

We welcome those who are interested in managed futures/options programs to visit our site at <http://www.nsfutures.com/managed.cfm>.

## PRECIOUS METALS COMMENTARY

10/20/09

### NO REASON TO TAKE CONTROL AWAY FROM THE BULL CAMP

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

**GOLD** +6.70, **SILVER** +15.00, **PLATINUM** +7.80

London Gold Fix \$1,064.00 +\$9.50 LME Copper stks 357,275 tons +550 tons  
GOLD stks 9.403 ml oz +8,498 oz SILVER stks 115.8 ml oz -275,906 oz



**OUTSIDE MARKET DEVELOPMENTS:** With the Dollar managing to make new lows in some measures overnight, it would seem like gold and silver are poised to get ongoing support from the currency markets. While the press did carry some minor complaints about the ongoing rise in the Euro, it would not seem like there is a distinct and impending intervention threat to check or arrest the slide in the Dollar. However, the Dollar could begin to pick up a measure of flight to quality interest today, if the US Housing Starts and permits data comes in soft as that news would follow a decline in the NAHB Index and rising concerns that the end of the First Time Home buyer tax credit program could reveal a very weak US housing market. On the other hand, many traders think that evidence of weakness in the US economy will simply turn up the pressure on the Dollar and therefore the US Housing Starts and Permits report this morning could prompt a wave of volatility. On the other hand, world equity markets were apparently underpinned again off favorable Apple earnings from just after the close yesterday and that to a degree seems to have served to tamp down the fears of slowing in the US. However, international traders seem to be anticipating some favorable macro economic news from the Chinese GDP reading later this week and therefore portions of the precious metals markets are being supported by residual hopes of international growth prospects. There will also be a US PPI report release today and some players are thinking that the US inflation readings could actually contract and that could give credence to the US Fed's recent view that inflation remains under control.

## GOLD

**GOLD MARKET FUNDAMENTALS:** While the markets might be presented with a muted US PPI report this morning, it is likely that the markets perception of inflationary prospects will stay alive. On the other hand, some analysts are concerned that there are fresh concerns surfacing from the US housing front again and that could serve to undermine a host of physical commodity markets like gold. In the overnight action, buyers remained attentive in India despite that market moving beyond an important seasonal demand window and that seems to have fostered a modest pulse up in the early US gold trade, especially since the early high today was back within \$3 an ounce of the recent all time high. For the time being, the bull camp in gold seems to be content to rise off the prospects of "inflation" and the prospects of "growth" as both those bullish themes are still prospects and not reality. However, the bull case is also being supported by ongoing weakness in the US Dollar. Some bulls might even suggest that a flow of very favorable corporate earnings is capable of offsetting slack US scheduled economic news. In fact, the gold market doesn't seem to be the least bit concerned about a noted annual shortfall in Turkish gold imports overnight, perhaps because of consistently supportive "investment demand" headline flow from developed countries. The bears wish the gold market would embrace classic evidence of slowing, but apparently the net impact of the corporate news flow has made scheduled data less important. While the market is overbought and vulnerable to weak Housing Starts and permits data, corporate earnings and a persistently weak Dollar action has the attention of the gold trade. Near term critical support is seen at \$1,063.8 and again at

\$1,058.1 but the market appears to have the capacity to forge another round of new all time highs, especially if the scheduled numbers today show anything positive.

## **SILVER**

**SILVER MARKET FUNDAMENTALS:** The December silver contract has managed another new high for the move overnight and that suggests that silver is still generally capable of discounting renewed fears of slowing in the US housing sector, especially in the wake of a decline in the NAHB index reading on Monday. With the wave of gains yesterday in grains, copper and energies, it would not seem like there are conclusive slowing fears present in classic commodity markets, but it is likely that the silver trade will at least take a good long look at this morning's US Housing Starts and Permits data. While there is a US PPI report also due out today, unless that reading is in negative territory, it might not have that much of an impact on silver prices. While silver and copper prices seemed to catch a distinct lift yesterday, off fears of a potential labor/supply issue, that situation doesn't look to be a headline influence again today. Therefore, the silver trade might turn its attention back toward gold and perhaps away from the industrial/physical angle. In the short term, the bull camp looks to retain an edge, with the Dollar remaining weak, equities strength masking evidence of slowing and residual strength in the Chinese economy serving to prop up macro economic expectations. As in the gold market, we suspect that December silver is poised to make a run at the October highs. However, traders might see a slight setback in the wake of the PPI and Housing numbers, but we suspect that the \$17.56 level will be seen as solid support.

## **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) 10/20/2009: The crossover up in the daily stochastics is a bullish signal. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 1076.1. The next area of resistance is around 1072.0 and 1076.1, while 1st support hits today at 1056.3 and below there at 1044.6.

COMEX SILVER (DEC) 10/20/2009: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's short-term trend is positive on the close above the 9-day 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 downside target is now at 1711.0. The next area of resistance is around 1811.0 and 1827.0, while 1st support hits today at 1753.0 and below there at 1711.0.

*Futures and options trading involve substantial risk. The valuation of the futures and options may fluctuate, and as a result, clients may lose more than their original investment. In no event should the content of this website be construed as an express or implied promise, guarantee or implication by or from NSfutures Group or Fox Investments that you will profit or that losses can or will be limited in any manner whatsoever. Past results are no indication of future results. Information provided on this site is intended solely for informative purposes and is obtained from sources believed to be reliable. Information is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. The organizations and links presented in this website are in no way affiliated with NSfutures Group or Fox Investments. NSfutures Group or Fox Investments does not necessarily promote or endorse the services or publications described herein. NSfutures Group or Fox Investments has no role in the production or review of these products or services and makes no warranty, either expressed or implied, as to their contents, accuracy or performance.*