



Gold Can Build On Its 2011 Gains Next Year, Dillon Gage Metals Says Targets include \$2,000 an ounce and an inflation-adjusted 1980 high of \$2,300

ADDISON, TX (Dec. 6, 2011)... In a turbulent year for world economies and markets, the price of gold reached an all-time high in September, and after a setback is recovering. The yellow metal looks poised for loftier levels next year, says Terry Hanlon, President of **Dillon Gage Metals**, dealers in Dallas.

As 2011 winds down, what exactly happened this year? Traders rushed into gold in the spring during unrest in the Middle East and North Africa and Japan's worst struggles since World War II, Hanlon says. Some traders exited gold in the first week of May, however, and values retreated. The market rebounded in the summer, reaching a record \$1,895 an ounce in early September as investors evaluated Standard & Poor's U.S. credit downgrading. But from there, gold set back again, dropping \$100 in one, late-September day as nervous investors fled many assets.

Gold is inching back up now, and in early December is \$350 an ounce above a year ago, Hanlon notes. Precious metals traders are waiting for the European Union's, December 9 summit meeting--expected to result in treaty changes that will affect currencies and other markets.

In 2011, gold prices have traversed a \$550 range, influenced by many factors, including: **Political and economic uncertainty-** Investors see gold as a haven for their money in unsettled times. **Interest rates-** Generally the lower real rates are, the better gold and other commodities do. The Federal Reserve has publicly promised to keep interest rates low until mid-2013. **The U.S. dollar's value-** The price of gold tends to move against the dollar, meaning a weaker greenback sends gold higher and a stronger dollar weighs on gold. The dollar fell in 2011's first half but recovered in the second half. **Inflation-** Consumer prices moderated in the U.S. in late 2011 but are increasing in a number of other countries. Gold rises with inflation.

Also critical to gold's value are: **Central bank reserves-** As major central banks continue to replace other reserves with gold, demand for the metal has increased. Net gold purchases by central banks exceeded 148 tons in third-quarter 2011, according to the London-based World Gold Council in November. **Supply and demand-** Global gold supplies rose 2% in third-quarter 2011 from a year earlier as mine output and metals recycling grew, while gold demand expanded 6%, according to the WGC. The world's third-quarter gold demand reached 1,054 tons, or \$57.7 billion, an all-time high in value terms.

In the WGC's most recent data, world third-quarter investment demand for gold surged 33% on the year to 468 tons. European third-quarter investment was a record 118 tons, up 135% on the year. Demand for gold bars and coins swelled in markets across the globe, growing 29% to 391 tons in the third quarter from 303 tons a year earlier. In value terms, third-quarter 2011 purchases of bars and coins totaled \$21.4 billion, well above \$12 billion in the corresponding 2010 quarter.

Chinese jewelry demand grew 13% on the year in third-quarter 2011, according to the WGC. Purchases grew in smaller Chinese cities as retail chains expanded to meet rising income levels. China's demand for gold bars and coins swelled by 24% in the quarter from a year earlier to 60 tons.

Inflows into gold ETFs or exchange-traded funds and similar products totaled 77.6 tons globally in the third quarter, 58% above year-earlier levels.

"Gold's long-term prospects remain strong as demand continues to rise, while growth in world supplies should remain limited." Hanlon says. "Uncertainty about U.S., European and other economies will clearly keep investors interested in precious metals in 2012." Gold could reach \$2,000 an ounce next year, and

many traders are looking at \$2,300, the metal's 1980, inflation-adjusted high, as a target, he says.

Dillon Gage Metals offers bullion trading, online trading of physical metal and futures, jewelry trading and liquidation, refining services, and rare coins and estate liquidations.

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Media Relations Contact:

Jo Trizila

[jo@TrizCom.com](mailto:jo@trizcom.com)

O: 972-247-1369

C: 214-232-0078