

Press Release



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Quantitative Easing May Help Support Gold Prices, According to Mellon Capital Management

BNY Mellon Boutique Sees Investors Caught Between Low Yields and Inflation Threat

SAN FRANCISCO, December 21, 2010 – The November round of quantitative easing announced by the U.S. Federal Reserve is expected to provide support for gold prices throughout the tenure of this policy and beyond, according to a recent report from Mellon Capital Management Corporation, part of BNY Mellon Asset Management.

The report, which is part of BNY Mellon Asset Management's global market outlook for 2011, notes that the easing policy is likely to keep treasury yields low at a time that government deficit spending worldwide has raised expectations about future inflation.

"Investors are likely to be faced with the choice of either buying treasury bonds with low yields or buying real assets, such as gold, that potentially can retain their buying power in the face of unexpected inflation or geopolitical turbulence," said Kenton Yee, senior research analyst for Mellon Capital and author of the report. "In fact, we have seen a remarkably strong link between the real yields of U.S. inflation-protected bonds and higher gold prices since 2008."

The report raises the possibility that gold could become a shadow currency against which all other currencies are evaluated as the world monetary base expands.

"It is important to not get caught up in the excitement of the gold rally," Yee said. "The strategy concept is to hold gold, not to speculate on price appreciation, but to help diversify your portfolio against unexpected inflation or shifting winds in global capital markets."

Notes to Editors:

Founded in 1983 by innovators in the investment management field, **Mellon Capital Management Corporation** applies a disciplined and analytical approach to global investment management strategies. As of September 30, 2010, the firm had \$191 billion in assets under management, including assets managed by dual officers of Mellon Capital Management Corporation, The Bank of New York Mellon and The Dreyfus Corporation, and \$9.2 billion in overlay strategies. Additional information about Mellon Capital is available at www.mcm.com. It is part of BNY Mellon Asset Management, one of the world's largest asset managers.

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