-expected U.S. data eroded the case for the U.S. Federal Reserve to cut interest rates, reducing bullion's appeal as a store of value. Silver and palladium also slipped amid a rebounding U.S. dollar.

U.S. March producer price index rose 0.6% in March, topping estimates for an increase of 0.3 percent. Filings for U.S. unemployment benefits unexpectedly dropped, falling to the lowest level since October 1969, as the tight labor market showed little sign of easing. The level fell below all estimates in Bloomberg's survey of economists, which had called for an increase.

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Drivers

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Jobless claims decreased to 196,000 in the week ended April 6, Labor Department figures showed Thursday
U.S. Stock Futures Edge Higher; Dollar Strengthens
Dollar Gains After U.S. Producer Prices Beat Estimates
Outlook for silver remains more negative than other main precious metals

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Prices

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Spot gold -0.7% to \$1,298.38/oz at 9:41am in N.Y., heads for biggest loss since March 28
Bloomberg Dollar Spot Index +0.3%

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Market commentary

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"Most measures of the PPI are a bit stronger than expected, as well as jobless claims," Tai Wong, head of base and precious metals derivatives trading at BMO Capital Markets, says in phone

interview With the “surprise positive economic data, especially the PPI, if you are thinking that the Fed’s next move is going to be a rate cut, this moves that further away” “It will probably keep the Fed neutral for longer” Rebounding dollar also put downward pressure: Wong “Palladium needs to correct further still, silver’s performance has been very disappointing and as for gold, I’m more neutral,” says Georgette Boele, senior FX and precious metals analyst at ABN Amro “Platinum has turned the corner but needs the 200-day moving average at \$822 to hold”

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Other spot precious metals
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Spot silver -1% to \$15.08/oz

Platinum +0.6% Palladium -0.6%

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--With assistance from Rupert Rowling.

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