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PRECIOUS METALS COMMENTARY

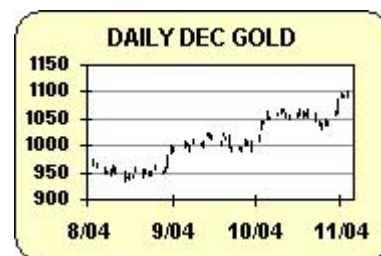
11/09/09

THE BULLS HAVE CONTROL, EVEN SLOWING FEARS ARE BEING DISCOUNTED

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +12.40, **SILVER** +32.50, **PLATINUM** +13.20

London Gold Fix \$1,108.00 +\$13.00 LME Copper stks 389,475 tons +3,900 tons
GOLD stks 9.351 ml oz +11,599 oz SILVER stks 116.0 ml oz +886,304 oz



OUTSIDE MARKET DEVELOPMENTS: With the Dollar forging a distinct downside breakout on the charts this morning, equities showing moderate strength overnight and a number of physical commodities posting early gains, the outside market environment seems to be favoring the bull camp in the precious metals markets. Apparently the trade saw a lack of G20 focus on the weak US Dollar in their latest meeting as a sign that the Dollar might be allowed to fall even further. Therefore, the currency market influence on gold and silver prices this morning seems to be sitting definitively in the bull's court. It is also possible that news of two rather large Asian IPO's overnight and definitive upside gains in global equity markets are serving to gloss over the disappointing US Non Farm payroll readings that were seen at the end of last week. While the US economic report slate this week looks to be somewhat thin, the trade will be presented with a series of US debt auctions, with a somewhat large \$40 billion sale of 3 Year notes seen later in the Monday session. In fact, this week's auction tally presents the trade with yet another record quarterly auction of US debt and to some in the gold trade that is a significant inflationary development.

GOLD

GOLD MARKET FUNDAMENTALS: The gold bulls overnight are pointing to the lack of G20 discussion on the slide in the Dollar as the primary driving force in the gold market this morning. With the Dollar falling to a fresh new low for the move in the early going today, it is difficult to discount the influence of the currency market action on the gold market. It would also seem like there is an interest in "risk" this morning in global equity markets and that would seem to keep the market from directing its attention back to the ongoing trouble in the US employment sector. With Indian gold prices very firm overnight and the Press carrying stories about the Russian central bank possibly buying gold from the Russian state depository, there would seem to be mostly bullish classic fundamental news flow facing the US Monday morning gold trade. While the trade continues to rehash a story suggesting that Chinese central bank gold buying interest might be put off, the trade continues to benefit from the news last week of Indian central bank gold buying interest. It is possible that a mid day US auction result will provide a volatility event in the gold market, but with the US economic report slate today mostly devoid of 1st or 2nd tier readings, the bear camp might not be able to rekindle the fear of slowing easily. One should not fight the trend this morning, as a number of outside market forces would seem to leave the bull camp with the edge. While the November 3rd Commitment of Traders with Options report for Gold showed the Non-commercial position to be net long 271,564 contracts, with the Non-reportable position also net long 44,166 contracts, and that made the "combined" spec and fund position net long 315,730 contracts as of early last week, the market doesn't seem to be inclined to fret over the overbought technical condition. Support in the December gold contract is now seen at \$1,101.9, with the next upside count seen up at \$1,117.1.

SILVER

SILVER MARKET FUNDAMENTALS: Clearly the silver market is being lifted by outside market action in the early Monday morning trade. With a fresh downside breakout in the Dollar and a fresh upside breakout in the gold market, the silver market is apparently seeing positive guidance from a number of different fronts. In fact, the bull camp in silver is probably seeing some support from the upside action in global equity prices, as that action seems to countervail or gloss over the slack US employment readings that were seen at the end of last week. However, with a host of physical commodity markets also making impressive early upward bids this morning, it would seem like silver is even seeing support from its industrial commodity market background. Like gold, a weaker Dollar, higher equities and rising energy prices would seem to give the silver bulls a number of themes to support their cause this morning. While some players think the slack US payrolls from last week are destined to hold back the industrial commodities, December silver has nonetheless managed to rise by roughly 30 cents since the US non farm payroll release! While the November 3rd Commitment of Traders with Options report for Silver showed the Non-commercial position to be net long 44,312 contracts, with the Non-reportable position also net long 20,454 contracts, and that made the "combined" spec and fund position net long 64,766 contracts as of early last week, the silver market would not seem to be excessively overbought and without upside capacity. Critical support in December silver now moves up to \$17.63, with the next upside targeting in December silver seen up at \$17.87. Initial upside targeting in the March silver contract is now seen up at \$17.96.

Commitment of Traders - Futures and Options - 10/27/2009 - 11/3/2009						
	Non-Commercial		Commercial	Commercial	Non-Reportable	
	Net Position	Weekly Net Change			Weekly Net Change	Net Position
Metals						
Copper	9,066	11	-10,871	-1,431	1,806	1,422
Gold	271,564	6,538	-315,729	-6,697	44,166	159
Palladium	12,536	-368	-14,761	625	2,225	-257
Platinum	19,304	-123	-23,334	148	4,030	-25
Silver	44,312	-4,273	-64,766	4,769	20,454	-496

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) 11/09/2009: A new contract high was made on the rally. The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside target is at 1110.4. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 1103.6 and 1110.4, while 1st support hits today at 1088.2 and below there at 1079.7.

COMEX SILVER (DEC) 11/09/2009: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal down is a negative indicator for prices. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside target is 1778.0. The next area of resistance is around 1757.0 and 1778.0, while 1st support hits today at 1721.0 and below there at 1706.0.

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