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Gold falls to 5-year low, as Fed provides little clarity on rate hike

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Gold fell to a fresh five and a half year low, as investors continued to stake their bets on a December interest rate hike by the Federal Reserve following comments from a host of influential policymakers from the U.S. central bank on Thursday.

Gold for December delivery traded in a broad range between $1,073.40 and $1,088.80 an ounce before settling at $1,080.50, down 4.40 or 0.41% on the session. Since peaking above $1,180 an ounce in late-October, gold futures have now closed lower in 10 of the last 12 sessions erasing all of their gains from the last three months. At one point in Thursday's session, the precious metal slumped to its lowest level since February 4, 2010, when it traded at $1,062.40. Gold has not dipped below $1,000 an ounce since 2009.

Gold likely gained support at $1,078.60, the low from July 24 and was met with resistance at $1,189.00, the high from Oct. 14.

On Thursday, a half dozen monetary policymakers from the Federal Open Market Committee, including chair Janet Yellen and vice chairman Stanley Fischer were scheduled to make public comments ahead of its highly anticipated meeting next month on Dec. 15-16. In welcoming remarks at the Fed's conference on Monetary Policy Implementation and Transmission in the Post-Crisis, Yellen declined to address the FOMC's near-term outlook regarding a potential rate hike or the current state of the U.S. economy. Instead, Yellen spoke briefly on the importance of assessing how monetary policy impacts the global economy in the post-crisis period.

“At the peak of the crisis and during its immediate aftermath, unconventional monetary policy measures were designed and implemented by the Federal Reserve and other central banks around the world,” Yellen said. “The post-crisis period has offered policy makers an opportunity to assess a range of novel policy and operational issues associated with the conduct of monetary policy and the effectiveness of different policy options.”

Minutes later, Federal Reserve Bank of Richmond president Jeffrey Lacker noted in a speech before The Cato Institute's 33rd Annual Monetary Policy Conference that monetary policy determines the "long-run path" of price levels, a notion he said has remained "essentially unchanged since the Great Recession." Lacker has dissented in each of the last two FOMC's meetings, voting each time for a quarter-point rate hike. Earlier at the conference, St. Louis Fed president James Bullard reiterated prior views that the FOMC's unemployment and inflation goals have been met, providing "no reason to hold rates" at near-zero levels.

On Thursday evening, Fed chair Stanley Fischer is scheduled to deliver a speech on the transmission of exchange rates to output and inflation at the Fed's post-crisis conference. In addition, New York Fed president William Dudley said Thursday that a December lift-off depends on the incoming data over the next several weeks as the risks of moving too quickly or too slowly are currently "nearly balanced." In spite of stellar employment data last week, Dudley said labor market slack still remains, while inflation continues to run below its target rate.

A rate hike is viewed as bearish for gold, which is not attached to dividends and interest rates and struggles to compete with high-yield bearing assets in rising rate environments.

The U.S. Dollar Index, which measures the strength of the greenback versus a basket of six other major currencies, stood at 98.85 in U.S. afternoon trading, down 0.20% on the session. On Tuesday, the index surged more than 0.3% to 99.60, reaching a fresh seven-month high. Dollar-denominated commodities such as gold become more expensive for foreign purchasers when the dollar appreciates.

Silver for December delivery lost 0.023 or 0.16% to 14.240 an ounce.

Copper for December delivery fell to a six-year at low at 2.159 a pound, before rallying slightly to settle at 2.171 a pound -- down 0.047 or 2.06% on the session.