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PRECIOUS METALS COMMENTARY

06/29/09

THE BULLS NEED A BETTER VIEW ON THE ECONOMY TO CONTROL PRICES

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +0.60, **SILVER** -8.30, **PLATINUM** -13.70

London Gold Fix \$939.75 -\$3.25 LME Copper stocks 267,300 tons -2,950 tons
GOLD stks 8.724 ml oz +9,716 oz SILVER stks 118.4 ml oz -67,977 oz



OUTSIDE MARKET DEVELOPMENTS: Surprisingly the US Dollar has managed a slightly positive early tilt this morning, despite calls from China late last week for a broader world reserve currency format. While the markets did see mostly favorable macro economic news from Japan and the Euro zone overnight, there continues to be concern that the global recovery will take longer than what some markets were expecting in early June. However, with somewhat positive early opening indications from the US equity markets this morning and talk of a possible pre-holiday euphoria wave later in the week, the overall outlook seems to be providing gold and silver with some initial support this morning. The US economic report slate this week is rather active, with mostly second and third tier reports due out early in the week, but with the potentially critical monthly US payroll figures due out on Thursday, volumes and volatility might end up being rather high this week.

GOLD

GOLD MARKET FUNDAMENTALS: With the gold market recently paying a lot of attention to the ebb and flow of the economic outlook, the direction of US equity prices looks to be a key leading indicator for gold prices again this week. However, the gold market did see another slightly negative spin from the Indian demand front overnight, with the trade once again hashing over a slide in monthly Indian gold imports. Apparently Indian demand remains soft, but the trade has consistently blamed the weak imports on expensive prices and or currency impacts and not usually from the idea that consumers are uninterested in gold. In another potentially undermining development, the gold trade overnight saw evidence of rising physical gold production from Russia in the first five months of 2009, but with declining gold production from South Africa also somewhat baked into prices, the impact of higher Russian gold output is probably countervailed. At least recently, the gold market appears to be largely impacted by the hope for, or the lack of hope for positive economic activity ahead. Therefore, scheduled US data flows and the action in the equity markets this week look to remain a primary leading indicator for gold prices. While gold prices seem to be showing some positive action early this morning, the Dollar track is a little defeating and the dialogue in the marketplace seems to be questioning the mostly positive outlook on the economy. Surprisingly international data flows showed positive growth trends overnight and that seems to have helped the US equity markets into a more positive posture. However, with the June 23rd Commitment of Traders with Options report for Gold showing the Non-commercial position to be net long 170,956 contracts, with the Non-reportable position also net long 30,518 contracts, that made the "combined" spec and fund position net long 201,474 contracts as of early last week. With August gold to the high Friday, sitting as much as \$25 an ounce above the level where the COT report was measured, the gold market remains vulnerable to technical stop loss selling. While we think the market might be vulnerable to some weaker action in the coming trading sessions, we would suggest that aggressive traders look to buy a dip in August gold down to \$931 for a bounce later in the week.

SILVER

SILVER MARKET FUNDAMENTALS: While some traders have noted a slight pattern of declines in silver exchange stocks recently, the silver market just hasn't given that type of classic supply side news much credence lately. In fact, even news of a month over month decline in US silver output, from the month of April was given little interest at the end of last week. Not surprisingly, the silver trade also seems to have given only passing attention to evidence that investment in silver derivative type instruments has remained strong. In short, silver seems to be taking a large amount of direction from the ebb and flow in the equity markets and also from other physical commodity market price action. Clearly the direction of the Dollar remains a closely watched outside market influence, but it should be noted that silver and gold prices early this morning were showing some slightly divergent action in the face of a higher Dollar. With a very active US report slate this week, culminating in the US Payroll report on Thursday morning, silver and other physical commodity markets could be looking for more definitive guidance on the overall direction of the global economy. With the June 23rd Commitment of Traders with Options report for Silver showing the Non-commercial position to be net long 28,681 contracts, with the Non-reportable position also net long 16,785 contracts, that made the "combined" spec and fund position net long 45,466 contracts as of early last week. With silver holding above the level where the COT report was measured, that probably means that the net spec long positioning is understated. However, September silver seems to have fleshed out some form of chart support at the \$14.00 level and we would suggest that aggressive buyers look to buy a dip down to \$13.85, looking for a bounce at the end of the week.

Commitment of Traders - Futures and Options - 6/16/2009 - 6/23/2009

	Non-Commercial		Net Position	Commercial		Non-Reportable	
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	Weekly Net Change	
Metals							
Copper	-21,804	-3,279	20,493	5,650	1,311	-2,370	
Gold	170,956	-12,148	-201,474	15,792	30,518	-3,644	
Palladium	8,085	-345	-9,591	705	1,506	-360	
Platinum	9,918	775	-12,581	-249	2,663	-526	
Silver	28,681	-2,036	-45,467	2,448	16,785	-413	

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 (AUG) 06/29/2009: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 953.6. The next area of resistance is around 945.9 and 953.6, while 1st support hits today at 933.5 and below there at 928.9.

COMEX SILVER (SEP) 06/29/2009: The crossover up in the daily stochastics is a bullish signal. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next upside objective is 1443.0. The next area of resistance is around 1423.5 and 1443.0, while 1st support hits today at 1394.5 and below there at 1385.0.

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