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## PRECIOUS METALS COMMENTARY

06/16/09

### TRADERS SHOULD NOT BE FAKED OUT BY INITIAL STRENGTH THIS MORNING

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**GOLD** +9.40, **SILVER** +29.50, **PLATINUM** +18.70

London Gold Fix \$936.75 +\$4.75 LME Copper stocks 285,050 tons -1,925 tons  
GOLD stks 8.742 ml oz +5,189 oz SILVER stks 118.7 ml oz -1,741,669 oz



**OUTSIDE MARKET DEVELOPMENTS:** With the Dollar falling back from its recent rally attempt and some geopolitical anxieties in the marketplace from the Iranian vote, it would seem like the liquidation tilt in the precious metals market has been paused somewhat. Perhaps seeing a noted improvement in the German ZEW readings and a noted up tick in the UK CPI readings have tamped down renewed slowing fears. With US Housing Starts and permits readings initially expected to show some improvement this morning, it is possible that a host of physical commodity markets like gold and silver, will see a temporary benefit from the US data flow. However, with the US Industrial Production and Capacity Utilization readings also scheduled out later in the trading session and those readings expected to show some noted weakness, it is possible that most physical commodities will be somewhat undermined by the second set of US data this morning. Surprisingly the US PPI readings don't look to be a primary focus of the trade this morning, even though the trade generally expects to see a noted rise in price measures.

## GOLD

**GOLD MARKET FUNDAMENTALS:** While the gold market overnight has initially managed to recoil away from the low forged in the prior trading session, the trade will probably remain very sensitive to regularly scheduled US data directly ahead. It would seem like the influence of currency market action on gold prices is set to be another critical element in the marketplace again today, but given the prevailing negative macro economic bias from the prior trading session, the Dollar might have to come under significant pressure just to offset ongoing fears of further slowing in the US. While the gold market hasn't paid that much attention to physical supply side news lately, a major gold producer overnight has apparently reconfirmed its annual output targeting. One might have expected gold to derive some support from the BRIC conference (Brazil, Russia, India and China) as gold was apparently cited as a possible component of a Special Drawing Rights basket. Some players think that the BRIC isn't big enough to spark wide ranging global policy changes. In the short term, the ebb and flow of macro economic data looks to be a major influence on the direction of gold prices, with the Dollar also remaining a key outside market force. While a sharp slide in the Dollar might save the gold market temporarily, we think that the bear camp is set to benefit from residual slowing fears and perhaps a series of equity market declines ahead. In fact, the failure to hold above the \$936.2 level in August gold, in the wake of the US Industrial production readings, will probably set the stage for a mid morning slide to a lower low on the charts! We see the path of least resistance pointing downward today unless the Industrial production reading is better than expected.

## SILVER

**SILVER MARKET FUNDAMENTALS:** With a noted decline in silver exchange stocks overnight, coming in the face of a recent correction in silver prices, that has to discourage some bears. However, gold and silver prices

haven't exactly paid that much attention to physical supply side developments lately, and therefore the overnight drop in silver stocks might simply be discounted. Like the gold market, silver prices have forged a bit of corrective bounce overnight, from just above the even number \$14.00 level and that has given the market a somewhat improved technical look. However, silver and a host of physical commodities look to be very interested in a series of scheduled US economic data points today and that in turn looks to increase the importance of the action in the equity markets. While some traders think the action in the Dollar will also dominate silver today, another portion of the trade thinks that silver is destined to behave like a classic physical commodity, in the wake of the US scheduled data flow. While the \$14.03 level looks to be some form of support, we would be inclined to wait for a rally off the US housing starts and permits data, to implement a fresh short play in silver. However, given the fact that sellers would be selling silver in the "hole", we would suggest that traders use a post Housing report rally to purchase August silver puts instead of selling futures.

## **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) 06/16/2009: The major trend has turned down with the cross over back below the 40-day moving average. The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next downside objective is 917.8. The next area of resistance is around 936.6 and 945.3, while 1st support hits today at 922.8 and below there at 917.8.

COMEX SILVER (JUL) 06/16/2009: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is 1341.9. The next area of resistance is around 1449.7 and 1510.8, while 1st support hits today at 1365.3 and below there at 1341.9.

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