



August 12, 2015

Gold	Today	Change	Week Ago	Month Ago	Year Ago
	\$1,117.90	+\$9.20	\$1086.60	\$1,160.10	\$1308.25

Gold price spiked on Tuesday on news that China devalued its currency after a run of poor economic data. After hitting an intra-day high of \$1120 an ounce during the Hong Kong session, the price of spot gold retreated slightly. December gold closed up \$3.60 an ounce at \$1,107.60 an ounce and spot gold ended the day at \$1108.70 per ounce.

An announcement from the Peoples Bank of China (PBoC) rattled the financial markets on Tuesday. The Chinese government devalued its currency, the yuan, by 1.9% to 6.2298 yuan per dollar - its lowest point in almost three years.

China's devaluation of the yuan sent the dollar higher and raised the prospect of a new round of currency wars, just as Greece reached a new deal to contain its debt crisis.

It was the biggest one-day fall since a massive devaluation in 1994 when China aligned its official and market rates.

"Since China's trade in goods continues to post relatively large surpluses, the yuan's real effective exchange rate is still relatively strong versus various global currencies, and is deviating from market expectations," the central bank said.

According to sources, Greece and its international creditors have reached an agreement on the terms needed to provide the country with a third bailout worth up to €86 billion (\$94.76 billion), although

some details remain unresolved.

After talks that ran for more than 18 hours, government spokesman Theodoros Mihopoulos said in a tweet that "negotiations have been completed. There are some details left."

On Monday, UBS analyst Joni Teves cut the Swiss bank's one-month gold forecast by 13% to \$1,050/oz. with the key driver lower a possible interest rate rise in the US.

"Our new price forecasts signal our view that there is scope for further downside in gold from here on the back of both macro and gold fundamental factors over a one-month time frame," Teves said.

The analyst said that the possibility of a US Federal Reserve interest rate increase in September was the key catalyst for the change to the forecast.



About the author: David Levenstein is an independent precious metals market commentator with more than 30 years experience.

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