

August 20th 2008

Precious Metals Daily

Metals see support as dollar slips

Precious metals regained support yesterday as the US dollar slipped against the euro — prompting investors to increase demand for alternative assets to hedge against the greenback's decline. This came amid a better-than-expected, albeit still negative, German Zew economic sentiment index statistic. The index slipped to -55 against market expectations for a decline to -62. Furthermore, US PPI surprised on the upside, rising 1.2% m/m against market expectations for a 0.6% m/m increase. Following this, the greenback slipped to \$1.4792 against the euro during the New York trading session, from a high of \$1.4636 during the Asian session. Given that the dollar has appreciated rapidly over the past few days, this correction was expected. Precious metal investment sentiment should be cautious today as investors seek further clues on the euro — which could expose the metals to downside potential throughout today.

The greenback's decline supported crude oil prices to the upside, which saw WTI crude oil price ratchet from \$111/bbl in Asia to \$116.72/bbl during the New York session — supporting investment fund flows into precious metals. Oil prices should remain well supported today, as markets expect a 3 million barrel w/w decline from the US DOE gasoline inventory statistics report today — which would be an indication of robust crude oil demand in the US. This should lend further support to precious metals throughout today.

We note that investment grade credit spreads in the CDX index suite have widened. With developed market equity markets struggling to achieve consistent gains, crude oil price volatility, coupled with currency market uncertainty, should focus investors' attention on precious metal market developments.

Gold opened at \$799 in Asia and then slipped to \$783 in early London trading before climbing to \$788 at the PM fix. The metal was range-bound between \$796 and \$786 in early New York trading before rallying to **\$811** at the close. Support for gold is at \$796, with \$775 – \$743 providing secondary support. Primary resistance is at \$828 – \$839, and secondary resistance at \$871.

Silver traced gold, closing firmer, at **\$13.12**, in New York —

Prices (US\$)							
Metal	AM Fix	PM Fix	High bid	Low offer	Close bid	Daily change	EFP's
Gold	791.00	788.75	816.00	786.50	811.00	10.00	5.25/5.4
Silver	-	13.010	13.330	12.55	13.12	-0.01	-3.0/-1.5
Platinum	1,313.00	1,319.00	1,367.00	1,320.00	1,348.00	-42.00	1/5
Palladium	274.00	279.00	287.00	278.00	282.00	-3.00	-2/1

Forwards (%)					
Metal	1 month	2 months	3 months	6 months	12 months
Gold	2.2900	2.3833	2.4317	2.5817	2.7033
Silver	0.6250	0.7000	0.7375	0.9125	0.9660
USD Libor	2.4638	2.6713	2.8038	3.0938	3.2406

Technical indicators							
Metal	30-day-RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	39.38	821.87	865.31	899.44	891.68	796	828
Silver	33.88	14.22	15.73	17.10	16.79	12.94	13.62
Platinum	29.07	1,463.50	1,576.55	1,927.99	1,834.54	1,330	1,393
Palladium	26.93	309.23	341.73	423.35	417.88	279	296

Active Month Futures							
	Comex GLD Aug'08	Comex SLV Sept'08	NYMEX PAL Sep'08	NYMEX PLAT Jul'08	DGCX GLD Aug'08	TOCOM GLD Jun'09	CBOT GLD Aug'08
Settlement	816.80	13,2200	283.85	1,351.30	813.90	2,796.00	816.60
Open Interest	366,507	135,826	13,565	12,065	3,171	124,434	11,546
Change in OI	-2,021	-3,111	-140	-203	-213	-2,818	316
Date:	19-Aug-08						

* Open interest

and rising to \$13.37 in the aftermarket. Support for silver is at \$12.94, with \$12.50 and \$11.82 as possibilities. Primary resistance is at \$13.62, with secondary resistance at \$13.86.

Platinum benefited from the buoyant precious metal market sentiment, closing at **\$1,348** in New York. But this came only after platinum briefly dropped below \$1,300 in Europe. The metal should remain under pressure in the medium term, with German economic sentiment still in negative territory. **Palladium** reversed an earlier slide to \$269, to close at **\$282** in New York.

Rhodium continued its downward trend, and fixed at **\$4,290**.

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Date/Time (GMT+2)	FX	Data/Event	Consensus	Previous
18-Aug				
01:01	GBP	House prices (Aug)	—	-2.0% y/y
07:00	JPY	Leading index (Jun)	—	91.2
07:00	JPY	Coincident index	—	101.7
11:00	EUR	Trade balance (Jun)	€1.2bn	-€4.6bn
19:00	USD	Housing market index (Aug)	16	16
19-Aug				
04:00	JPY	BOJ rate decision	0.50%	0.50%
11:00	EUR	ZEW survey (Aug)	—	-63.7
11:30	ZAR	GDP (Q2)	5.0% q/q	2.1% q/q
14:30	USD	PPI (Jul)	9.5% y/y	9.2% y/y
14:30	USD	Housing starts (Jul)	960K	1,066K
14:30	USD	Building permits (Jul)	970K	1,091K
16:00	USD	Fed's Fisher speaks	—	—
23:00	USD	ABC consumer conf. (Aug)	—	-50
20-Aug				
01:50	JPY	Industry activity ind. (Jun)	-0.9	0.4
07:00	JPY	BOJ monthly report	—	—
10:30	GBP	BOE minutes	—	—
10:30	GBP	M4 money supply (Jul)	—	11.4% y/y
11:00	EUR	Construction output (Jun)	—	-1.1% y/y
13:00	USD	MBA mortgage apps (Aug)	—	-1.5%
13:00	ZAR	Building plans passed (Jun)	—	-26.9% y/y
21-Aug				
01:50	JPY	Total trade balance (Jul)	¥235.0bn	¥121.9bn
08:00	JPY	Machine tool orders (Jul)	—	-8.9% y/y
09:00	ZAR	Civil judgements recorded for debt (Jun)	—	-25.5% y/y
10:00	EUR	PMI manufacturing (Aug)	47.1	47.4
10:00	EUR	PMI services (Aug)	48.0	48.3
10:00	EUR	PMI composite (Aug)	—	47.8
10:30	GBP	Retail sales (Jul)	2.0% y/y	2.2% y/y
10:30	GBP	Business investment (Q2)	—	4.5% y/y
14:30	USD	Initial jobless claims (Aug)	—	450K
14:30	USD	Continuing claims (Aug)	—	3,417K
16:00	USD	Philadelphia Fed (Aug)	-15.0	-16.3
16:00	USD	Leading indicators (Jul)	-0.2%	-0.1%
22-Aug				
01:50	JPY	BOJ meeting minutes	—	—
10:00	EUR	Current account (Jun)	—	-€21.4bn
10:30	GBP	GDP (Q2)	0.1% q/q	0.2% q/q
11:00	EUR	Industrial new orders (Jun)	—	-4.4% y/y
16:00	USD	Fed's Bernanke speaks	—	—



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