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PRECIOUS METALS COMMENTARY

11/11/09

THE TREND IS UP AND THE BULLS HAVE PLENTY OF AMMUNITION TODAY

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
GOLD +12.50, **SILVER** +40.80, **PLATINUM** +20.50

London Gold Fix \$1,114.75 +\$15.00 LME Copper stks 397,325 tons +3,175 tons
GOLD stks 9.501 ml oz +5,900 oz SILVER stks 115.1 ml oz -450,373 oz



OUTSIDE MARKET DEVELOPMENTS: With a fresh low in the Dollar, favorable Chinese economic news overnight and generally upbeat early action in a host of physical commodity markets this morning, the bull camp in the precious metals markets would seem to have a lot more to draw on than the bear camp. The bear camp won't even have the prospect of discouraging economic news today, as a US holiday disrupts scheduled data flows. On the other hand, favorable action in global equity markets this morning and generally favorable economic dialogue from a series of US Fed members in the prior trading session, seems to have left the outlook on the economy in a very positive mode into the early US Wednesday trade. It is possible that some metals bears will attempt to play up the suggestions from the BOE overnight, that inflation looks to remain under control in the near term. Not surprisingly the Dollar has managed another new low for the move, despite comments from the US Treasury Secretary that the US wants a strong Dollar.

GOLD

GOLD MARKET FUNDAMENTALS: While Indian gold players showed some signs of balking at the latest round of new highs in gold prices overnight, the gold bulls were still given a bone overnight by confirmation of soaring Indian demand in the month of October. In fact, there were a number of supportive Indian demand readings floated overnight and that type of news plays even better in the face of soaring equities and a sliding US Dollar. Just to add to the bull's chain of favorable developments, the Vietnam Central bank overnight suggested that they would allow gold imports to stabilize their domestic gold market. With favorable external market conditions, upbeat Indian demand news and a sprinkling of central bank gold demand news, it isn't surprising to see fresh new highs in the early action today. In the current environment, news of increased physical gold production from a US miner and suggestions from the BOE that inflation will remain under control in the near term are apparently going to be mostly discounted by the gold trade. One can't fight the trend. In fact, the biggest threat to the bull camp in gold would seem to be the prospect that the buyers will exhaust themselves. However, the up trend in the equities and the down trend in the Dollar look like they will be extended and that should allow gold to grind out even more gains in the near term. Unless December gold falls back below \$1,111.70 one probably can't even point to a top off technical considerations.

SILVER

SILVER MARKET FUNDAMENTALS: Despite the news of record silver production and record profits at a US silver miner overnight, the silver market is showing little concern toward classic bearish supply side developments. In fact, even with a 31% increase in silver production noted from that US producer overnight, the silver market seems to be fixated on the prospect of an ongoing flow of investment demand toward silver and other metals. As in the gold market, a falling Dollar, strengthening equity prices and overall positive global

economic views seems to leave the bull camp with most of the cards. With a US holiday erasing the scheduled report slate today, that would seem to reduce the odds of a sudden shift in sentiment today. With copper, energies and several other physical commodity markets showing noted strength early this morning, the strength in silver prices this morning also seems to be justified from its physical commodity market roots. As in gold, don't fight the trend, as recovery views are dominating sentiment and declines in the Dollar look to add to the upside potential in the near term. With December silver still sitting markedly below the October highs, one would think that silver would be destined to play catch up to gold but so far that hasn't happened. Near term upside targeting in December silver is seen at \$17.80.

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) 11/11/2009: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close over the pivot swing is a somewhat positive setup. The next upside target is 1117.0. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 1111.9 and 1117.0, while 1st support hits today at 1099.5 and below there at 1092.1.

COMEX SILVER (DEC) 11/11/2009: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside target is at 1786.5. The next area of resistance is around 1759.0 and 1786.5, while 1st support hits today at 1710.0 and below there at 1688.5.

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