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## PRECIOUS METALS COMMENTARY

06/25/09

### A MORE DEFINITIVE WASHOUT IS NEEDED BEFORE MAKING POSITION BUYS

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

**GOLD** -1.00, **SILVER** -5.50, **PLATINUM** +12.30

London Gold Fix \$934.25 +\$5.50 LME Copper stocks 2761,600 tons -3,450 tons  
GOLD stks 8.699 ml oz -4,612 oz SILVER stks 119.2 ml oz +1.902 ml oz



**OUTSIDE MARKET DEVELOPMENTS:** While the gold market seemed to garner some support from favorable Chinese comments overnight, the outside market action into the US Thursday morning trade, doesn't appear to be definitively supportive of the precious metals markets. On the other hand, it is possible that Chinese official statements about a long term decline in the US Dollar ahead, will remain a fixture in the metals markets over time. In the action today, the market sees the weekly ongoing and initial claims data as another critical measure of the direction of the US economy, but since the 1st Quarter GDP reading is now somewhat old, it is likely that the majority of the focus in the markets this morning will sit with the employment readings. The gold and silver trade might also be impacted by geopolitical developments, as there seems to be some political will, to dig into the Federal Reserve/Bank of America bailout situation. In the end, it does seem as if the precious metals bulls need favorable US economic readings and or positive equity prices to further their cause.

## GOLD

**GOLD MARKET FUNDAMENTALS:** The bull camp might be disappointed in the magnitude of the overnight gains, in the face of what might be considered patently bullish gold dialogue from a Chinese official. While some in the trade might discount the Chinese statements, because they came from a lower level economic analyst, statements from Chinese officials tend to be somewhat coordinated. Nonetheless with a Chinese official seemingly touting an expansion of gold holdings by China and suggesting that the increased holdings were needed as a hedge against a long term downtrend in the Dollar, one could have expected a big pulse up in gold prices. However, it seems as if residual Dollar strength and perhaps some disappointment from the US FOMC statement in the prior trading session has discouraged some buyers of gold into the opening today. Clearly gold bulls need to see signs of positive growth in the US and world economy, especially since the Fed didn't openly announce a ramping up of quantitative easing efforts in the prior trading session. On the other hand, the August gold contract wasn't exactly pent up for a sign of increased quantitative easing, as August gold at yesterday's lows, was roughly \$70 an ounce below the June highs. Apparently fears of lower farm incomes, in the event of an inadequate or delayed monsoon in India, was being seen as a negative overnight but that tilt might be countervailed somewhat by news this morning of another weekly rise in Russian gold and currency reserves. Without an improvement in macro economic expectations in the wake of the US scheduled data this morning, we doubt that August gold will be able to get above close in resistance of \$941.1, with even more significant resistance seen up at \$944. For the time being, we think the bull camp lacks consensus and that gold prices could waffle within a range defined as \$942 to \$925.

## SILVER

**SILVER MARKET FUNDAMENTALS:** The bear camp might suggest that when it rains it pours, as the silver

market was disappointed with the Fed and stock market on Wednesday afternoon and then the market was presented with nearly a 2 million ounce overnight rise in silver warehouse stocks. With the gold market initially unable to garner a distinct windfall, from potentially very up beat Chinese comment toward gold, it would not seem like the metals markets are flush with aggressive bulls. The market might also be partially discouraged by residual strength in the Dollar this morning and negative news overnight regarding Indian soft silver imports from the first half of 2009. However, the silver bulls are probably garnering some minor outside market support from the residual strength in copper prices, but for the trade to be enticed into buying silver because of copper price strength, might require another September copper breakout above the mid June high of \$2.3050. In the near term, silver looks to follow gold, or it might simply follow the action in the US equity markets. The bull camp seemed to have control yesterday, but the failure to sustain that control, really defeats the market in the short term. As suggested already, without a distinct up trend in the US equity markets and or a definitive slide in the US Dollar, the Silver market would seem to be caught in a range bound by \$14.10 to \$13.71. Pushed into the market we would sell near term bounce to \$13.94.

## **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) 06/25/2009: The daily stochastics have crossed over up which is a bullish indication. Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market's short-term trend is positive on the close above the 9-day moving average. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 954.5. Short-term indicators suggest buying pullbacks today. The next area of resistance is around 943.1 and 954.5, while 1st support hits today at 921.5 and below there at 911.4.

COMEX SILVER (JUL) 06/25/2009: Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 1357.0. The next area of resistance is around 1402.5 and 1423.0, while 1st support hits today at 1369.5 and below there at 1357.0.

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