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## PRECIOUS METALS COMMENTARY

01/14/09

### MINIMAL BULLISH CONTROL EARLY BUT THE UPSIDE APPEARS LIMITED

#### OVERNIGHT CHANGES THROUGH 3:15 AM (CT):

**GOLD** +4.60, **SILVER** +11.00, **PLATINUM** +13.90

London Gold Fix \$827.25 +\$12.25 LME Copper stocks 382,150 tons +7,300 tons

GOLD stks 8.550 ml oz -5,101 oz SILVER stks 126.8 ml oz -628,541 oz



**OUTSIDE MARKET DEVELOPMENTS:** Given the US gold markets capacity to shake off a weak lead from the Indian gold market action overnight, one gets the sense that a slightly weaker US Dollar was providing some positive direction to gold and silver prices this morning. With a recent bounce in energy prices and the weaker Dollar, the outside market action seems to be generally favoring the bull camp into the US opening. With the US scheduled report slate today bringing forth US retail Sales, business inventories, oil inventories and a Fed Speech there could be plenty of volatility in precious metals prices today. While weak US data hasn't specifically undermined the Dollar lately, it is possible that a much weaker than expected retail sales reading this morning could pull down the Dollar and that in turn could lend some currency related support to gold and silver prices. Some traders even expect to see some type of gold and silver reaction to the oil inventory data today. However, traders should continue to fear the impact of too much slowing, especially in the event that retail sales are much weaker than expected, but with initial strength in gold and slight additive gains in the energy complex this morning, the metals markets in general don't appear to be that vulnerable to classic deflationary selling pressure.

## GOLD

**GOLD MARKET FUNDAMENTALS:** Once again the Indian gold market action overnight seemed to favor the bear camp, but the gold market seems to have discounted that action and in the early going today, gold seems to be carving its own path. Surprisingly the gold market has apparently discounted bearish demand news from the World Gold Council overnight who weighed in with reports of a 15% decline in Italian gold jewelry sales. In fact, the market could also have been undermined by talk that Venezuela and Russia were planning a massive gold mining joint venture. However, as in the silver market, the gold market doesn't seem to be willing to give too much credence to bearish physical supply side news items. Some players are suggesting that gold is finding fresh flight to quality buying interest in the wake of renewed US financial sector concerns and with the news that the US was preparing to authorize the use of the remaining TARP funds it is clear that government officials are also seeing an increase in financial sector turmoil! However, it would also seem like the gold market will continue to walk a tight rope between a flight to quality environment and a quasi deflationary atmosphere. The April gold contract has seemingly rejected this week's lows, with some traders suggesting that the oil inventory data and the direction of oil prices will be important to the trade today. With a weaker Dollar, some financial sector concerns still in place and early gains in the US gold market, we can't argue with a slight attempt to bounce today. The April gold contract might see initial resistance up at \$838 today, with up trend channel support seen at \$812.8 today and at \$815.5 on Thursday.

## SILVER

**SILVER MARKET FUNDAMENTALS:** The silver market has started out on a positive footing today and most of the bullish sentiment seems to be coming from the strength in gold and the initial weakness in the US Dollar. However, the silver market did see another noted decline in daily silver exchange stocks and evidence of contracting silver production at a Mexican silver producer overnight. With Apex mining filing for Chapter 11 earlier this week, one could suggest that the supply side of the equation is generally bullish for silver. On the other hand, the silver trade recently seems to have more interest in the prospect of investment demand, than concern for tightening physical supply. With some early weakness in the copper market today and the prospect for more evidence of slowing from the US retail sales report, one could suggest that the industrial roots of the silver market could serve to check some of the early bullishness toward silver prices. Like the gold market, the silver market looks to take some direction from oil prices today and therefore the oil inventory report this morning could bring about a volatility event and perhaps even a two sided trade. While March silver appears to have rejected a sub \$10.54 trade and the initial bias is bullish today, we don't get the sense that the market is poised for some type of distinct upward thrust on the charts. In fact, we get the sense that the silver market is forging a simple technical bounce and that ultimate slowing fears will keep March silver prices attracted to the levels just above \$10.50.

### **METALS TECHNICAL OUTLOOK:**

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

COMEX GOLD (FEB) 01/14/2009: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 810.4. The next area of resistance is around 826.7 and 834.3, while 1st support hits today at 814.7 and below there at 810.4.

COMEX SILVER (MAR) 01/14/2009: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 1045.1. The next area of resistance is around 1079.0 and 1089.0, while 1st support hits today at 1057.1 and below there at 1045.1.

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