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Guy who called gold s bottom says it could jump 10% over next 9 months

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Q&A: State Street s George Milling-Stanley says gold could hit $1,300-$1,350/oz. this year

Gold s price jump in February alone erased all of last year s losses and it is probably not done climbing yet.

Gold futures GCJ6, +0.14% finished February with a gain of 10.5%. That s about how much it lost during all of 2015. Year to date, the numbers look even better, with prices up almost 17%.

State Street Global Advisors

State Street Global Advisors s George Milling-Stanley

Back in November, when prices were trading near their lowest level since early 2010, George Milling-Stanley, head of gold investment strategy at State Street Global Advisors, told MarketWatch gold should find solid support around $1,050 an ounce, which was the bottom of its trading range at the time and it has.

FactSet

Prices hit lows under $1,050 in the middle of December, and has been generally climbing ever since.

Now Milling-Stanley says he expects prices to move up even more, possibly $1,350 an ounce or higher.

He offered MarketWatch his latest thoughts on the month s rally for gold and how central banks, the U.S. Federal Reserve s interest-rate decisions and other factors may influence trading:

Question: What was the biggest reason for February s rally?

Some of the factors that had been keeping the price of gold under pressure since the bursting of the 2011 bubble have begun to change in gold s favor. The dollar DXY, +0.16% recently fell to a four-month low, equities showed signs of nervousness, and investors lost their complacency in the face of risks both macroeconomic and geopolitical and turned to risk-off assets such as gold.

Q: How long will gold continue its inverse relationship with global stock markets? Could you provide a little context on gold s usual relationship with stock market performance?

Gold does not have a statistically significant relationship with equities at all times, but when equities are in sudden decline, an inverse correlation often develops and gold tends to rise. [Editor s note: An inverse correlation means that gold typically moves in the opposite direction of stocks]

Q: In a recent report, the World Gold Council said it expects central banks to continue to add to their gold reserves this year and more purchases from them will continue to help support gold prices over the next few years. Will gold s price climb have an impact? What s your outlook on gold demand?

Central bank purchases are not price sensitive. Emerging-market central banks have been steady and substantial buyers since 2010, irrespective of significant movements in the gold price. In general, I am expecting demand to remain strong, some small seasonal fluctuations aside, because while today s prices are higher than 2015, they are still considerably lower than four or five years ago. [Editor s note: Gold prices reached a high of $1,876.90 an ounce on Sept. 2, 2011 according to FactSet data pegged to the most-active contract.]

Q: Will the U.S. Federal Reserve s policy decisions have as much pull on gold prices as they did last year? Why or why not?

The FOMC has made it abundantly clear that any moves on interest rates in 2016 will be measured, cautious, gradual. That is helping gold this year, and I expect the Fed to keep its word.

Q: Shares of gold-mining companies and exchange-traded funds saw spectacular gains in February, with the Philadelphia Gold and Silver Index up 39% and the SPDR Gold Trust GLD, -0.41% gaining about 10.9%. These have outpaced gold-price gains. Do you expect this to continue and what would need to happen for this to continue?

The rise in the price of GLD was exactly in line with the rise in the gold price, as it always is. Gold-mining and especially exploration companies had been severely depressed for some years, so there is an element of catch-up in their sizable gains so far this year. I do not look for the discrepancy to be maintained for very long. What is really happening here is just a return to a more normal state of affairs.

Q: How long might that bottom hold and how much higher can it go from here?

It certainly looks as though $1,050 was the bottom in gold for the time being, and I am looking for prices to continue to firm.

For several years the top of the trading range for gold has been around $1,300 to $1,350, and I would look to see gold approach that area this year. We could go higher if the speculative money starts to flow back into gold in any size.

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