Spot gold falls below $1,250 on strong dollar and lack of immediate Brexit jitters

Gold price slide extends into second successive session with strong dollar proving to be drag on trading.

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By Gaurav Sharma

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Gold continued to slide for a second successive session on Thursday (30 March), as safe-haven demand failed to fire up after the UK gave the European Union formal notice of its intention to leave the 28-member bloc.

The strength of the dollar – up 0.36% versus the euro to above 93¢ to the greenback – on the back of US economic growth for the fourth quarter of 2016 being revised up to 2.1% versus market forecast of a 2.0% figure also clobbered gold prices.

At 4:43pm BST, spot gold was trading down 0.34% or $4.23 to $1,249.22 an ounce below the psychological $1,250-level, while Comex gold for June delivery was down 0.45% or $5.70 to $1,251.10 an ounce.

Fawad Razaqzada, market analyst at Forex.com, said a firmer dollar has undermined yellow metal. "But it remains to be seen whether what we are seeing is an oversold bounce for the dollar, or perhaps the resumption of its long-term uptrend.

"Furthermore, if Brexit negotiations were to turn ugly and/or stock markets tumbled for whatever reason then gold could easily make its way towards 2016's high at $1,375."

Carlo Alberto De Casa, chief analyst at ActivTrades, believes in the interim the first significant support area is placed at $1,240, followed by $1,225. "We could see a new bearish signal only if prices could return below $1,200/1,195, a key support area for gold."

Elsewhere in the precious metal market, unlike gold, spot platinum was up 0.17% or $1.58 to $955.78 an ounce, while Comex silver contract for May delivery was up 0.15% or 3¢ to $18.28 an ounce.

Away from precious metals, oil futures continued to tick higher, with much of the market contemplating some form of market supportive action by Opec at its next meeting in Vienna on 25 May 2017.

Earlier in the week, Qatar's energy minister and its chief Opec envoy Mohammed Saleh Al-Sada told the Qatar-UK Business and Investment Forum in London that the producers' agreement to lower production by 1.8m barrels per day (bpd) should be extended "beyond the third quarter of 2017" for the crude market stockpile overhang to ease.

At 4:53pm BST, the Brent front month futures contract was up 1.03% or 54¢ to $52.96 per barrel, while the West Texas Intermediate also climbed back above $50 to $50.36 per barrel, up 1.72% or 85¢.

Michael Wittner, global head of oil research at Société Générale said US production continues to be an important driver for non-OPEC supply as a whole.

"While American output contracted by 530,000 bpd in 2016, it bottomed out in the third quarter of the year and began to grow sequentially as the year end approached. We forecast annual growth at 250,000 bpd in 2017; however, on a quarterly basis, we expect US crude supply to grow by 405,000 bpd in 3Q17 and 530,000 bpd in 4Q17.

"Despite the impressive US growth outlook, Opec cuts of roughly 1m bpd are twice as big, and they are happening now, rather than in the second half of 2017. As a result, we forecast the global implied oil stockdraw for 2017 at -0.6m bpd."