

We welcome those who are interested in managed futures/options programs to visit our site at <http://www.nsfutures.com/managed.cfm>.

PRECIOUS METALS COMMENTARY

06/17/09

WE EXPECT MORE SLOW GRINDING DECLINES ON THE CHARTS DIRECTLY AHEAD

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD -1.60, SILVER -11.50, PLATINUM -19.90

London Gold Fix \$933.75 -\$3.00 LME Copper stocks 283,175 tons -1,875 tons
GOLD stks 8.739 ml oz -2,087 oz SILVER stks 119.3 ml oz +602,025 oz



OUTSIDE MARKET DEVELOPMENTS: With residual weakness being seen in international equity markets overnight, there seems to be a lingering concern that commodity prices in general are set to remain off balance. With equity market sentiment seemingly suggesting that stocks also remain over valued, in the event of lingering recessionary conditions, a number of news outlets overnight are suggesting that the reflation play is being exited by some traders. The US economic report slate today is somewhat thin, with a US CPI report not expected to produce anything surprising. Even the US Current account balance readings this morning could be usurped by the US government's regulatory reform announcement. Apparently sagging macro economic views haven't provided the US Dollar with a definitive influx of flight to quality capital and that in turn seems to have mitigated the currency related pressure on a host of physical commodities. It is possible that gold and silver could garner some minor support from the Fed's anticipated ongoing purchase of Treasuries later today, but given the slack economic outlook, the idea of inflation doesn't look to be easily revived. In fact, without a hotter than expected US CPI reading early this morning, it would seem like the fear of more slowing is set to dominate over ideas of inflation.

GOLD

GOLD MARKET FUNDAMENTALS: The gold market comes into the action today trading under the prior two session's highs and seeing little definitive guidance from the US Dollar. However, a generally weak equity market bias, talk of profit taking in stocks, thought to be capable of benefiting from "reflation", would seem to give the bear camp a slight early edge. News that de-hedging activity in the first quarter was almost non-existent, would seem to be a minimally bearish development, as de-hedging (the lifting of short plays) can in some analyst views, boost implied demand figures in the gold supply and demand picture. If the pattern of lifting hedges has shifted, that could also suggest that miners are becoming "less" bullish toward gold prices. In the end, the market just hasn't paid that much attention to the physical supply side of the equation lately with the trade seemingly giving preference to the ebb and flow of investment demand! With some weakness in oil and equity prices seen early today and a minimal rise in the US Dollar, the fear of more slowing evidence ahead could continue to dominate the markets but a recovery in stocks into the US action seems to have tempered some of the outside market bearishness. The bull camp on the other hand, will probably take a good look at the US CPI readings early today as a source of support, while some bulls will even suggest that the implementation of more intense US government regulation might serve to spook investors out of stocks and paper assets and into investments like gold. We think that the gold market continues to correlate positively with the equity markets and with the equity markets seemingly into a slow side on the charts, we have to leave the edge with the bear camp. However, the August gold contract might have decent support just above the \$925 level today. In the event that equity prices come under more moderately selling pressure, the next downside target in the August gold contract is seen at

\$920.

SILVER

SILVER MARKET FUNDAMENTALS: While the silver charts look vulnerable with a temporary slide below the even number \$14.00 level early this morning, the bull camp in silver might be emboldened by news of a fresh record holding of silver in trust at a noted silver fund. However, like the gold market, the silver market hasn't exactly keyed in on physical supply and demand elements. The bear camp might be emboldened by the weakness in copper and energy prices in the early going today, but the bull camp could point to some periodic recovery action in the US equity markets in the early going today as an offset to the bearish tilt seen in the prior trading session. Unfortunately the action in the US Dollar this morning really isn't definitive enough to give the bulls or the bears a distinct currency edge in the silver trade today. It would seem as if some markets have decided to embrace negative views on the prospects of soft June Chinese auto sales readings as the news of favorable May Chinese auto sales figures released overnight seems to have been discounted. Without a distinctly up beat view on Chinese economic activity, that could be a factor that discourages bargain hunting buying in physical commodity markets like silver. We get the sense that more slowing sentiment and lower equity prices are ahead and that should leave the bear camp with an edge in silver. Silver is a physical commodity looking to face ongoing questioning of the economy. While the September silver contract might have solid support at \$14.00, a serious decline in equity prices could bring even lower chart support levels down at \$13.79 into play in the coming trading sessions.

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) 06/17/2009: The cross over and close above the 40-day moving average is an indication the longer-term trend has turned positive. Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is 922.2. The next area of resistance is around 942.4 and 947.9, while 1st support hits today at 929.6 and below there at 922.2.

COMEX SILVER (JUL) 06/17/2009: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. The downside crossover of the 9 and 18 bar moving average is a negative signal. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 1384.9. The next area of resistance is around 1435.7 and 1455.8, while 1st support hits today at 1400.3 and below there at 1384.9.

Futures and options trading involve substantial risk. The valuation of the futures and options may fluctuate, and as a result, clients may lose more than their original investment. In no event should the content of this website be construed as an express or implied promise, guarantee or implication by or from NSfutures Group or Fox Investments that you will profit or that losses can or will be limited in any manner whatsoever. Past results are no indication of future results. Information provided on this site is intended solely for informative purposes and is obtained from sources believed to be reliable. Information is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. The organizations and links presented in this website are in no way affiliated with NSfutures Group or Fox Investments. NSfutures Group or Fox Investments does not necessarily promote or endorse the services or publications described herein. NSfutures Group or Fox Investments has no role in the production or review of these products or services and makes no warranty, either expressed or implied, as to their contents, accuracy or performance.