
Gold Extends Rebound on Wavering Dollar, Inflation Concerns
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By Yvonne Yue Li, Eddie Spence and Ranjeetha Pakiam (Bloomberg) -- Gold extended a rebound from a seven-month low as declines in equities and bets on rising inflation boosted demand for the precious metal.

Prices headed for a second straight gain, helped by an ebbing dollar and prospects for increasing consumer prices amid massive economic stimulus. Bullion is often used as a hedge against inflation. Traders awaited comments on Tuesday from Federal Reserve Chair Jerome Powell for further monetary-policy guidance.

Gold slipped 2.2% last week as a rally in U.S. Treasury yields and signs that the recovery from the Covid-19 pandemic is well under way hurt the haven's allure. The metal tends to decline as yields rise because it doesn't offer interest.

Traders are weighing the higher rates against the prospect of inflation, with some saying the metal's selloff may have been overdone.

"I think the strong buying in gold stems from a sharp bounce from new lows and strong close on Friday," said Tai Wong, head of metals derivatives trading at BMO Capital Markets. "And a softer dollar negates the impact of higher U.S. yields."

A revival in Indian gold imports could also indicate some physical dip buying of bullion, according to Marcus Garvey, head of metals and bulk commodity strategy at Macquarie Group Ltd.

Meanwhile, Democrats begin the final push for President Joe Biden's \$1.9 trillion stimulus bill this week, and the Biden administration may unveil a multitrillion-dollar recovery package in March centered on infrastructure.

Bullion has fallen almost 5% so far this year as vaccine progress and economic aid fuel expectations for a recovery.

Holdings in SPDR Gold Shares, the largest bullion-backed exchange-traded fund, fell to the lowest since June, while speculators have cut their net-long position on the Comex to the lowest since mid-2019.

Spot gold gained 1.4% to \$1,809.63 an ounce by 10:48 a.m. in New York. Silver climbed 2%, while platinum fell and palladium inched up. The Bloomberg Dollar Spot Index fell 0.1%. The recent record surge in Bitcoin also acts as a headwind for gold, as it challenges bullion's status as a store of value

and portfolio diversifier, said Avtar Sandu, a senior manager for commodities at Phillip Futures Pte.

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