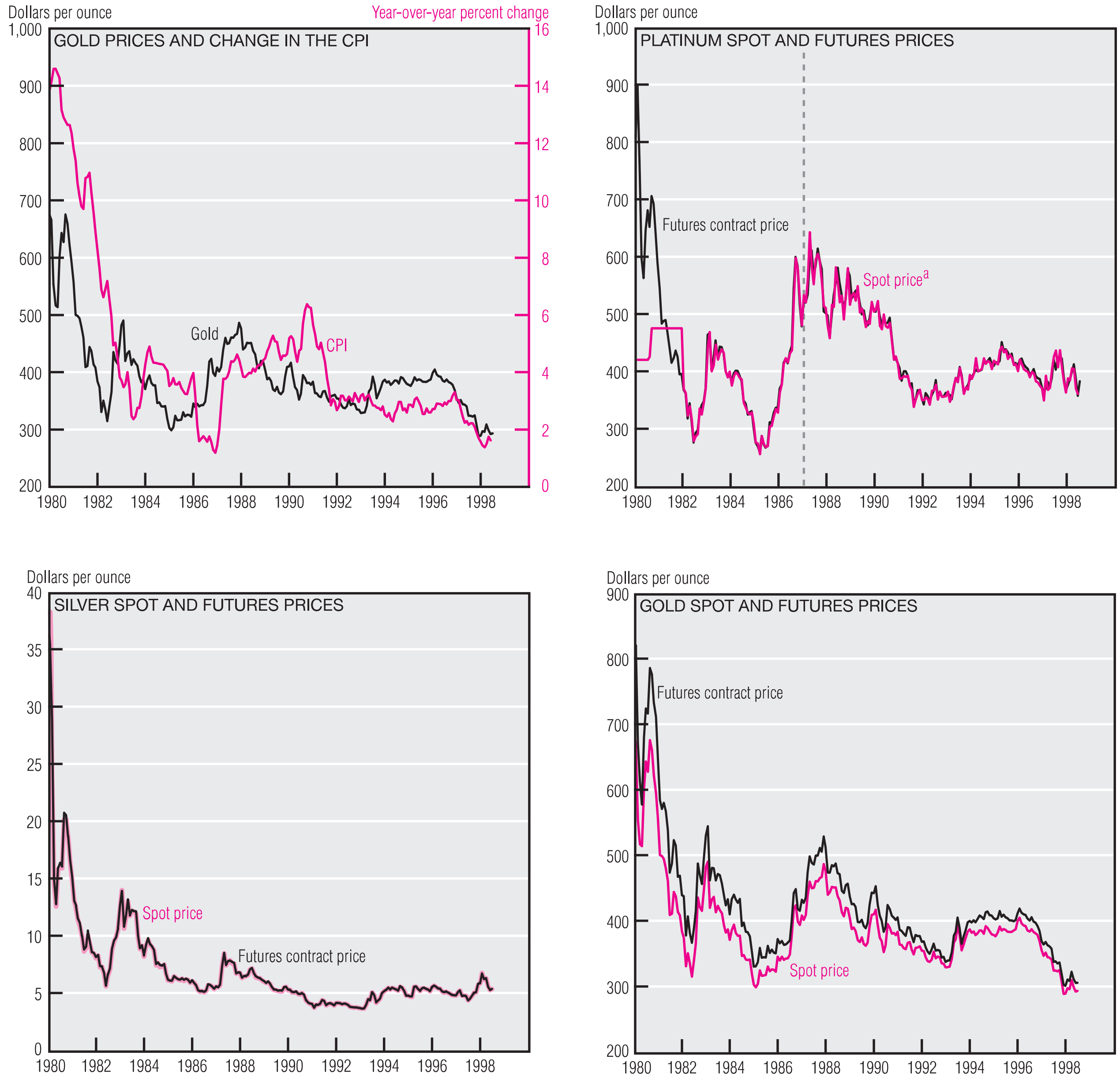
Precious Metals Prices



a. Prior to 1987, prices are monthly averages; subsequently, they are end-of-month closing prices.
NOTE: All precious metal prices are in dollars per troy ounce.
SOURCES: DRI/McGraw–Hill; Bloomberg information services; and Bridge Commodity Research Bureau, *The CRB Commodity Yearbook, 1997*. New York: John Wiley & Sons, Inc., 1997, p. 208.

Movements in precious metals prices have long held a fascination for both economists and the general public. Although precious metals have many industrial and commercial applications, their prices behave more like those of long-term assets than those of consumable commodities. As a result, traders have strong incentives to acquire all information about economic developments that could influence future commodity values and to incorporate the information into current (or spot) prices. This explains why spot and futures prices of precious metals normally move together (as the charts for silver and platinum so clearly illustrate).

Because precious metals prices embody expectations and are quoted more frequently than broad price indexes, economists often consider their movements when attempting to predict inflation. Gold prices, for example, tend to mirror inflation, especially in high-inflation years. Like all commodities, however, precious metals are also sensitive to the peculiarities of their own markets. Hence, a particular metal may give a false reading on overall inflation.

Commodity prices generally have remained fairly flat or have declined over the current business cycle, as has the overall rate of inflation. Recently, all precious metals prices have flattened out or ticked up, suggesting that further gains against inflation may not be imminent.