

Thursday's drop in gold the biggest one-day loss since 2008

A wave of risk aversion helped to trigger massive technical selling of the yellow metal

Author: Frank Tang (Reuters)

Posted: Friday, 05 Feb 2010

NEW YORK (REUTERS) -

Gold posted its biggest one-day loss since 2008 on Thursday, hitting a three-month low as a wave of risk aversion swept through global markets, triggering massive technical selling in the metal.

Bullion tumbled more than 4 percent in heavy trade, briefly falling below \$1,060 an ounce as escalating sovereign debt fears in Europe prompted investors to bid up the dollar and unload riskier assets.

Other precious metals also fell. Silver slid nearly 7 percent to its lowest since September, platinum dropped more than 4 percent and palladium fell 6 percent.

Scott Meyers, senior analyst at Pioneer Futures, a unit of MF Global, said gold has slid below technical support levels.

"There is not a lot of technical support in gold right now. It is more of a function of how the market reacts to whatever stimulus is forcing the market lower right now," Meyers said.

Risk-averse economic sentiment pummeled world stock markets, pressuring gold, oil and other commodities.

Wall Street fell more than 3 percent on an unexpected increase in the number of Americans claiming jobless benefits, and as fiscal worries in euro-zone countries led investors to buy safe-haven U.S. Treasury debt.

Spot gold hit a low of \$1,059.10 an ounce, the weakest since November 3. It was last at \$1,064.30 an ounce at 4:07 p.m. EST, sharply lower than \$1,108.85 late on Wednesday.

Spot bullion's 4.2 percent decline was its biggest one-day percentage loss since December 1, 2008, when it tumbled 5.6 percent, Reuters data showed.

U.S. gold futures for April delivery settled down \$49 at \$1,063 on the COMEX division of the NYMEX.

"If you are short, you stay short, because there is no real reason to be a buyer unless the market sold off more," said Rick Bensaïgnor, chief market strategist at broker-dealer Execution LLC.

The euro plunged to a seven-month low against the dollar. European Central Bank President Jean-Claude Trichet predicted many members in the bloc will have large, sharply rising fiscal imbalances.

Strength in the U.S. dollar makes dollar-priced commodities more expensive for holders of other currencies.

Among other commodities, oil prices fell nearly \$4 to about \$73 a barrel amid a global sell-off, as Reuters-Jefferies CRB index .CRB also fell 2.5 percent.

TECHNICALLY VULNERABLE

The sharp decline sent spot gold well below its 14-, 50- and 100-day moving averages. Technical analysts said gold could fall further after the sell-off pushed it below major support levels, but it should hold above \$1,000 an ounce.

With U.S. January non-farm payrolls data due Friday, all eyes will focus on whether the jobs report will rejuvenate gold through its influence on the dollar.

"This is a broken chart, at least short term. Unless tomorrow's job numbers somehow change the entire picture on the dollar and gold turns around, I am in the bear camp here," Bensaïgnor said.

The world's largest gold-backed exchange-traded fund, New York's SPDR Gold Trust on Wednesday reported its first outflow this month. Its holdings declined 1.6 tonnes that day, after falling 21.7 tonnes in January.

In other precious metals, silver touched a low of \$15.16, lowest since September, tracking gold's losses, and was last at \$15.26 an ounce against \$16.34. Platinum was at \$1,504.50 an ounce versus \$1,572.50, and palladium at \$408 versus \$434.50.