

Gold, Silver Rise After North Korea Fires Missiles Into Sea

July 5 (Bloomberg) -- Gold and silver rose in Asia after North Korea fired at least six missiles over the Sea of Japan today, prompting some investors to buy bullion as a haven.

The firings are "provocative," White House National Security Adviser Stephen Hadley said in Washington. Japan may impose economic sanctions, a move that North Korea has said it would consider to be a declaration of war. Asian stocks and currencies dropped.

"The geopolitical positioning with North Korea will keep the gold market on the edge," Ron Cameron, a resources analyst at Ord Minnett Ltd., said from Sydney. "Gold prices could shoot through."

Gold for August delivery rose as much as \$16.50, or 2.7 percent, to \$632.50 an ounce in after-hours trade on Comex division of the New York Mercantile Exchange. It traded at \$627.80 at 2:02 p.m. Sydney time.

Some investors buy bullion as a store of value in times of geopolitical tension. Gold for immediate delivery surged 5.3 percent on Sept. 11, 2001, when terrorists attacked the U.S. The metal rose as much as 1.5 percent on March 8 after a report that North Korea fired two missiles near its border with China.

Silver for September delivery rose as much as 41.5 cents, or 3.8 percent, to \$11.335 an ounce in after-hours trade on Comex. The contract traded at \$11.260 at 2:01 p.m. Sydney time.

Silver futures have risen 26 percent this year amid rising industrial demand, and increased hedge and pension fund interest in commodities.

'Strong Fundamentals'

"Silver tends to move quite closely to gold, and the fundamentals are also strong with investment demand quite strong," said Gerard Burg, a minerals and energy economist at National Australia Bank Ltd., in Melbourne. "We see gold moving higher over the course of the year."

The tests defied calls for restraint from the U.S., China, Japan, South Korea and Russia, and may undermine diplomatic efforts to persuade North Korea to give up its nuclear-weapons program.

"This has stirred up the market," said Darren Heathcote, head of trading at N.M. Rothschild and Sons (Australia) Ltd. in Sydney. "It lends weight to investors wanting to buy gold on geopolitical and inflation concerns." Gold may reach \$636 today, he said.

Gold for immediate delivery rose as much as \$10.51, or 1.7 percent, to \$630.75 an ounce, and traded at \$626.06 at 2:05 p.m. in Sydney.

Spot gold reached a 26-year high of \$730.40 an ounce on May 12, driven by investment demand and concern about inflation. Some investors buy the metal as a store of value when the pace of inflation is higher-than-expected.

'Sanctions Possible'

"We will consider every type of sanctions possible," Japan's Chief Cabinet Secretary Shinzo Abe said in Tokyo. "The international community should strictly condemn the North Korean missile launches."

The Morgan Stanley Capital International Asia-Pacific Index fell 0.5 percent to 127.79 at 2:11 p.m. in Sydney. The yen declined to a record low of 147.29 against the euro before trading at 146.96.

Shares of gold mining companies such as Newcrest Mining Ltd., Australia's biggest gold mining company, and Lihir Gold Ltd. rose along with the gain in bullion.

"The initial stock market thinking is that it's good news for the gold price, bad news for the markets," said Marcus Padley, a Melbourne-based trader at Tolhurst Noall Group Ltd., in a note to clients.