Wall Street Journal: 26 Jun 2013 12:08 GMT **DJ Spot Gold Plummets, Hits Near 3-Year Low on Stimulus Fears**

By ***Francesca Freeman*** and Clementine Wallop

Gold prices skidded to their lowest level in almost three years Wednesday as investor confidence took another knock from further signs that U.S. economic growth may be picking up sufficiently to warrant the scaling back of the Federal Reserve's gold-positive stimulus program.

Earlier in the day spot gold plummeted 4.1% a troy ounce on the European spot market, its lowest price since August 2010. At 0959 GMT, the metal had recovered slightly and was trading at $1,228.90 an ounce, down 3.8% on the day. Silver, which is typically more volatile than gold due to its thinner trading volumes, was down 5.2% at $18.557 an ounce, having earlier fallen to a near three-year low at $18.455 an ounce.

A strong batch of U.S. economic data Tuesday triggered gold's latest tumble. U.S. consumer confidence rose to 81.4 last month, up from 74.3, marking its highest level since January 2008. The S&P/Case-Shiller index also set records for its month-over-month increase, while durable goods orders expanded ahead of expectations. New homes sales, meanwhile, rose to their highest level in nearly five years in May.

The strong data sparked fresh fears that the Fed will start to rein in its bond-buying program. Gold prices have benefited greatly from the Fed's easy monetary policy in recent years, reflecting the metal's appeal as a hedge against currency debasement and inflation. U.S. Federal Reserve Chairman Ben Bernanke last week said the U.S. central bank could start winding down its $85-billion-a-month bond-buying program later this year if economic conditions continue to improve.

"This is another brutal correction," said ***Ronald***-Peter Stoferle, co-founder of wealth management firm Incrementum Liechtenstein. "The problem with gold is that it has this safe haven appeal, and this very high volatility has clearly done some damage to attitudes in the West when it comes to gold."

Exactly when gold investors will feel confident enough to step back into the market is hard to tell, said Mr. Stoferle.

"Gold is heavily oversold now and sentiment is extremely negative, so if you've got the guts then this is probably a good entry point. But people never want to catch a falling knife, so it might have to wait a while for prices to rebound," he said.

Gold prices have also been under pressure in recent days amid fears over the impact of a cash squeeze in China, which along with India is one of the world's two biggest consumers of the yellow metal. Low demand from India following moves by the central bank to curb gold imports is compounding the bearish market mood.

Lackluster physical demand from gold in Asia suggests that gold's latest slide may not be over just yet, said market participants.

Compared with frenzied gold and silver buying after gold's April slump, demand at the moment is relatively slow, said Brian Lan, managing director of Singapore-based dealer Gold Silver Central.

A break below $1,300 an ounce last week sparked "one or two days" of strong demand, but "since then it is petered out," he added

Uncertainty over the Fed's timeline for reining in its stimulus is contributing to muted demand for bullion in Asia, said Mr. Lan.

"People are uncertain about when to purchase gold," he said; "The Fed…has said it's going to taper bond buying, but it hasn't said by how much or when."

Other precious metals also fell steeply Wednesday. At 0959 GMT, spot platinum was 1.9% lower at $1,323 an ounce and spot palladium was 3.5% lower at $641.50 an ounce.

Write to ***Francesca Freeman*** at francesca.freeman@dowjones.com and Clementine Wallop at clementine.wallop@dowjones.com