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PRECIOUS METALS COMMENTARY

06/15/09

OVERBOUGHT STATUS ACCENTUATED BY SAGGING MACRO VIEWS AND \$ GAINS

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD -6.80, **SILVER** -55.00, **PLATINUM** -24.20

London Gold Fix \$932.00 -\$18.00 LME Copper stocks 286,975 tons -3,300 tons
GOLD stks 8.736 ml oz +4,540 oz SILVER stks 120.4 ml oz +115,607 oz



OUTSIDE MARKET DEVELOPMENTS: The outside market influences initially look to favor the bear camp, as the Dollar is sharply higher, equities are under pressure and a host of physical commodities are showing some noted weakness. Apparently the overall outlook for the global economy is being called into question again, and it would seem like that doubt was originally fomented by over valuation dialogue in global equity markets. With the Dollar actually getting some support from the Russian Finance Minister overnight, with suggestions that the US Dollar was likely to remain the world's main reserve currency, a large portion of the overnight weakness does seem to be coming from the strong action in the US Dollar. While the US economic report slate today is somewhat active, the markets will be facing an avalanche of US data on Tuesday morning and therefore the macro economic outlook could have more influence on Tuesday, than it will in the action today. At least into the opening today, it would not appear like the weakness in a host of physical commodity markets is particularly aggressive, but clearly the weakness is broad based and that would seem to favor the bear camp in the precious metals markets in the early going.

GOLD

GOLD MARKET FUNDAMENTALS: While the gold market saw a number of bullish longer term private price forecasts overnight and the Iranian election flap has provided the market with a slight bit of geopolitical uncertainty, it would not seem like gold and a host of other physical commodity markets are capable of discounting the sharp rally in the US Dollar this morning. Some players are even suggesting that weakness in equities is contributing to the weakness in gold, as lower equity prices seems to have rekindled recessionary concerns again. The bull camp is hopeful that corrective action will bring about some bargain hunting buying of gold, but with the Dollar showing definitive strength and a pattern of lower lows on the charts in gold, the bull camp might be unwilling to fight the short term trend. Not surprisingly, recent threats of labor problems in the South Africa mining sector haven't been able to find a slot in the headline flow this morning and that in turn might leave outside market forces as the dominating influence in the gold trade. A strong Dollar, slack economic views and lower oil prices would seem to leave the bear camp with near term control over prices. With the June 9th Commitment of Traders with Options report for Gold showing the Non-commercial position to be net long 201,359 contracts, with the Non-reportable position net long 37,254 contracts, that made the "combined" spec and fund position net long 238,613 contracts as of early last week. Therefore, the gold market remains overbought and vulnerable to long liquidation pressure and that could set the stage for a return to the \$920 level.

SILVER

SILVER MARKET FUNDAMENTALS: Like the gold market, the silver market doesn't look to have much in the way of fresh definitive news from the internal fundamental front this morning and that could leave outside market

forces as the main driving force for silver prices. However, with the July silver contract showing noted weakness early this morning, it would seem like a sharp rise in the Dollar and noted weakness in the equity markets has given the bear camp added confidence. In fact, with a host of physical commodities also under pressure this morning, it would seem like silver is being dragged lower because of sagging physical demand fears. With the rise in the Dollar catching the attention of most traders and the July silver contract seemingly violating a series of critical chart levels, one could also get the sense that the bearish stories will be given more credibility than the bullish stories in the early going today. However, the bull camp could suggest that the Dollar bounce doesn't seem to be based on definitive fundamental arguments. With a big range down extension on the charts early in the session today and the fear of more recessionary conditions ahead, we have to leave the path of least resistance pointing downward. With the June 9th Commitment of Traders with Options report for Silver showing the Non-commercial position to be net long 32,749 contracts, with the Non-reportable position also net long 17,133 contracts, that made the "combined" spec and fund position net long 49,882 contracts as of early last week. Therefore, the silver market was clearly vulnerable to some long liquidation balancing and that could mean a slide to even lower support down at \$14.00.

Commitment of Traders - Futures and Options - 6/2/2009 - 6/9/2009						
	Non-Commercial		Commercial	Commercial	Non-Reportable	
	Net Position	Weekly Net Change			Net Position	Weekly Net Change
Metals						
Copper	-18,810	-93	14,432	-903	4,379	997
Gold	201,359	-3,524	-238,613	6,825	37,254	-3,302
Palladium	8,353	303	-10,316	-307	1,963	4
Platinum	8,931	1,407	-12,611	-1,763	3,680	356
Silver	32,749	2,255	-49,882	-4,046	17,133	1,790

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 (AUG) 06/15/2009: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is now at 920.7. The next area of resistance is around 951.2 and 966.7, while 1st support hits today at 928.2 and below there at 920.7.

COMEX SILVER (JUL) 06/15/2009: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is now at 1431.2. The next area of resistance is around 1515.2 and 1562.1, while 1st support hits today at 1449.8 and below there at 1431.2.

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