

May 5th 2008

Precious Metals Daily

Metals to consolidate

With last week's busy data release schedule behind us, precious metals should look to consolidate at much lower levels this week.

On Friday last week, US non-farm payroll data came in negatively, but still better than expected. With the data showing an April jobs loss of 20,000 (forecast: 80 000), optimism about the prospect of the US economy is riding high. And although there has been a few decent data prints out of the US recently, one cannot call this trend a recovery yet. US consumers remain under pressure while capital spending, led by the housing slump, is still declining. Nevertheless, the current environment does favour US dollar strength, if only because the Fed is expected to have ceased cutting interest rates for this year.

But, in the financial system, problems remain. Interbank lending is still not functioning smoothly, as evidenced in the spread between Libor rates and official central bank target rates. For example, the US 1-month Libor spread remains at almost 70 bps, when historically it was less than 10 bps. This underlying uncertainty should provide some support to precious metals as a safe-haven investment.

Gold remained volatile in Friday. The trading range was between \$850 and \$856 for most of the day. The yellow metal managed to recover well from the sharp appreciation by the dollar against the euro when US markets opened as higher crude oil prices supported gold. A small rally towards the close saw gold close at **\$856.70**. We see support at \$848, with \$840 and \$827 as near-term possibilities. Primary resistance is seen at \$861, and secondary resistance at \$867. A break higher might see gold test \$880.

Silver saw good support for most of the day on Friday. Although it tracked gold in Asia and Europe, buying support pushed the silver from around \$16.20 to as high as \$16.70 during New York trade. The metal closed at **\$16.40**. Support for silver is seen at \$16.15, with \$16.00 and \$15.90 as possibilities. Primary resistance is seen at \$16.58, with secondary resistance at \$16.76. A break higher might see silver test \$17.

Although platinum and palladium traded lower last week on the back of gold, they remain well supported. The string of

Prices (US\$)							
Metal	AM Fix	PM Fix	High bid	Low offer	Close bid	Daily change	EFP's
Gold	854.25	853.50	858.80	846.00	856.70	7.40	1.2/1.5
Silver	-	16.190	16.500	16.09	16.40	0.28	6/7.5
Platinum	1,855.00	1,878.00	1,900.00	1,835.00	1,895.00	25.00	4/8
Palladium	408.00	412.00	416.00	408.00	415.00	6.00	2/4
Forwards (%)							
Metal	1 month	2 months	3 months	6 months	12 months		
Gold	2.5486	2.5471	2.5471	2.5257	2.5514		
Silver	2.8714	2.8571	2.8429	2.7671	2.6971		
USD Libor	2.6975	2.7375	2.7700	2.8738	2.9938		
Technical indicators							
Metal	30-day-RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	42.41	880.61	903.94	908.08	824.99	848.00	861.00
Silver	45.71	16.81	17.36	17.18	15.34	16.15	16.58
Platinum	47.42	1,943.15	1,979.10	1,861.87	1,615.34	1,852	1,925
Palladium	43.10	429.48	443.32	433.39	392.74	406	423
Active Month Futures*							
	Comex GLD Jun'08	Comex SLV May'08	NYMEX PAL Jun'08	NYMEX PLAT Jul'08	DGCX GLD Jun'08	TOCOM GLD Feb'09	CBOT GLD Jun'08
Settlement	858.00	16.4650	420.00	1,908.20	859.00	2,931.00	858.00
Open Interest	427,835	122,778	19,630	13,856	3,815	173,635	12,275
Change in OI	-4,079	-1,063	418	188	-110	-4,726	-56
Date:	05-May-08						

* Open interest

better-than-expected data out of the US could provide further demand support for the metals. But **platinum** remains volatile amid low volumes. The metal closed at **\$1,895** on Friday.

Palladium found decent buying support in New York, which saw the metal gaining almost \$10, to close at **\$415**.

Rhodium continues to buck the trend and continues to trend higher. On Friday, the metal fixed at **\$9,200**.

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