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## PRECIOUS METALS COMMENTARY

11/06/09

### LOOK FOR WILD GOLD PRICE ACTION GOLD PUTS HELP ONE TO STAY LONG

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**GOLD** +4.40, **SILVER** +12.50, **PLATINUM** +1.60

London Gold Fix \$1,095.00 +\$7.00 LME Copper stks 385,575 tons +5,775 tons  
GOLD stks 9.339 ml oz +59,504 oz SILVER stks 115.1 ml oz +6,819 oz



**OUTSIDE MARKET DEVELOPMENTS:** Apparently the US gold trade isn't tracking that tightly with the Indian gold market action overnight, as Indian gold prices showed minor weakness. Perhaps some traders were leveling positions ahead of the potentially violent US Non farm payroll report window or perhaps the proximity to the recent historic highs simply prompted some longs into a profit taking stance. While international equity prices overnight were largely mixed, the scheduled data flow overnight was mostly up beat and that probably favored the precious metals bulls. The stock markets this week, seem to have factored in a bit of a favorable US jobs reading and some traders are suggesting that a number of physical commodity markets like gold and silver, have also partially factored in readings that show a narrowing of the US job loss pace. The bear camp might suggest that historic highs in gold prices are suspect, in the face of an ongoing rise in the US unemployment rate and therefore the numbers this morning look to bring about some temporary fireworks.

## GOLD

**GOLD MARKET FUNDAMENTALS:** Early in the Friday morning trade, December gold futures were sitting roughly \$7 to \$8 an ounce above the prior record close and while some bulls might be emboldened by the uncertainty of worse than expected US readings this morning, a large portion of the bull camp might be discouraged if the US numbers don't provide some sign that the US economy is trying to recover. With the action in the Dollar this week less definitive and the gold market seemingly drifting away from an ultra tight correlation with the Dollar action, it is possible that the gold trade will be looking to the equity market reaction to the numbers this morning for its guidance after the report is released. Surprisingly the gold market doesn't seem to be negatively influenced by talk out of China overnight that the Chinese central bank might not need to purchase more gold in the near term but that could simply be a function of the high relative price of gold, as opposed to long term Chinese central bank gold needs. The bulls feel confident because of the recent trend highlights a market that has plowed through some negatives recently, while the bear camp feels that inflation probably won't take hold until after the US economy is thought to be growing steadily. While private jobs forecasts recently haven't been overly accurate they are predicting an improvement in the pace of jobs lost. Also the weekly ongoing and initial claims have declined and therefore one has to think that the US could see better payrolls today. However, given the sharp run up in gold prices off the October lows, the gold bulls probably can't tolerate anything slightly disappointing from the readings. The trend is up and the gold market can probably bulldog its way through a sloppy reading, but those that are long futures might consider buying a December gold \$1,090/\$1,065 bear put spread for \$900 - \$1,000 ahead of the report for some temporary insurance, as that will leave them long through some potential volatility today.

## SILVER

**SILVER MARKET FUNDAMENTALS:** While gold sits poised just below new highs this morning, December silver prices are still roughly 67 cents an ounce below the October highs. Certainly the silver market is being held back because of its industrial demand drag, but silver is also seeing significantly less speculative buying interest than gold. In other words, silver seems to need evidence of a growing economy, more so than the gold market. Some silver traders suggest that soaring gold prices are eventually going to result in a shift toward silver as a relatively cheaper alternative, but in the early action today, it would appear that gold gains are still outperforming silver gains. With copper prices showing a sideways consolidation pattern this week, in the face of strength in gold and equities, it certainly seems like industrial commodities are in need of something definitively up beat from the US payroll report today. The silver market is set to follow the gold market, but we have a gut feeling that gold is pricing in a decent number and therefore the precious metals markets probably won't hold up well in the face of anything disappointing from the headlines. As in gold, a favorable number certainly lights up the silver market on the upside and instead of getting out of futures or selling a call this morning, longs should look to buy a December Silver put to cushion against temporary adversity.

### **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 (DEC) 11/06/2009: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 1101.3. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 1096.6 and 1101.3, while 1st support hits today at 1085.8 and below there at 1079.6.

COMEX SILVER (DEC) 11/06/2009: Positive momentum studies in the neutral zone will tend to reinforce higher price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 1771.2. The next area of resistance is around 1758.5 and 1771.2, while 1st support hits today at 1727.5 and below there at 1709.3.

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