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## PRECIOUS METALS COMMENTARY

10/23/09

### THE BULLS HAVE A SLIGHT EDGE BUT OUTSIDE MKTS MUST CONTRIBUTE EARLY

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

**GOLD** +2.20, **SILVER** +13.50, **PLATINUM** +2.10

London Gold Fix \$1,061.25 +\$6.50 LME Copper stks 367,075 tons +3,000 tons  
GOLD stks 9.406 ml oz +3,743 oz SILVER stks 114.6 ml oz -524,833 oz



**OUTSIDE MARKET DEVELOPMENTS:** While the Dollar hasn't made a fresh new low in the early action today, the Dollar is still within close proximity to its lows and that in conjunction with slightly positive equity market action has apparently given the metals markets some early support. In fact, with a host of physical commodity markets showing positive action early today and the US equity markets threatening to make new highs for the year again, there would appear to be more inflationary views in the market today than deflationary views. Surprisingly the metals and other physical commodity markets weren't undermined by a weak German Ifo reading and also by the sixth straight monthly decline in the UK GDP report. However, the markets might have taken news of a possible expansion or extension of UK quantitative easing efforts as a positive and it is also possible that the constant litany of promises from the US Fed, to keep interest rates low, is providing another layer of support. However, the somewhat up beat macro economic view, that is seemingly in place early this morning, could be tested by the US existing home sales report due out later on. The trade will also be watching a Fed Chairman speech this morning, but the trade generally expects the Fed's company line to remain unchanged today.

## GOLD

**GOLD MARKET FUNDAMENTALS:** While the gold market might have been held back by talk of Russian gold sales this week, that issue doesn't seem to be worrying the bull camp in the early Friday morning trade. Perhaps the gold sales issue is being discounted because the magnitude of the Russian gold sales aren't expected to exceed 50 tons, or the trade thinks that global investor demand or Chinese central bank demand will easily absorb that supply. It is possible that some of the early bullish bias in gold prices in the early going today, is the result of better than expected "in retrospective" Indian festival demand figures from the World Gold Council. Countervailing the favorable Indian demand news for the second week of October, is the fact that Indian gold prices were sloppy to lower overnight. However, the gold market seems to be embracing the prospect of a lower US Dollar and ongoing strength in the US equity markets today. The bear camp has to hope that US existing home sales are soft, or that a European Minister steps up and complains about the latest aggressive rate of climb in the Euro. December gold has corrected and has seemingly built a solid layer of support on the charts above the \$1,050 level and that could set the stage for another leg up attempt. Near term upside targeting is seen at \$1,069, but it will take a big range up move in US equities and a fresh new low in the Dollar to put December gold into a fresh new contract high today.

## SILVER

**SILVER MARKET FUNDAMENTALS:** The silver market is trading above the prior session's close in the early trade today, but some traders are noting the presence of a pattern of lower highs this week. Perhaps a slight early rise in the Dollar is keeping a lid on the silver market in the early action, but it would seem like silver and other

physical commodity markets are hopeful that the Dollar will eventually make fresh new lows for the move and that US equities might run to new highs. In other words, the positive bias in gold and silver prices in the early going today, is seemingly the result of residual bullish expectations. The silver market probably needs something favorable from the US existing home sales readings and certainly the action in the US equity markets will be a key influence on silver prices today. However, copper prices are already showing noted early strength and if it were not for significant declines in the Pound this morning, the Dollar would probably be lower in the early trade today. Some traders suggested that the markets were giving off inflationary expectations today and therefore that view might have to be supported by the scheduled US data or perhaps by positive news from Microsoft earnings that are due out ahead of the US equity market opening. Like the gold market, the silver market seems to have built a decent consolidation support zone on the charts. Initial support is seen at \$17.50 and the silver market looks to be pulled higher by other markets. However, we get the sense that silver is vulnerable to ongoing weakness, unless the outside market environment is conclusively supportive. We think the bulls might prevail today, but it would not be positive for the December silver contract to fail to hold above \$17.62 in the early action.

## **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) 10/23/2009: Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next upside objective is 1069.6. The next area of resistance is around 1065.8 and 1069.6, while 1st support hits today at 1055.2 and below there at 1048.3.

COMEX SILVER (DEC) 10/23/2009: A bearish signal was triggered on a crossover down in the daily stochastics. 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 negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is 1713.7. The next area of resistance is around 1783.7 and 1806.6, while 1st support hits today at 1737.3 and below there at 1713.7.

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