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PRECIOUS METALS COMMENTARY

06/19/09

WITHOUT MORE ECONOMIC OPTIMISM THE BULL CAMP REMAINS OUT OF POWER

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
GOLD +0.70, SILVER -1.50, PLATINUM +9.20

London Gold Fix \$933.75 -\$3.00 LME Copper stocks 280,350 tons -1,255 tons
GOLD stks 8.737 ml oz Unch oz SILVER stks 119.3 ml oz +458,199 oz



OUTSIDE MARKET DEVELOPMENTS: While most global equity markets are showing positive action this morning, there would only seem to be a minimally upbeat view toward the world economy and that in turn has seemingly undermined the Dollar. With a slightly weaker Dollar and higher energy prices, the bull camp in the precious metals markets might suggest that the outside market forces are set to initially benefit the bull camp. While there is a third tier ECRI reading from the US this morning, the metals markets don't seem to be that interested in the prospect of inflation, or even the lack of inflationary prospects. The market is looking ahead to the upcoming FOMC meeting and there is some increased attention in the marketplace because of the triple witching expiration in the US equity markets today.

GOLD

GOLD MARKET FUNDAMENTALS: The bull camp might point to a pattern of higher lows on the charts this week, while the bear camp will suggest that the gold market has been unable to hold several rally attempts this week. From a fundamental perspective, the gold market doesn't seem to be paying that much attention to the prospect of a labor dispute between South African mining Unions and South African Miners. Apparently some of the South African companies have made a wage offer that reportedly amounts to a 7% increase, but with the two parties invoking a negotiation mechanism, to resolve a dispute, it would seem like the two parties have yet to reach common ground. At least in the overnight action, the gold market was partially buffeted by the action in the Indian currency but with the Dollar showing initial weakness into the US time frame, the currency influence looks to have shifted back in favor the bulls. While the market has seen a number of stories this week highlighting a late surge in Indian wedding demand for gold, the physical supply and demand side news in gold is just not being given a front and center status. In the absence of fresh headlines, the gold market looks to take the lead of the Dollar and perhaps event the US equity markets in the trade today. One has to give some credit to the bull camp for its pattern of higher lows this week. However, from the reaction in gold to the recent sweep of better than expected data and from the upward adjustment in the US equity markets, it would not seem like the bull camp is overly flush with buyers that are poised to push prices sharply higher. As in a number of markets, gold seems to be need a much more up beat outlook to break out of a recent consolidation mode. Aggressive traders could be buyers of a slide back to \$928.4.

SILVER

SILVER MARKET FUNDAMENTALS: The silver market seems to be caught in a tight consolidation pattern that has seemingly forged just above the recent lows. However, some traders suggest that the June correction of roughly \$2.29 an ounce has gone a long way toward balancing the potentially overbought technical condition that might have been in place at the beginning of the month. A number of players continue to focus on the even

number \$14.00 level, as a quasi pivot point, while others suggest that level is some type of fundamental value zone. Clearly silver, like a host of other physical commodity markets, was supported by favorable US economic news flow this week, but apparently the silver market needs to see even more evidence of forward progress in the economy to show consistent strength on the charts. With equities slightly higher, the Dollar lower, copper posting modest gains and oil prices higher in the early going, it would seem like outside market forces are favoring the bull camp in silver into the US opening today, but with a thin US report slate today, the silver market seems to lack a dominating tilt. Like gold, the silver market might have balanced its technical condition with the brief probe below the \$14.00 level on Wednesday. However, in order to avoid a restart of the downside work probably requires favorable US equity market action again today and perhaps a weaker Dollar into the close today. The chances of a bottom are starting to surface, but even a modest decline in equities today could rekindle the selling pressure in the Silver market.

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) 06/19/2009: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market could take on a defensive posture with the daily closing price reversal down. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 922.0. The next area of resistance is around 940.3 and 948.9, while 1st support hits today at 926.9 and below there at 922.0.

COMEX SILVER (JUL) 06/19/2009: The close below the 40-day moving average is an indication the longer-term trend has turned down. 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 daily closing price reversal down is a negative indicator for prices. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 1396.3. The next area of resistance is around 1433.5 and 1450.2, while 1st support hits today at 1406.5 and below there at 1396.3.

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