

Metal Futures Plunge On Europe Worries

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Metals prices fell sharply Thursday on fears that Europe's spreading financial crisis will slow the fragile U.S economic recovery.

Traders were worried that a spiraling financial crisis in Italy, Spain and France could hurt U.S. banks. If that happens, it could slow growth and cut demand for industrial metals like copper and palladium. It would also slow inflation, which undermines demand for precious metals like gold and silver.

December palladium fell nearly 8 percent Thursday to close at \$603.70 an ounce. January platinum fell 3 percent, to \$1,581.10 an ounce. Copper for December delivery dropped 3 percent to close at \$3.3825 per pound.

Gold for December delivery lost 3 percent, to settle at \$1,720.20 per ounce. December silver fell nearly 7 percent to close at \$31.497 an ounce

Traders began selling metals after Fitch Ratings warned late Wednesday that large U.S. banks could be hit hard if Europe's debt crisis spreads. If that happens, it could the fragile U.S. economic recovery.

A weak economic recovery would mean that inflation won't be very severe. That undermines demand for gold, said George Gero, vice president at RBC Global Futures in New York. Traders buy gold as a way to hedge against a weaker dollar.

Slow economic growth also cuts demand for industrial metals like copper and palladium, which are used as raw materials in the world's factories.

On Thursday, traders moved money into cash and other safe investments. Kitco Metals Inc. analyst Jon Nadler summarized the bleak mood in note to clients:

"Sell everything. Run to cash. Hide. Take cover," he wrote.

Even grain and soybean prices fell steeply as hedge funds and other investors sold. A tepid economy would cut demand for food and crop-based fuels like ethanol.

Corn for December delivery fell 28.25 cents, or 4 percent, to settle at \$6.145 per bushel. December soybeans lost 19.5 cents, or nearly 2 percent, to \$11.6825 a bushel. December wheat fell 24.25 cents, or nearly 4 percent, to finish at \$5.925 per bushel.

In energy trading, oil prices fell below the \$100 per barrel mark after hitting it Wednesday for the first time since July.

Benchmark crude oil plunged \$3.77, or nearly 4 percent, to end at \$98.82 per barrel

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on the New York Mercantile Exchange.

Heating oil lost 5.14 cents to finish at \$3.0832 per gallon. Gasoline futures fell 12.02 cents, or nearly 5 percent, to close at \$2.5071 per gallon and natural gas rose 6.3 cents to close at \$3.546 per 1,000 cubic feet.

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