Gold Trading Above Costs Means Producers Unlikely to Cut Output
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(For more on the gold bear market, see EXT5.)

By Nicholas Larkin
July 18 (Bloomberg) -- Gold is among commodities that are least vulnerable to production cuts because prices are trading above miners' marginal costs, according to Macquarie Group Ltd.
Gold plunged 23 percent to $1,283.64 an ounce in London this year, reaching a 34-month low of $1,180.50 on June 28.
Prices are trading about 40 percent above the marginal cost of production, based on the 90th percentile, Maaquarie said in a report today.
"Despite its rapid decline, gold is another commodity where prices are not putting any pressure on costs," London-based analysts Colin Hamilton and Duncan Hobbs wrote in the report. While steel and iron-ore production might be cut, "supply adjustment may take longer to materialize" for gold, copper and zinc, they said.
Bullion is heading for its first annual decline in 13 years after some investors lost faith in the metal as a store of value. Newcrest Mining Ltd., Australia's largest gold producer, said in June it will write down the value of its assets by as much as A$6 billion ($5.5 billion) after the slump. About 2.5 percent of global output loses money at prices below $1,300, based on cash costs, CRU Group, a research company in London, said last month. That rises to about 13 percent below $1,000.
Gold reached a record $1,921.15 in September 2011.
Investors sold 650 metric tons from exchange-traded products this year and held 1,981.9 tons yesterday, the lowest in more than three years, data compiled by Bloomberg show.

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