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## PRECIOUS METALS COMMENTARY

11/28/08

### PROFIT TAKING COULD BE ACCENTUATED BY MONTH END BOOK SQUARING

**OVERNIGHT CHANGES THROUGH 3:15 AM (CT):**  
GOLD +3.20, SILVER +1.60, PLATINUM -7.70

London Gold Fix \$813.50 -\$3.50 LME Copper stocks 291,950 tons +2,925 tons  
GOLD stks 8.51 ml oz -1,347 oz SILVER stks 129.6 ml oz -628,809 oz



**OUTSIDE MARKET DEVELOPMENTS:** With the Chinese interest rate cut from early in the week fading quickly and the evidence of US slowing creeping back into the headlines today, it is possible that fears of slowing and or fears of renewed deflationary selling will dampen attitudes toward the precious metals markets today. Surprisingly the terrorist attacks in India failed to provide the bull camp in gold with a sustained bullish environment and that could be partly the result of the thinned holiday conditions. However, the US stock market is fresh off 4 straight up days and some international equity markets did manage gains overnight and that in turn could tamp down the fear of too much slowing in the early action today. In fact, with today the official kick off to the US holiday shopping season, a number of markets will be watching the press coverage closely for any clues on how the entire shopping season will play out. Therefore, the action in the US stock market today and the tone of the retail activity in the US looks to be very important to a host of physical markets like gold and silver.

## GOLD

**GOLD MARKET FUNDAMENTALS:** While Indian gold was somewhat higher, action in that gold market was not as pronounced as some might have expected in the wake of the recent terrorist attacks. Nonetheless, the terrorism incident in India probably favors the bull camp somewhat, as concerns about a wave of terrorist attacks ahead could certainly foster ongoing flight to quality type sentiment toward gold. While some mining industry websites continue to play up the prospect of a tightening physical supply and demand situation in the gold market, those expecting higher gold prices off tightening supply are also being confronted with lingering deflationary prospects and fears of declining physical demand. In fact, in the face of soft Euro zone inflation and unemployment data overnight and also in the wake of the ultra soft UK retail sales information, it seems like most metals prices (with the exception of gold) have started the session today with a weak tone. In the end, the direction of the US Dollar looks to remain key this morning, but the direction of the US stock market could also have an impact on gold prices around mid session today. Given the magnitude of the massive run up off the November lows, one might fret over the prospect of some minor profit taking selling into the month end close today. Initial support is seen at \$809.6 and then again down at \$803.7. However, traders should watch the December Dollar as a rise above 86.59 could turn up the profit taking mentality on gold.

## SILVER

**SILVER MARKET FUNDAMENTALS:** While the silver market could have been lifted by recent news of a takeover and the silver market could also have been lifted by the terrorism incident in India, the trade this morning seems to be unwilling to embrace the positives. In fact, with a strengthening Dollar being seen in the early action today and the industrial metals markets clearly starting out weak, it would appear that the bear camp has more elements in its court than the bull camp. However, it should be noted that exchange stocks of silver did see

another noted decline and that might provide some support to prices today. Apparently the silver market wasn't benefited by the mostly favorable action in the US equity markets early in the week and with the US stock market showing some pronounced weakness early in the trade today, one could get the impression that weakness in equity prices is serving to initially increase the pressure on silver prices this morning. With no major US economic reports scheduled for release today, the silver market will probably take a large measure of direction from the currency markets, but it is also possible that the tone of the coverage toward the kick off of the US holiday shopping season will also have a noted impact on the silver trade today. We have to give the bear camp the edge today, as the Dollar is firm early, US stocks were showing some weakness and the silver market around this week's highs, was short term overbought. In fact, the failure to hold a critical pivot point at \$10.00, could turn up the selling pressure on silver into the month end later today.

### **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) 11/28/2008: Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The near-term upside objective is at 823.6. The next area of resistance is around 814.7 and 823.6, while 1st support hits today at 802.3 and below there at 798.7.

COMEX SILVER (DEC) 11/28/2008: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal down puts the market on the defensive. The market's close below the pivot swing number is a mildly negative setup. The next upside objective is 1052.9. The next area of resistance is around 1034.8 and 1052.9, while 1st support hits today at 1009.3 and below there at 1001.9.

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