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## PRECIOUS METALS COMMENTARY

06/18/09

**A SLIGHTLY HIGHER \$, WEAK MACRO VIEWS AND LOWER EQUITIES IS BEARISH**

### OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

**GOLD** +1.20, **SILVER** -8.50, **PLATINUM** +0.40

London Gold Fix \$936.75 +\$3.00 LME Copper stocks 281,600 tons -1,575 tons  
GOLD stks 8.737 ml oz -1,993 oz SILVER stks 118.8 ml oz -496,318 oz



**OUTSIDE MARKET DEVELOPMENTS:** With the Dollar a touch higher this morning, it is not surprising to see a bit of early divergence between gold and silver prices. With global equity markets not giving off definitive direction overnight and UK retail sales data somewhat soft overnight, physical commodities in general seem to be facing some minor macro economic adversity. With the US initial claims figures expected to forge a minimal rise later this morning, the fear of slowing looks to remain in the headlines in a number of markets. However, as the US data flow progresses today, it is possible that the outlook for the US might improve slightly, as the trade generally expects to see a positive leaders figure and an improvement in the Philly Fed readings. While the US Treasury Secretary is also scheduled to testify on financial reform this morning, there doesn't seem to be expectations of a definitive link between the House testimony today and precious metals price action.

## GOLD

**GOLD MARKET FUNDAMENTALS:** The bull camp might be stirred by the early attempt to run above this week's consolidation high zone of \$940.6, but the bear camp will suggest that the market was unable to sustain that strength. Perhaps the initial strength was the result of favorable Indian demand talk overnight or perhaps even off favorable press coverage of solid gold bar sales through vending machines in Europe! Apparently the gold trade remains mostly uninterested in the status of talks between South African miners and the South African gold mining companies, but seeing the unions press for quicker results could be seen by some as a bullish development, as that could point to impatience and perhaps eventual conflict between the parties. However, the gold market has recently seemed to be somewhat focused on the ebb and flow of the economic outlook, which of late, seems to be tending more toward slowing than toward growth. It is also possible that gold is deriving a minimum amount of support this morning, from news that weekly Russian gold and currency reserves declined. However, with inflationary expectations seemingly tamped down in the wake of US inflation readings and general weakness in oil prices, it would seem like the inflation hawks are being undermined from a number of angles. Therefore, the action in the equity market and the action in the US Dollar both look to be dominating forces for the gold market today. We now see a bull/bear line at \$940.6 but pushed into the market, we have to leave the edge with the bear camp. In fact, with the equity markets fearful of more slowing evidence ahead and inflation fears dealt a recent blow, we have to think that August gold is likely to fall below the \$925 level, before it manages another rise back above the \$950 level.

## SILVER

**SILVER MARKET FUNDAMENTALS:** Like the gold market, September silver did manage an upside thrust in the early morning action today, but the market was unable to sustain that pulse up move. It would seem as if lackluster sentiment toward the economy is undermining silver and a host of physical commodity markets this

week, especially with headlines this week seemingly tamping down inflationary prospects. It also seems as if early strength in the US Dollar today served to deflate the initial attempt to rally in silver overnight. In the end, silver seems to be concerned that further evidence of slowing, or even ongoing weakness in equity prices will serve to downgrade the environment for silver. It also seems as if the final spin from the US monthly inflation report cycle has tamped down near term expectations for inflation and that in turn might be discouraging some silver bulls. With an ongoing pattern of fresh record holdings of silver held in trust, one might have expected the press to be carrying more stories about strong residual investment demand for silver, but instead the pattern of inflows toward silver derivatives is being given little attention. While one has to be impressed with the silver market's capacity to respect even number support at \$14.00, the outlook for the economy remains suspect and one just gets the feeling that most physical commodities have more ground to give. In fact, until there is definitively positive action in the equity markets, we have to leave the edge with the bear camp. For today, we suspect that close-in support of \$14.16 will be solid, unless the September S&P fails to hold above 900, and then we see September silver sliding down toward \$14.06 again.

### **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) 06/18/2009: The market now above the 40-day moving average suggests the longer-term trend has turned up. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. Market positioning is positive with the close over the 1st swing resistance. The next downside target is now at 924.5. The next area of resistance is around 945.9 and 949.8, while 1st support hits today at 933.3 and below there at 924.5.

COMEX SILVER (JUL) 06/18/2009: The market now above the 40-day moving average suggests the longer-term trend has turned up. Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The upside daily closing price reversal gives the market a bullish tilt. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is now at 1379.7. The next area of resistance is around 1451.2 and 1464.6, while 1st support hits today at 1408.8 and below there at 1379.7.

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