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## PRECIOUS METALS COMMENTARY

06/23/09

**WE THINK THAT GOLD & SILVER BULLS NEED TO WAIT FOR ANOTHER DIP TO BUY**

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

**GOLD** +1.60, **SILVER** +6.50, **PLATINUM** +0.90

London Gold Fix \$920.25 -\$3.75 LME Copper stocks 276,275 tons -1,325 tons  
GOLD stks 8.745 ml oz +1,403 oz SILVER stks 118.3 ml oz -262,325 oz



**OUTSIDE MARKET DEVELOPMENTS:** With some noted weakness in the Dollar and at least a slightly positive early US equity market bias, the gold and silver trade seems to have found some buying interest. Perhaps some players are anticipating additional quantitative easing efforts from the US Fed on Wednesday afternoon, or perhaps some players are simply buying gold in anticipation of a favorable existing home sales report from the US this morning. It is also possible that favorable German business sentiment readings from the overnight action and the anticipation of slightly positive US housing news this morning are serving to temper the overt slowing fears that were seemingly being fanned by the sharp slide in the equity markets yesterday. However, while some players anticipate some additional Dollar weakness this morning (in the wake of the scheduled data flow) weakness in oil prices and an edgy equity market environment would seem to leave the fear of slowing just under the surface again today. In addition to an existing home sales reading this morning the market will also see a regional Fed survey but both of those readings might be downplayed, because of a Treasury action later this morning and the looming FOMC meeting statement on Wednesday afternoon.

## GOLD

**GOLD MARKET FUNDAMENTALS:** The bull camp is seemingly impressed with the August gold contract's capacity to recoil away from the overnight low, but the bear camp might also suggest that without a decline in the September Dollar index below the 80.31 level, the currency influence for gold prices won't be considered that impressive. The bull camp in gold will probably attempt to play up the prospect of additional quantitative easing efforts and or dialogue from the Fed on Wednesday but it remains to be seen if the Fed will actually give off hints of stepping up their purchases of Treasuries in the coming FOMC statement. The general consensus in the international markets overnight was that slack physical demand might continue to haunt the gold market in the near term and that sentiment was at least partially justified by a slight slackening of gold derivative interest. Clearly a slack World Bank economic forecast contributed to the fears of slowing yesterday, in a host of physical commodity markets, but the sharp downside action in the stock markets seemed to fan the slowing fears even further. Therefore, the gold market will look to the US existing home sales figures this morning and the subsequent US equity market action to those figures, for near term price guidance. We suspect that August gold will attempt a slight bounce into and through the US data today, but we also get the sense that the markets are currently viewing the glass as "half empty" and that the prevailing economic view over the coming two trading sessions might ultimately foster more selling of physical commodities. However, we can't rule out a Dollar inspired bounce this morning, back up to the \$931.50 level in the August gold contract, before the buying interest fizzles out.

## SILVER

**SILVER MARKET FUNDAMENTALS:** The September silver market did manage to recoil slightly from another new low for the move overnight. Perhaps a slightly positive early indication in the US equity markets and an initial slide in the Dollar have provided silver with a positive tilt in the early going today. With the trade mostly anticipating a positive existing home sales reading this morning, that would seem to favor the bull camp. However, oil prices are showing some residual weakness early this morning and that in conjunction with the big range down washout in the equity market in the prior trading session, would seem to leave macro economic slowing concerns in place just below the surface of the market. In fact, that slack World Bank economic forecast yesterday seems to have undermined a number of physical commodity markets. While the bull camp will suggest that declining silver exchange stocks are supportive, there really hasn't been a noted down trend in that particular fundamental recently. In general, silver seems to content to trade like a physical commodity and that could mean that the action in the equity markets might become even more important than the action in the US Dollar. We expect a slight recovery attempt this morning, but we doubt that the market will be able to throw off the prevailing downward bias. In fact, unless the US equity market manages a very impressive recovery burst and or macro economic sentiment definitively improves, we would suggest that aggressive traders look to sell a post US report bounce in silver this morning.

### **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) 06/23/2009: The close below the 60-day moving average is an indication the longer-term trend has turned down. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's short-term trend is negative as the close remains below the 9-day moving average. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is 907.4. The next area of resistance is around 931.0 and 941.9, while 1st support hits today at 913.8 and below there at 907.4.

COMEX SILVER (JUL) 06/23/2009: The major trend has turned down with the cross over back below the 60-day moving average. 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 defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is now at 1331.3. The next area of resistance is around 1396.5 and 1433.2, while 1st support hits today at 1345.5 and below there at 1331.3.

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