Written by **Alex Newman** on April 8, 2011

Gold Hits New Record on Inflation, Debt Fears

Gold and silver prices soared to record highs and commodities continued pushing upwards as investors seek safe havens amid growing fears about inflation and the debt crisis swamping Europe.

On April 8 the spot price of gold in U.S. dollars was hovering at around $1,470 per ounce, a new record for the metal. When adjusted for inflation, however, gold was actually much higher in the late 70s and early 80s.

Silver also continued its upward trend. By April 8 it hit a new 31-year high at over $40 per ounce. Analysts blamed inflation and worsening political and economic turmoil worldwide for the rush to buy precious metals.

"You tend to get movements like this into gold and silver on the type of risks we're seeing in the [Middle East and North Africa] region, and now the flare up in Europe's sovereign debt issues," Morgan Stanley analyst Joel Crane told Reuters. "It's investors doing what investors do."

Worries about the purchasing power of paper money are playing a key role in the soaring prices too. Investors are becoming increasingly jittery as central banks around the world — especially the U.S. Federal Reserve — continue to inflate their currencies.

Combined with debt woes and chaos around the world, currency problems only compounded the rush into real assets.

"Inflation uncertainty and geopolitical risks are still high," LGT Capital Management analyst Bayram Dincer told the Bloomberg news service. "Sovereign bankruptcy in the European periphery is also supporting gold prices."

Wal-Mart CEO Bill Simon told *USA Today* earlier this week that "serious" inflation would be hitting retail prices soon. "We're seeing cost increases starting to come through at a pretty rapid rate," he said in the interview.

Other analysts have been warning for years about the looming rise in prices resulting from the expanded money supply. And some of the world's most successful investors believe the Fed's currency creation will keep going.

"The money printer will continue to print, that I'm sure," warned legendary investor Marc Faber, editor of the Gloom Boom & Doom report. In mid-March, Faber predicted many more rounds of "Quantitative Easing" — Fed speak for creating new money – and said there wasn't really anything else the central bank could do at this point. He also said gold was still a good buy on March 31.

Adding to the high prices caused by inflation of the money supply and geopolitical turmoil is also a real increase in the demand for commodities driven by growing Asian economies and emerging markets.

"All central banks are up against the fact that we do have a commodity boom market, and even if they didn't print money, the prices of things are going to continue to go much, much higher," explained Jim Rogers, another prominent investor with a track record of accurate analyses. "But with the U.S. pouring gasoline over the fire, it's going to be much more difficult for anybody to stop inflation. America is fanning it as best as it can, and it's going to get worse."

In addition to the spike in gold and silver, oil prices also rose sharply in recent days, hitting almost $125 per barrel by April 8. And prices of commodities across the board were continuing to climb through the end of the week – food and raw materials especially.

"High and volatile oil and food prices will, in particular, reverberate through the world economy, and they are likely to stay that way in 2011-2012," the Asian Development Bank said in an April 6 report cited by Reuters. "They will thus be a significant source of global inflation, especially in developing countries where recovery is firmly under way."

Some analysts predict that with rising interest rates in China, Europe and eventually the U.S., gold and silver prices could dip again. But other experts expect the rise in precious metals to continue even with higher interest rates.

"Even though it's been booming, silver is still 30 to 40 percent below its all-time high," investor Rogers told Forbes. "If I'm right, agriculture prices are going to go much, much higher."

A decade ago, gold was still below $300 per ounce. And on April 7, Standard Chartered bank predicted that could rise to above $2,000 in a few years and approach $5,000 by 2020.

At this time last year, silver was at less than half of current prices. In 2000 it was close to $5 per ounce. And analysts expect the upward trend to continue, especially as the loss of the dollar's purchasing power accelerates.