Dg | Daily Gold Update | 2013

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Gold	Today	Change	Week Ago	Month Ago	Year Ago
	$1,118.60	-$6.90	$1086.50	$1,160.10	$1311.00

Gold prices continued to rise for a fifth session in a row on Wednesday, hitting a fresh three-week high after China devalued its currency for the second time in two days. December gold closed up $15.40 an ounce at $1,123.10 an ounce and spot gold ended the day at $1125.50 per ounce.

The People's Bank of China (PBoC) set the yuan's midpoint reference at 6.33 versus the U.S. dollar devaluing the currency by an additional 1.6% after the 1.9% devaluation that took place on the previous day.

The action by the PBoC is intended to boost exports and stimulate economic growth. It is also a step to allow the currency's level to be increasingly determined by market forces and ultimately be included in IMF's SDR.

The yuan has fallen by around 4% in two days since the central bank announced the devaluation on Tuesday, but according to various sources there is pressure for an overall devaluation of almost 10% percent.

The IMF welcomed the move from China. "The new mechanism for determining the central parity of the Renminbi announced by the PBC appears a welcome step as it should allow market forces to have a greater role in determining the exchange rate... The exact impact will depend on how the new mechanism is implemented in practice".

The IMF also stated that the action taken by China will not have any "direct implications for the criteria used in determining the composition of the basket... Nevertheless, a more market-determined exchange rate would facilitate SDR operations in case the Renminbi were included in the currency basket going forward".

Bank of America Merrill Lynch lowered its 2015 gold price forecasts, citing the current macroeconomic backdrop and "persistent headwinds" to gold prices of late.

The bank said it was reducing its average 2015 gold forecast by 6.8%to $1,122 per ounce.

The bank reiterated its view that gold prices should fall below $1,000 per ounce in 2016.

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