
Gold Erases Earlier Gains After Fed Officials Stir Policy Debate

By Yvonne Yue Li and Eddie Spence

(Bloomberg) -- Gold gave up gains after a Federal Reserve official said the central bank should speed up its reduction of monetary stimulus in response to surging inflation.

St. Louis Fed President James Bullard said Tuesday that the U.S. central bank should be more aggressive in managing risks from price pressures. Bullard participates in the Federal Open Market Committee, which sets direction of U.S. monetary policy, and will become a voting member next year.

"I think it behooves the committee to go in a more hawkish direction in the next couple of meetings so we are managing the risk of inflation appropriately," Bullard said in a Bloomberg Television interview with Michael McKee, Lisa Abramowicz and Tom Keene.

Bullion retreated from earlier gains of as much as 0.8% in New York after the comments. Bullion is still up more than 4% in November --- set for its best month since May -- having broken through key technical barriers after U.S. consumer prices rose the fastest since 1990. The data has sparked growing pressure on the Fed to speed up the pace of monetary tightening amid fears it could lose control of inflation.

Minneapolis Fed President Neel Kashkari told Bloomberg Television on Monday an overreaction by the Fed to inflation could "lead to a worse long-term outcome for the economy." San Francisco Fed President Mary Daly gives a speech later.

U.S. retail sales rose in October by the most in eight months, more than economists' forecasts, Commerce Department figures showed Tuesday. The data highlights how demand for consumer goods has remained robust despite rising prices, helping keep the economic recovery on track.

Hedge funds boosted bullish bets on bullion to a 10-month high as of Nov. 9 -- just before October's inflation data -- according to a CFTC report. The next one will be hotly anticipated to see if investors held or raised their positions.

"This group of investors presumably contributed to the upswing in the gold price during the period under review," Daniel Briesemann, an analyst at Commerzbank AG, wrote in a note. "And given that the gold price has risen further since the reporting date, further net long positions are also likely to have been built up."

Gold was little changed at \$1,863.33 an ounce at 10:24 a.m. in New York, after earlier touching the highest since mid-June. Silver and palladium rose while platinum fell. The Bloomberg Dollar Spot Index was up 0.2%.

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