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PRECIOUS METALS COMMENTARY

11/19/09

A LOWER DOLLAR & A POSITIVE ECONOMIC VIEW LEAVES THE BULLS IN CONTROL

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
GOLD -7.20, **SILVER** -19.50, **PLATINUM** -25.00

London Gold Fix \$1,136.00 -\$13.00 LME Copper stks 420,450 tons +6,400 tons
GOLD stks 9.534 ml oz -6,052 oz SILVER stks 112.0 ml oz +137,647 oz



OUTSIDE MARKET DEVELOPMENTS: In contrast to yesterday, risk aversion seems to be the topic this morning, which is lending support to the Dollar and sending stock markets, metals and other commodity markets lower. A senior German economic advisor expressed concerns about a double-dip recession in 2010 as governments withdraw public spending. Furthermore there is talk among developing nations about employing capital controls to counter concerns about "asset bubbles" as money flows into those regions. Concerns about investor caution as we approach year's end may also be sparking a move back to the dollar and limiting stock and commodity gains. The strength in the dollar comes despite recent news from the Fed chairman and the Bank of England that interest rates will be held low. It could be that a strong jobless claims report this morning and/or Leading Economic Indicators will calm some of the return-to-recession fears and renew concerns about inflation and thereby support the metals.

GOLD

GOLD MARKET FUNDAMENTALS: With consumer prices rising at a faster clip than expected yesterday the market managed to see solid gains with December futures posting another new all-time high and the market now up as much as \$126.50 off of the late October lows. Profit taking in gold set in, pressuring the market into mid-session as the sharper than expected drop in housing starts seemed to remind metals traders that the economy was still struggling to emerge from a deep recession. The close was well off of the highs, leaving an appearance of a spike top. There were bearish demand figures out of India overnight for the third quarter. Retail gold investment demand declined 67% on the year, while consumer jewelry demand fell 42%. Analysts blamed high prices and lower consumer sentiment due to the poor monsoon. The impact was dismissed by some as temporary, as inflationary concerns are still expected to provide a strong underpinning. Trade sentiment remains quite bullish in the gold market as gold is viewed as an inflationary hedge and also seen as an alternative to holding paper currency. Physical demand appears to be down for gold, but the intangible demand appears to be the overriding force. The World Gold Council estimated third quarter demand down 34%, as high prices slowed investment demand, and jewelry demand was also weak from India and the Middle East. The market is extremely overbought, but it is difficult to fight the uptrend and the underlying reasons for the uptrend appear to be still in place. Until one sees evidence of a bottom in the Dollar, or the outlook for the economy seriously falters, we see no reason for the uptrend in the gold market to come to an end. December gold close-in support comes in at the 1127.30-1121.10 zone with 1173.30 as next upside objective.

SILVER

SILVER MARKET FUNDAMENTALS: The weak close yesterday after a move to new highs combined with the firm dollar action overnight and the economic concerns has sparked additional speculative long liquidation selling

in silver. News of higher production from Peru this week, concerns that the global economy and therefore industrial demand may not be as robust as believed seem to be the

factors that may slow the surge in investment interest in holding silver. The higher than expected CPI news helped support early yesterday, and the market will be monitoring jobless claims and leading indicators today. December silver is overbought, but the market is in a solid uptrend and corrective breaks appear to be buying opportunities. Longer-term investors might consider Dec10 bull call spreads. Support for December 09 silver comes in at 17.94 and 17.78 with 18.57 as resistance. Keep 19.00 and then again 19.37 as next upside objectives.

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) 11/19/2009: The market made a new contract high on the rally. Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The next upside objective is 1162.3. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 1153.9 and 1162.3, while 1st support hits today at 1136.5 and below there at 1127.6.

COMEX SILVER (DEC) 11/19/2009: Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 1910.2. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 1882.0 and 1910.2, while 1st support hits today at 1829.0 and below there at 1804.3.

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