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# Here's What's (Still) Driving Gold's Price

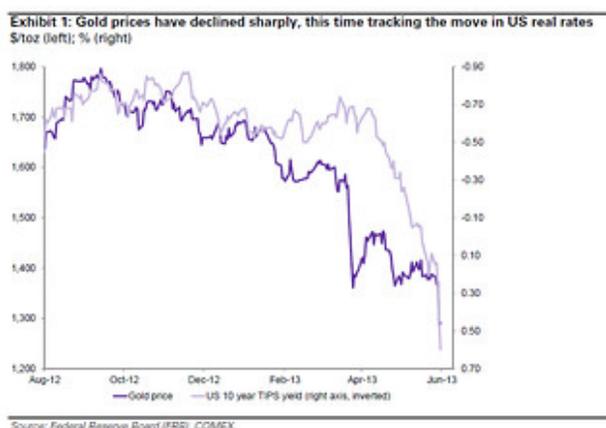
By Brendan Conway

Real interest rates are the place to look if you're keeping tabs on the price of gold.

Real rates are simply what you get after factoring in inflation. Figure out where real rates are headed and you're likely to have more success predicting where gold is headed.

[The negative correlation of TIPS real yields with gold's price is 82% over the long haul](#), according to a study by **Claude B. Erb** and **Campbell R. Harvey**. The duo aren't convinced that real yields are what "drives" gold's price. But with the correlation relatively high, the issue of what's driving what is academic unless and until the relationship changes. (Worth noting: The duo also conclude that "Over practical investment horizons, gold is an unreliable inflation hedge.")

Lately, with bond yields soaring and inflation expectations about flat (or declining), it's a recipe for gold's decline. Here's how the relationship has played out over the last year, in a chart by **Goldman Sachs**:



**SPDR Gold Trust (GLD)** is down 0.8% to \$124.13 late morning on Monday, while **Market Vectors Gold Miners ETF (GDX)** has slumped 4.9% to \$23.71 and **Market Vectors Junior Gold Miners ETF (GDXJ)** has plummeted 7.4% to \$8.81.

**Direxion Daily Gold Miners Bull 3X Shares (NUGT)** has slumped 12% to \$5.53, while miner-bear ETF **Direxion Daily Gold Miners Bear 3X Shares (DUST)**, has jumped more than 13% to \$139.70.

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