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## PRECIOUS METALS COMMENTARY

03/09/10

### THE METALS LOOK TO BE TEMPORARILY OUT OF FAVOR TODAY

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

**GOLD** -6.40, **SILVER** -21.70, **PLATINUM** -15.30

London Gold Fix \$1120.00 -14.00 LME Copper stks 538,875 tons -2,700 tons  
GOLD stks 9.975 ml oz -200 oz SILVER stks 110.3 ml oz -616,582 oz



**OUTSIDE MARKET DEVELOPMENTS:** While it would appear that the Greece debt situation is mostly under control, some market players saw comments about high borrowing costs eventually sinking the Greek austerity effort as a sign that EU troubles will continue. With a lack of scheduled data flow from the US early this week and initially weaker equity prices, it would seem like a portion of the trade is buying into a slackening economic view. Some traders are even suggesting that Chinese comments regarding their interest in US Treasuries overnight was negative to previous metals prices. With the beginning of a \$74 billion US auction cycle today, the Chinese statements toward US Treasuries probably take on added importance in the marketplace. While the US economic report slate is very thin today, seeing the Greek Prime Minister in Washington and also seeing an ongoing push for US health care reform could result in a surprise impact on precious metals prices today.

## GOLD

**GOLD MARKET FUNDAMENTALS:** Unfortunately for the bull camp, the gold market was partially undermined by Chinese Treasury market comments overnight and also because of ongoing hints from Chinese officials that gold might not be as important to the Chinese as was hoped by some in the gold trade. However, the market is accepting of ideas that China will eventually increase its gold holdings and that probably provides some form of eventual underpin for gold prices. On the other hand, the gold market is facing a weaker equity market, a higher US Dollar and mostly slack macro economic views today and that appears to have given the bear camp an early edge. With questions on the recovery, seemingly surfacing in the face of a thin US report slate it would appear that gold is behaving like a classic physical commodity market in a sluggish economic environment. The bear camp would seem to have a slight edge in the Tuesday morning gold trade. In fact, the prospect of a strong Dollar, weak equities and a slight deterioration in macro economic expectations, looks to give the market a chance to test the middle of the last month's trading range down around the \$1,100 level over the coming three trading sessions.

## SILVER

**SILVER MARKET FUNDAMENTALS:** While silver bulls will point to silver's recent capacity to out perform gold, the outside market action is certainly giving the bear camp in silver a lot of fodder. Clearly silver has been showing positive classic fundamentals from demand for silver coins to talk about improving industrial use, but that tilt is being countervailed by concerns on the pace of the global recovery. In fact, silver exchange stocks did manage another daily decline overnight and that joins a recent short lived pattern of declines in exchange stocks. In a fresh development, the silver trade overnight saw the end to a mining strike in Mexico, but since the silver market didn't appear to get much lift off that supply side threat when it initially surfaced, the downside impact of that news might be limited. Furthermore, the silver market recently has seemingly paid more attention to demand side issues, than to supply side issues. Like gold, the silver market might take a lot of direction from the US equity market today in the wake of a thin US scheduled report slate. The bear camp looks to have the edge this morning,

with downside targeting in the May silver contract seen below even numbers of \$17.50 and perhaps even down at \$16.88. The silver market needs positive equity market action, or a distinct rekindling of US recovery expectations.

### **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 (APR) 03/09/2010: A crossover down in the daily stochastics is a bearish signal. Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is 1105.7. Daily studies pointing down suggests selling minor rallies. The next area of resistance is around 1131.7 and 1144.6, while 1st support hits today at 1112.3 and below there at 1105.7.

COMEX SILVER (MAR) 03/09/2010: Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal down is a negative indicator for prices. The market's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 1757.6. The next area of resistance is around 1735.7 and 1757.6, while 1st support hits today at 1704.3 and below there at 1694.7.

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