**Market Commentary**

**REUTERS - PRECIOUS-Gold scales near 5-month peak on weaker dollar, inflation worries**
* Focus on U.S. payrolls data on Friday * China factory growth picks up in May - survey * Silver hits two-week high June 1 (Reuters) - Gold prices rose to a near five-month high on Tuesday, boosted by a weaker dollar and growing inflationary pressures, while investors awaited more U.S. data to gauge the extent of global economic recovery. Spot gold was up 0.2% at $1,911.45 per ounce by 0255 GMT, after hitting its highest since Jan. 8 at $1,914.26 earlier in the session. U.S. gold futures rose 0.5% to $1,914.20 per ounce. "Gold prices are riding a very strong upward trend ... this is against the backdrop of a falling U.S. dollar and also inflation concerns," said Margaret Yang, a strategist at DailyFX. "Perhaps another fundamental factor behind gold is the return of Chinese and Indian buyers. In the near-term, if gold can breach the $1,922 per ounce mark, it can open the room for further upside potential." The dollar index was down 0.3% against its rivals, making gold less expensive for other currency holders. The U.S. unit registered its second consecutive monthly loss. Last week, data showed U.S. consumer prices surged in April, with a measure of underlying inflation blowing past the Federal Reserve’s 2% target. Market participants’ focus this week will be on key U.S. economic readings, including non-farm payrolls data due on Friday. Federal Reserve officials have repeatedly maintained they expect any rise in inflation to be short-lived and said monetary stimulus would stay in place for some time. China’s factory activity expanded at the fastest pace this year in May as domestic and export demand picked up, though sharp rises in raw material prices and strains in supply chains crimped some companies’ production, a survey showed. Elsewhere, silver gained 0.6% to $28.22 per ounce, after hitting a two-week high earlier in the session. Palladium rose 0.8% to $2,850.63 and platinum climbed 0.5% to $1,192.22. (Reporting by Brijesh Patel in Bengaluru; Editing by Ramakrishnan M.)