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## PRECIOUS METALS COMMENTARY

10/22/09

### THE BEARS RETAIN CONTROL OFF THE DOLLAR AND SLACK ECONOMIC VIEWS

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
GOLD -7.60, SILVER -27.00, PLATINUM -10.10

London Gold Fix \$1,054.75 -\$9.75 LME Copper stks 364,075 tons +1,525 tons  
GOLD stks 9.402 ml oz -65 oz SILVER stks 115.2 ml oz -893,248 oz



**OUTSIDE MARKET DEVELOPMENTS:** With the Dollar reversing course early this morning that has put gold and silver, as well as a host of other physical commodity markets back on their heels. With a series of favorable US corporate earnings reports over the last 24 hours failing to keep equity prices strong, it would seem like the equity markets have lost the bullish tilt that consistently lifted prices into the October 23rd highs. With recent US scheduled data somewhat disappointing and a number of markets not cheered by the Chinese GDP gain of 8.9% overnight one could suggest that the macro economic tilt has shifted from the bull's camp toward the bear's camp. With a slightly disappointing UK retail sales reading also seen overnight, the early outside market tilt seems to justify the initial weakness in gold and silver prices. In the end, a stronger Dollar, weaker equities and a lack of favorable reaction to good earnings has to make the bear camp in metals happy. Perhaps the bulls will be saved by the US claims results or by a series of Fed speeches that are scheduled for today.

### GOLD

**GOLD MARKET FUNDAMENTALS:** In addition to the obvious pressure from a rising Dollar, the gold trade this morning seems to be pressured by talk of rising physical gold production news from a Russian producer. Ordinarily the gold market would have been supported by news of a couple of gold mining stock brokerage firm up grades, but in the early trade today, the dominance of the Dollar is hard to discount. In fact, the gold market is also contending with partially negative dialogue about demand being trimmed in the wake of the recent record price probe. In other partially supportive news this morning, the gold trade saw an increase in weekly Russian gold and currency reserves, but in the end, the action in the US Dollar and the somewhat suspect outlook toward the US economy seems to have garnered the top step in the markets psychology. Some bulls have to be disappointed in the failure to see a benefit from the rather impressive Chinese GDP reading that was released overnight. While it is difficult to get bullish toward the Dollar, the prospect of a Dollar bounce is not lost on the gold trade. With the equity market failing to get noted upside action in the wake of favorable earnings news again this morning we have to give the bear camp the edge today. However, talk that the US might lose its triple A credit rating is something that should underpin the gold market. In fact, on a break to consolidation support just under \$1,050 traders who bought futures, sold calls and bought puts might consider banking profits on the short call and holding the put/futures combination for an upcoming recovery move.

### SILVER

**SILVER MARKET FUNDAMENTALS:** The silver market is under early pressure because of weakness in gold and strength in the Dollar. Clearly the Dollar action is the primary force in the marketplace this morning but given silver's industrial back ground, one also has to concede to a certain amount of selling pressure in silver off the fear of a less than robust global recovery view. With the Press consistently dredging up views that silver is poised,

or is capable of outperforming gold, it is unfortunate for the bull camp, that macro economic or outside market influences are managing to wash away potentially bullish views toward silver. The silver market also wasn't able to embrace an up grade of a key silver stock by a brokerage firm, the favorable Chinese GDP reading and that is probably because of the initial Dollar bounce. At least into the opening today, the silver market looks to be swimming against the tide of the Dollar, sagging copper prices and general weakness in a host of physical commodity prices. The market seems to be vulnerable to a setback within the recent consolidation zone. Near term downside targeting is seen at \$17.32 and a decline below that level should prompt traders to consider lifting short calls that were put in place against a long silver future/long put combination. The bias is down but the ultimate trend probably won't be up ended by coming developments.

### **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) 10/22/2009: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 1040.0. The next area of resistance is around 1067.0 and 1075.1, while 1st support hits today at 1049.5 and below there at 1040.0.

COMEX SILVER (DEC) 10/22/2009: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal up is a positive indicator that could support higher prices. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 1707.2. The next area of resistance is around 1791.2 and 1814.1, while 1st support hits today at 1737.8 and below there at 1707.2.

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