

Gold Futures Advance on Speculation Fed Will Maintain Stimulus
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By Debarati Roy

May 30 (Bloomberg) -- Gold futures rallied the most in a week on speculation that the Federal Reserve will maintain bond purchases to bolster the U.S. economy, boosting demand for the precious metal as a store of value. Silver also rose.

U.S. gross domestic product expanded at a 2.4 percent annualized rate in the first quarter, the Commerce Department said today. The median forecast in a Bloomberg survey called for no revision from the 2.5 percent pace initially reported.

Initial jobless claims rose 10,000 to 354,000, above the 340,000 forecast. The dollar fell for a second day against a basket of currencies

"Today's data is an indication that the economy has not fully recovered, and so the Fed will not end its stimulus in a hurry," Phil Streible, a senior commodity broker at R.J. O'Brien & Associates in Chicago, said in a telephone interview. "Also, a weaker dollar helps."

Gold futures for August delivery advanced 1.4 percent to \$1,411.90 an ounce at 9:35 a.m. on the Comex in New York, heading for the biggest gain since May 23.

Trading was 49 percent higher than the average for the past 100 days at this time of day, according to data compiled by Bloomberg.

Fed Chairman Ben S. Bernanke said May 22 that the central bank may slow its \$85 billion of monthly debt purchases if the economy shows sustained signs of improvement.

Gold dropped 17 percent this year through yesterday and entered a bear market last month as equities rallied, the dollar strengthened and amid concern that the Fed may slow the pace of its stimulus measures.

Silver futures climbed 1.8 percent to \$22.82 an ounce in New York, heading for the biggest increase since May 2.

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