

Black Friday surprise: gold price could cause sticker shock

The gold price is hitting record highs almost every day, reaching \$1,174 an ounce Tuesday morning. A gold chain that cost \$300 five years ago could go for \$900 on Black Friday.

When the wise men visited baby Jesus, they brought gifts: gold, frankincense, and myrrh. Today, they might have held off on the gold, because gold prices have hit record highs almost every day. On Tuesday morning, it reached \$1,174 per ounce.

Indeed, lots of Americans may be in for some sticker shock if they're buying jewelry as holiday gifts. The price of some bling has doubled so far this year. Couples who are making the trip to the altar will find that even a simple gold wedding band costs about 20 percent more than a year ago. As for gold watches – you might forget about it.

The sticker shock hit Dallas resident Victoria Snee last weekend when she was shopping for rings, bracelets, and necklaces at an outlet store. "I was stunned how expensive the pieces were," says Ms. Snee, a radio co-host and personality. "I was familiar with some of the jewelry and knew the ballpark price, and they are not the same price anymore."

The cost has been a turnoff to many consumers. Global demand for jewelry is down 30 percent compared with a year ago, according to a recent report from the World Gold Council, which promotes the metal.

A key reason for the rising price of gold, say gold analysts, is the falling US dollar, which is off 12.2 percent against major foreign currencies since March. The dollar was stronger during the financial crisis of the past two years as investors moved into US Treasury bills.

"One of the explanations is that investors are unwinding those purchases and going back into riskier assets," says Axel Merk, president of the Merk Mutual Funds in Palo Alto, Calif., which invests in strong currencies and gold.

"But some believe there is going to be more inflation in the US than other countries," Mr. Merk adds. "And buying gold is seen as a hedge against that."

The price of gold has gone from \$725 an ounce a year ago to \$1,165 an ounce on Monday.

Jeweler Laurent Landau of Diamond Ideals in New York estimates that simple gold chains he used to buy for \$50 now cost him closer to \$100. A basic gold wedding band that he sold for \$262 last year is now retailing for \$300.

"Overall, the consumers are the losers here," Mr. Landau says.

Well, not everyone. With the price so high, Americans have been scouring their dresser drawers and jewelry boxes for pieces they no longer use. William Oyster, president of the Dallas Gold & Silver Exchange, estimates that he is buying \$500,000 to \$1 million a month of the metal.

"With the economy being what it is and with all the publicity, people have something they can turn into cash," says Mr. Oyster, whose company has been in business since 1988.

For example, he will buy back for \$600 a gold chain that he sold five years ago for \$300. "And it will cost \$900" for a consumer to buy the chain, he says.

The industry is trying hard to keep prices as stable as possible, Landau says. "They are cutting profit margins," he says.

But even that may not be enough to entice consumers in a weak economy. "Jewelry is a luxury," he notes.

It may be a luxury, but for some people this holiday season, it's a luxury that's painful not to have. "Women love jewelry," says Snee in Dallas. "This is not a good thing for us."