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## PRECIOUS METALS COMMENTARY

11/18/09

### A LOWER DOLLAR & A POSITIVE ECONOMIC VIEW LEAVES THE BULLS IN CONTROL

#### OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

**GOLD** +7.90, **SILVER** +35.30, **PLATINUM** +6.60

London Gold Fix \$1,146.00 +\$14.25 LME Copper stks 414,100 tons +4,100 tons  
GOLD stks 9.540 ml oz +6,895 oz SILVER stks 111.8 ml oz -24,706 oz



**OUTSIDE MARKET DEVELOPMENTS:** While the Dollar isn't making fresh new lows this morning, it would seem like sentiment is anticipating ongoing weakness in the Greenback ahead. With the US Fed Chairman and the BOE recently reiterating the need to leave interest rates low, the trade would seem to be entrenching the idea that money held in the Dollar will continue to yield extremely low returns. With the MPC meeting minutes also reiterating the low rate environment and the Dollar trading lower, a modest portion of the outside market influences are seemingly set to favor the bull camp in the early action today. The action in global equity markets isn't conclusively bullish for the metals markets this morning, perhaps because some economic doubt has begun to surface from the US in the last several trading sessions. Therefore, the US Housing Starts and Permits data this morning could be important to the US equity markets and in turn important to the precious metals markets. However, since the metals markets were mostly able to discount what might have been considered a bearish PPI report in the prior trading session that might serve to reduce the importance of this morning's US CPI report.

## GOLD

**GOLD MARKET FUNDAMENTALS:** The gold market has managed another fresh new high move in the early action today and has seemingly managed that rise off a combination of a weaker Dollar and potentially favorable internal fundamental news items. While some traders might point to news of an increase in gold production from Peru as a fundamental negative, that news might have been mostly countervailed by talk that the world's 5th largest gold miner announced that they are planning to close some high-cost mines in the coming 6 months. Seeing a miner reduce production, because of high costs seems a little surprising in the face of a series of record high gold price readings, but for many traders that underscores the lack of definitive expansion of the global physical gold supply. Since a large portion of the trade is assuming a further ramping up of investment demand, the lack of expanding production is seen as a noted event. With the Indian gold market managing a fresh new high again overnight and noted fund manager overnight reportedly adding some gold investments into one of his funds, the gold futures trade certainly sees fresh evidence of ongoing strong demand in the headlines. While a portion of the trade continues to obtain and hold gold off an inflationary expectation, it was very impressive to see gold prices hold together yesterday in the face of what seemed to be a softer than expected US PPI reading. In short, even in the face of potentially undermining fundamental news, the gold market seems to be able to maintain a bullish posture. One can't fight the up trend, especially with December gold support moving up to the \$1,144.20 level and the \$1,150 level expected to fall early today. Until one sees evidence of a bottom in the Dollar, or the outlook for the economy seriously falters, we see no reason for the up trend in the gold market to come to an end.

## SILVER

**SILVER MARKET FUNDAMENTALS:** Despite seeing news of an annual increase in Peru silver production of 6% yesterday, the silver market has managed another round of fresh new highs this morning. Like the gold market, the silver market is benefiting from a strong wave of investment interest, but not much in the way of physical demand expectations. Clearly the silver market is drafting off the ongoing rise in the gold market, but the silver trade also appears to be drafting off the ongoing pattern of weakness in the Dollar. While the Press continues to circulate a series of "silver to gain on gold" predictions from various analysts, the overall macro economic outlook hasn't exactly played into that argument recently. In fact, seeing a noted jump in annual Peru silver production, isn't an insignificant development given the overall size of that output and that in turn would seem to raise the importance of expanding investment demand for silver. Some traders are starting to play up the fact that silver has yet to post a record spec and fund long positioning like the gold market and as metals prices rise further on the charts, that technical consideration might be given even more credence by the trade. The trend remains up in silver, with the market expected to draft further off gold and the sliding Dollar. For now, we see no reason for the freight train of higher silver prices to come off the tracks. Near term targeting can only be derived from the even number \$19.00 level and then again off the weekly charts up at \$19.37.

### **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) 11/18/2009: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 1151.6. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 1147.1 and 1151.6, while 1st support hits today at 1132.9 and below there at 1123.3.

COMEX SILVER (DEC) 11/18/2009: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 1868.2. The next area of resistance is around 1858.0 and 1868.2, while 1st support hits today at 1823.0 and below there at 1798.3.

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