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## PRECIOUS METALS COMMENTARY

11/13/09

### A LOWER DOLLAR AND HIGHER EQUITIES GIVES THE BULLS THE EDGE TODAY

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
GOLD +2.10, SILVER +5.50, PLATINUM +0.40

London Gold Fix \$1,107.50 -\$8.50 LME Copper stks 403,625 tons +1,500 tons  
GOLD stks 9.503 ml oz +1,287 oz SILVER stks 113.7 ml oz -509,372 oz



**OUTSIDE MARKET DEVELOPMENTS:** From the initial action, the outside market action seems to be poised to benefit the bull camp in the gold and silver markets. However, while the Dollar is showing some initial weakness today, the Dollar still remains within close proximity to this week's high this morning and that probably limits the currency impact on the metals trade early this morning. The overnight news flow wasn't particularly up beat, but with a series of Euro zone GDP readings officially calling an end to the Euro zone recession, it would seem like the overall macro economic outlook was positive. However, the favorable Euro zone GDP information was slightly tempered by comments from the Chinese President, who seemed to suggest that the world recovery didn't appear to be self sustaining yet. The metals trade will be presented with a US Trade Balance reading this morning, and that report is generally expected show another expansion of the US Trade Deficit and that is generally thought to be an outcome that could pressure the Dollar. The trade will also see a preliminary US consumer sentiment reading and that reading could be important, as those figures might have been impacted by the disappointing US Non farm payroll report that was released at the beginning of this month.

## GOLD

**GOLD MARKET FUNDAMENTALS:** After a noted setback in the prior trading session from a new high for the move, there is a certain amount of bearish technical sentiment flowing in the overnight headlines. In short, the tech crowd seems to be looking to the close today, as some form of critical indicator of the near term trend in the gold market. Dialogue and action in the Indian gold market overnight seemed to be somewhat supportive, as the market reportedly saw some light bargain hunting buying interest in the wake of the \$22 per ounce setback off the early Thursday morning highs. As mentioned in the outside market coverage this morning, the markets saw news that the Euro zone technically moved out of the recession in the 3rd quarter, and that in conjunction with slightly higher equity price tilt and a weaker US Dollar in the early action today would seem to give the bull camp more ammunition than the bear camp. However, the technical picture was partially injured with the sharp reversal from the highs yesterday and that in turn has caused a number of players to raise the importance of the even number \$1,100 level on the charts for the trade today. While the gold trade didn't seem to give physical production news this week much attention, it should be noted that the trade saw evidence that a pattern of declining South African gold production has continued. In fact, the gold market this week also saw signs that global gold production might be set to decline further. The idea that speculation is exclusively driving gold prices up seems to lose credibility, when one notes that global gold production has continued to decline this year, despite news that gold prices have risen \$400 an ounce off the 2008 lows! This morning is a very important pivot point for the gold market, as the market saw very discouraging technical action following this week's high. We almost get the sense that the trade is fearful of a trend toward higher global interest rates ahead even though it still seems premature to call for higher rates. However, we have to give the edge to the bull camp today, especially if the December gold contract

manages to hold above \$1,105 through the scheduled news this morning.

## **SILVER**

**SILVER MARKET FUNDAMENTALS:** The silver market comes into the Friday US trade just barely above this week's consolidation support on the charts. Like gold, the silver market is seeing some support from a weaker US Dollar and minimally higher global equity prices. While the silver trade hasn't shown that much interest in physical supply side developments lately, it is possible that a pattern of declines in US silver exchange stocks this week and news of declining global gold production is providing some underpin to silver prices. With generally higher physical commodity prices in the early action today and evidence that the Euro zone has officially left the recession that would seem to suggest that silver will avoid selling pressure early this morning, off its industrial commodity market standing. Like the gold trade, the silver trade seems to be paying attention to technical points on the charts and that isn't surprising considering that the December silver contract, to the overnight low, was as much as 59 cents an ounce below the prior session's highs. Make no mistake about it, December silver has an extremely critical support zone at \$17.19 today, especially on a close basis. In our view, silver is a buy this morning, but traders should use a tight stop on that positioning, as the market is right on a very critical pivot point on the charts.

## **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) 11/13/2009:** The market made a new contract high on the rally. 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 outside day down is somewhat negative. The market setup is somewhat negative with the close under the 1st swing support. The near-term upside target is at 1129.1. The next area of resistance is around 1114.2 and 1129.1, while 1st support hits today at 1093.6 and below there at 1087.9.

**COMEX SILVER (DEC) 11/13/2009:** A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's short-term trend is negative as the close remains below the 9-day moving average. The outside day down is a negative signal. The market setup is somewhat negative with the close under the 1st swing support. The near-term upside objective is at 1795.5. The next area of resistance is around 1754.0 and 1795.5, while 1st support hits today at 1695.0 and below there at 1677.5.

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