

## Gold prices drop on dollar strength

Gold prices dropped on Wednesday as the dollar firmed, while investors awaited minutes from the U.S. Federal Reserve's May policy meeting for cues on the magnitude of the central bank's upcoming interest rate hikes.

Spot gold was down 0.5% at \$1,857.39 per ounce, as of 0636 GMT, after rising to its highest since May 9 of \$1,869.49 on Tuesday. U.S. gold futures also dropped 0.5% to \$1,856.00.

The dollar index strengthened after hitting its lowest level in a month in the previous session, making greenback-priced bullion more expensive for buyers holding other currencies.

"Traders will be looking to the FOMC (Federal Open Market Committee) minutes for policy hints beyond June and July, as September rate hike expectations could be hugely pivotal for gold prices," said Stephen Innes, managing partner at SPI Asset Management.

However, "investors are struggling with how to assess the landing path of inflation now that peak inflation is behind us. The question for the market is how long it will take to normalize, and that uncertainty is helping gold," Innes said.

While gold is seen as an inflation hedge, higher short-term U.S. interest rates raise the opportunity cost of holding non-yielding bullion.

As the Federal Reserve amps up its fight against 40-year-high inflation with what is expected to be a string of big interest-rate increases, a U.S. central banker injected a note of caution, warning headlong rate hikes could create "significant economic dislocation."

Spot gold may stabilize around a support at \$1,856 per ounce and retest a resistance at \$1,867, according to Reuters' technical analyst Wang Tao.

Spot silver was down 0.6% at \$21.95 per ounce, platinum eased 0.7% to \$947.49, while palladium rose 0.5% to \$2,015.99.

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