Gold soars $49 in a day as international tensions rise and economic growth fears fester

Gold {AU} shone on a day of rising international tensions focused on the Syrian civil war, fears about international growth weakness, and stress in the banking system.

Fears of a potential invasion of Syria by Saudi Arabian and Turkish forces has created the potential to escalate the conflict, with the Syrian government are their allies the Russian and Iranian forces opposed to such a move.

Gold rising as a safe haven in a rapidly deteriorating international environment

The price of gold soared by over $49 per ounce today, and the principal reason for such a sharp rise seems to be the rapidly deteriorating situation in Syria, with threats of invasion from Saudi Arabia and Turkey, as they seek to prop up their proxies, now being routed by the Syrian,Russian, Iranian and, Hezbollah alliance in Aleppo and elsewhere.

Having invested so much in supporting and financing the non ISIS groups opposing President Assad in Syria, the Sunni alliance of Saudi Arabia and Turkey are facing losing face as their groups are now being routed by a resurgent Syrian army backed by Russian air support, and Iranian and Lebanese forces on the ground.

Should the invasion occur, they would be in direct conflict with Shia Iranian soldiers on the ground, and the potential for a more widespread conflict would then be intense. Whilst the *stated intention* is to engage ISIS in northern Syria, the feeling is they could try and relieve their embattled proxies in Aleppo and elsewhere instead.

Add to this the weakness in international growth, causing the US dollar to decline, and signs of some potentially serious stress in the banking system. (check out the 3 year chart for Deutsche Bank!) and a declining dollar assisted the flight to the safe haven that is gold.

One source of banking stress could well occur in the US banking system with banks with large loan portfolios to the oil industry looking vulnerable in the wake of a continuously weak oil price, and rumours of non performing loans not been written down yet.

So against this uncertain background, the price of safe haven gold increased significantly today, and unless a late decision is made for a Syrian ceasefire in Munich this evening, this appreciation in value may well continue.

The other beneficiary of any escalation in the conflict will be the price of oil, as it is hard to see how a military engagement between Saudi Arabia and Iran would not escalate to involve attacks on each others facilities and refineries.

Obviously one hopes for a rapid and peaceful resolution to the conflict, and that an escalation does not occur, but this looks increasingly unlikely at the moment.