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## PRECIOUS METALS COMMENTARY

11/12/09

### AFTER A LOAD OF BULLISH HEADLINES THE MARKET FEELS OVERBOUGHT

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
GOLD +1.30, SILVER -2.70, PLATINUM +5.40

London Gold Fix \$1,116.00 +\$1.25 LME Copper stks 402,125 tons +4,800 tons  
GOLD stks 9.501 ml oz Unch oz SILVER stks 114.2 ml oz -945,355 oz



**OUTSIDE MARKET DEVELOPMENTS:** With the Dollar showing a compacted recovery bounce in the prior trading session and the Dollar showing some initial strength again today, the currency impact on gold and silver prices has become less supportive of the bull case. The gold and silver trade overnight was probably cheered by the talk that the Chinese were seemingly getting into a position to allow for a further appreciation in the Chinese currency, which in turn is usually thought to be a development that would weaken the Dollar further. The economic outlook this morning is somewhat less up beat, than was seen into the Wednesday morning trade, and overnight equity prices were also clearly softer. The markets saw a very critical Wal-Mart earnings report early this morning and that might look to set a large measure of the tone in the equity markets today. The trade will also see US initial and ongoing claims readings and given the recent pattern of improvement in those readings, the typical scheduled report window is expected to bring about some increased metals price volatility.

## GOLD

**GOLD MARKET FUNDAMENTALS:** After posting a fresh new high overnight, the gold market is showing a bit of profit taking action in the early Thursday morning trade. While it is possible that gold prices were lifted overnight off talk about sliding world gold production, most traders continue to think that the main driving force of the gold trade is the ebb and flow of investment demand. With the gold market seeing additional potentially positive import news from Vietnam overnight, the recent favorable central bank influence on gold prices seems to have remained in place. However, at least the initial reaction in gold prices to the Wal-Mart earnings seems to have favored the bear camp and that could make the US claims figures even more critical to the gold trade. In fact, given the weakness in equities and the slightly positive early Dollar track today, one gets the impression that the gold bulls will need to see noted declines in either initial or ongoing claims to keep economic slowing concerns from dominating the headlines. However, with favorable Indian gold demand evidence seen again overnight and talk of possible Vietnam gold imports, there is a bit of supportive fundamental news to offset a shift in economic sentiment. Perhaps some in the gold trade were prompted to bank some profits, in the wake of news that the US was at least considering left over TARP funds as a mechanism to pay down the deficit. A minor corrective tilt is in place as a higher Dollar, suspect economic views and technical damage on the charts should give the bear camp a distinct edge today. Near term downside targeting is seen at \$1,110 and then again down at 1,107.10.

## SILVER

**SILVER MARKET FUNDAMENTALS:** Like the gold market, the silver market is showing signs of profit taking in the early going today. With slightly discouraging macro economic sentiment in place early this morning, a higher Dollar and generally weak equity prices, the outside market forces are giving the bear camp an early assist. The trade will probably take a measure of guidance from the US claims data, but the failure to see a positive equity

market reaction to the Wal-Mart earnings this morning, has silver and a host of physical commodities under a bit of spillover pressure. Some traders point to the \$17.40 level as a key pivot point from the last 6 trading sessions, while others are expressing disappointment, that December silver wasn't able to make a fresh new high for the move, like the gold market in the overnight trade. Given the negative outside market tilt this morning, the silver market doesn't seem to be capable of benefiting from a slide in exchange warehouse stocks nor from the news of an ongoing pattern of declines in world gold production. Technical failures on the charts and negative outside market impacts would seem to leave December silver poised for a slide back to \$17.33 and perhaps even a slide down to \$17.16.

### **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) 11/12/2009: A new contract high was made on the rally. Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next upside target is 1129.1. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 1125.6 and 1129.1, while 1st support hits today at 1112.2 and below there at 1102.2.

COMEX SILVER (DEC) 11/12/2009: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. A positive setup occurred with the close over the 1st swing resistance. The next upside objective is 1796.8. The next area of resistance is around 1781.7 and 1796.8, while 1st support hits today at 1742.3 and below there at 1717.9.

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