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PRECIOUS METALS COMMENTARY

11/16/09

OUTSIDE MARKET FORCES LEAVE THE BULL CAMP WITH CONTROL TODAY

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +12.30, **SILVER** +37.00, **PLATINUM** +36.40

London Gold Fix \$1,128.75 +\$11.25 LME Copper stks 406,450 tons +2,825 tons
GOLD stks 9.508 ml oz +5,678 oz SILVER stks 112.4 ml oz -1.235 ml oz



OUTSIDE MARKET DEVELOPMENTS: In looking at the early outside market action today, it certainly seems like the bull camp in the metals markets is getting plenty of help from a number of angles. Clearly a weaker Dollar looks to be providing the bulk of the optimism in the gold and silver trade early, but seeing a long list of global equity markets moving into or close to fresh new highs for the year seems to have added another layer of bullishness to the marketplace. With a US Fed member overnight in Dubai suggesting that the US still has an extremely difficult process to work through and that US institutions should be allowed to fail, one could suggest that US Fed dialogue overnight was in some way fostering flight to quality interest in the precious metals markets. With the markets also expecting the US Federal Reserve Chairman to reiterate the need to leave US rates at low levels for an extended period of time, it would seem like the hope for future inflation also continues to be fanned. With the US scheduled to see a monthly retail sales reading and a New York Empire state manufacturing report this morning there looks to be plenty of data to drive volatility in the metals markets this morning.

GOLD

GOLD MARKET FUNDAMENTALS: While the bull camp might point to the hope for favorable Indian seasonal demand ahead as a bullish force this morning, the outside market forces were also very conclusively in favor of the bull camp overnight. In fact, one could even suggest that gold prices in India were strong enough to discourage some gold buyers overnight and that would seem to suggest that outside market forces were indeed the prominent feature into the early US trade. While the up beat action in the equity markets would seem to favor the bull camp in gold this morning, the trade will be watching the US Fed dialogue closely early in the session, as any hint that the Fed is watching, or looking for an exit point could trip up the early bullish bias. The trade is also generally anticipating something positive from the US retail sales report this morning and unless that report fails lives up to expectations the bear camp might have trouble wresting control back away from the bull camp. In the end, a move to new highs seems to have prompted some technically based buying action and that seems to have threatened the bear camp in the early trade. Adding into the bull's case is more news about possible international central bank gold buying activity, with the latest talk centering on the prospect of more Indian reserve buying. At least in the near term, the combination of a lower Dollar, rising equities and strong international central bank demand talk is seemingly overshadowing fears of sustained slowing and deflation. While the November 9th Commitment of Traders with Options report for Gold showed the Non-commercial position to be net long 272,807 contracts, with the Non-reportable position also net long 46,247 contracts, and that made the "combined" spec and fund position net long 319,054 contracts as of early last week, the technical condition just doesn't seem to be that important today! Critical support in the December gold contract is seen at \$1,125, with little in the way of resistance seen until the \$1,135.5 level.

SILVER

SILVER MARKET FUNDAMENTALS: The silver market is clearly drafting off the upside action in the gold market, but silver is probably catching some additional lift from a clean sweep of favorable outside market action. With a definitive slide in the Dollar, very up beat international equity market action and gains being seen in most industrial commodity markets, the silver trade seems to be catching a lift from a number of fundamental angles. In fact, the silver bulls might see the prospect of ongoing low interest rates as a big benefit to the industrial commodity sector, which has recently lagged behind the classic precious metals markets of gold and platinum. Despite the latest move to new highs in the gold market, there still hasn't been that much fresh focus on the gold/silver ratio and that suggests that gold is likely to remain the leadership market in the near term. While the US saw silver exports in September decline by roughly 8 million ounces and US silver imports pick up by 5 million ounces, it would not seem like the physical movement of silver supply in and out of the US is being seen as a key market driving force. Furthermore, it would not seem like the silver market is set to give that much attention to another noted decline in daily silver warehouse exchange stocks, as the attention of the marketplace seems to be trained on the ebb and flow of investment demand expectations. The path of least resistance is pointing upward in the Silver market. In fact, with the November 9th Commitment of Traders with Options report for Silver showing the Non-commercial position to be net long 43,023 contracts and the Non-reportable position also net long 22,115 contracts, that made the "combined" spec and fund position net long only 65,138 contracts as of early last week. In short, the gold market might be record spec long, but the silver market is not in near term danger of breaking the record spec and fund long positioning in silver of 97,635 contracts that was posted back in March of 2004.

	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Metals						
Copper	7,562	-1,504	-10,819	52	3,257	1,451
Gold	272,807	1,243	-319,055	-3,326	46,247	2,081
Palladium	12,684	148	-14,992	-231	2,308	83
Platinum	20,315	1,011	-24,140	-806	3,825	-205
Silver	43,023	-1,289	-65,138	-372	22,115	1,661

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) 11/16/2009: Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. The upside closing price reversal on the daily chart is somewhat bullish. Market positioning is positive with the close over the 1st swing resistance. The near-term upside target is at 1133.4. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 1128.8 and 1133.4, while 1st support hits today at 1110.4 and below there at 1096.6.

COMEX SILVER (DEC) 11/16/2009: 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 daily closing price reversal up is a positive indicator that could support higher prices. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 1775.6. The next area of resistance is around 1763.7 and 1775.6, while 1st support hits today at 1721.3 and below there at 1690.7.

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