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PRECIOUS METALS COMMENTARY

06/26/09

THE BULLS HAVE REGAINED THE FUNDAMENTAL AND TECHNICAL EDGE

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +5.90, **SILVER** +23.50, **PLATINUM** +14.00

London Gold Fix \$943.00 +\$9.75 LME Copper stocks 270,250 tons -1,350 tons
GOLD stks 8.715 ml oz +15,498 oz SILVER stks 118.5 ml oz -678,158 oz



OUTSIDE MARKET DEVELOPMENTS: A distinct weakening of the US Dollar, slightly up beat global equity market sentiment and expectations of favorable scheduled US economic data seems to leave the precious metals bulls with an outside market edge today. Apparently the equity markets were able to discount slightly disappointing US claims data in the prior trading session and with the trade this morning expecting mostly positive Personal Spending and Personal Income readings, the pro growth tilt looks set to initially contribute to the pre-existing overnight bullish bias in gold and silver prices. However, despite mostly positive headline and press coverage overnight on the economy, the US equity markets were waffling around both sides of unchanged in the early action today and that might make the scheduled US data flow even more critical to a host of physical commodity markets this morning. There is also a somewhat critical PCE Inflation reading this morning and an ongoing bullish track in the energy markets from residual physical supply threat and that could increase the focus on inflation in the early action today.

GOLD

GOLD MARKET FUNDAMENTALS: Apparently the gold market isn't overly interested in classic supply side developments, as a major gold producer (Gold Fields) predicted a rise in their 4th quarter gold production overnight and that didn't seem to dent the overnight price gains much. However, the gold market continues to think that overall South African gold production will remain on the decline and there continues to be some concern about the potential for labor issues in South Africa eventually denting supply. Overall, the gold market just hasn't been that interested in most physical supply side developments lately. In fact, the action in the Dollar and the action in the equity markets would seem to be capable of overshadowing both supply side issues and a little bit of slackness from the overnight gold ETF markets. For the time being, gold seems to be content to behave like a classic commodity and that would seem to suggest that optimism on the economy will continued to be seen as a supportive force for gold prices. With the August gold contract reaching the highest level since June 12th on the charts in the early action today, it is also possible that technical buying forces are contributing to the initial upward bias. With the highest gold price seen since June 12th, the gold market would seem to have a definitively up beat tilt in the early going today. With the data flows this morning also expected to give the gold and stock markets an additional lift we suspect that the August gold contract will be inclined to rise toward and above the \$950 level. Near term upside targeting in the August gold contract is seen up at \$959.2.

SILVER

SILVER MARKET FUNDAMENTALS: Like the gold market, the silver market appears to be faced with some slightly bearish classic supply side news into the US opening. However, silver also seems to be set to give signs of rising production little consideration, in the face of what seems to be, a mostly positive "economic bias". It

should also be noted that silver exchange stocks declined overnight and that might be seen as a partial offset to the news of higher production at the mining level. The bull camp might also suggest that an increase in production at second or third tier miner is of little overall significance in the face of ongoing investment flows toward silver and silver derivative investments. With the September silver contract managing to reach the highest level since June 19th this morning, it is possible that silver is getting some technically based buying interest. Some traders suggest that September silver has little classic technical resistance on the charts, until the mid June consolidation zone of \$14.41. In the end, the silver trade seems to be anticipating some additional support for prices, from the scheduled US data flow early this morning. The bias is up and we suspect that the September silver contract will make a run to \$14.43 and if the numbers are slightly better than expected this morning, and the US equity market manages another pulse up move, it is possible that September silver prices will even manage a rise to the critical \$14.50 level.

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) 06/26/2009: The major trend could be turning up with the close back above the 40-day moving average. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 947.7. The next area of resistance is around 944.9 and 947.7, while 1st support hits today at 934.9 and below there at 927.6.

COMEX SILVER (JUL) 06/26/2009: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is 1370.4. The next area of resistance is around 1412.2 and 1421.3, while 1st support hits today at 1386.8 and below there at 1370.4.

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