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PRECIOUS METALS COMMENTARY

06/22/09

THE BEARS HAVE WHAT APPEARS TO BE A LIST OF FACTORS IN THEIR COURT

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD -10.40, **SILVER** -36.50, **PLATINUM** -18.20

London Gold Fix \$924.00 -\$9.75 LME Copper stocks 277,600 tons -2,750 tons
GOLD stks 8.744 ml oz +6,995 oz SILVER stks 118.5 ml oz -722,988 oz



OUTSIDE MARKET DEVELOPMENTS: While an up tick in the US Dollar this morning seems to be pressuring gold and a number of physical commodity markets, it is also possible that down beat macro economic views are also contributing to the decline in gold and silver prices in the early going today. While the markets could have been boosted by a favorable German Ifo reading overnight, the trade in general seems to be questioning the "green shoots of recovery" view again and that in turn appears to have boosted the Dollar and seemingly undermined a host of physical commodities like gold and silver. Even though the US economic report slate today is mostly empty, the flow of potentially critical reports this week is very heavy and the market will also see some potential volatility from a two day FOMC meeting later this week. With some market participants thinking the Fed will be forced to step up purchases of US Treasury Securities, in an effort to keep long term interest rates from derailing the recovery in the US housing market, there could be some distinct volatility ahead. In the near term, a rise in the Dollar and a partially negative macro economic tilt would seem to leave the outside market influences on the precious metals markets a bit negative into the opening this morning.

GOLD

GOLD MARKET FUNDAMENTALS: Apparently the gold market wasn't able to derive much support from news that Indian gold output over the last two months declined slightly, perhaps because the market recently seems to be intently focused on the ebb and flow of the US Dollar and the overall outlook for the global economy. Perhaps the market is somewhat undermined by news that some long awaited IMF gold supply is set to flow to the market. However, the gold market just doesn't seem to be that interested in physical supply flow developments. On the other hand, the gold market does seem to be at least partially undermined by renewed slowing fears and perhaps even by talk that some physical commodities, like oil prices are overpriced. It also doesn't appear as if talk of a merger between two major gold concerns is thought to be a major issue for the gold trade, unless that combination eventually results in some type of reduction of physical gold production. With the market also seeing evidence of rising Russian gold reserves recently, the market could have garnered some support from that news, but once again, the gold market just doesn't seem to be inclined to embrace physical supply side news. With the June 16th Commitment of Traders with Options report for Gold showed the Non-commercial position to be net long 183,104 contracts, and the Non-reportable position net long 34,162 contracts, that made the "combined" spec and fund position net long 217,266 contracts as of early last week. Therefore, the August gold contract would seem to be vulnerable to more long liquidation pressure directly ahead, especially in the face of more equity market weakness and further Dollar gains. Near term downside targeting is seen at \$917 and perhaps even down to \$914.3.

SILVER

SILVER MARKET FUNDAMENTALS: The silver market also seems to be starting the week out under a technical cloud, as September silver prices overnight fell below even number \$14.00 pricing and in the process they reached the lowest level since May 18th. Like gold, the silver market seems to be at least partially undermined by the strength in the Dollar and also because of ideas that some physical commodity prices might be overdone. Since the silver market hasn't paid that much attention to physical supply side stories recently, seeing evidence of potentially higher silver output from Peru, at the end of last week, is probably not being seen as a definitively bearish development this morning. It is also likely that an overnight decline in silver exchange warehouse stocks is being discounted, in favor of other outside market impacts. At least into the opening this morning, it would seem like silver is set to behave like a physical commodity market facing a slackening macro economic outlook. However, with a series of very critical US economic data points due out later this week and a potentially critical FOMC meeting statement on Wednesday afternoon, it is possible that the silver market is poised for some increased volatility ahead. Given the initial failure on the charts, the strength in the Dollar and sagging macro economic sentiment, the bear camp would seem to have an edge. Near term downside targeting is seen at \$13.70, especially with the latest COT report depicting at least a partially overbought technical condition in silver. The June 16th Commitment of Traders with Options report for Silver showed the Non-commercial position to be net long 30,717 contracts, with the Non-reportable position also net long 17,198 contracts, and that in turn made the "combined" spec and fund position net long 47,915 contracts as of early last week.

Commitment of Traders - Futures and Options - 6/9/2009 - 6/16/2009						
	Non-Commercial		Commercial	Non-Reportable		
	Net Position	Weekly Net Change		Net Position	Weekly Net Change	
Metals						
Copper	-18,525	285	14,843	411	3,681	-698
Gold	183,104	-18,255	-217,266	21,347	34,162	-3,092
Palladium	8,430	77	-10,296	20	1,866	-97
Platinum	9,143	212	-12,332	279	3,189	-491
Silver	30,717	-2,032	-47,915	1,967	17,198	65

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) 06/22/2009: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 927.6. The next area of resistance is around 940.0 and 943.9, while 1st support hits today at 931.8 and below there at 927.6.

COMEX SILVER (JUL) 06/22/2009: The close under the 40-day moving average indicates the longer-term trend could be turning down. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market tilt is slightly negative with the close under the pivot. The next downside objective is 1396.8. The next area of resistance is around 1431.5 and 1446.7, while 1st support hits today at 1406.5 and below there at 1396.8.

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