

March 7th, 2011

MF Global Daily Report

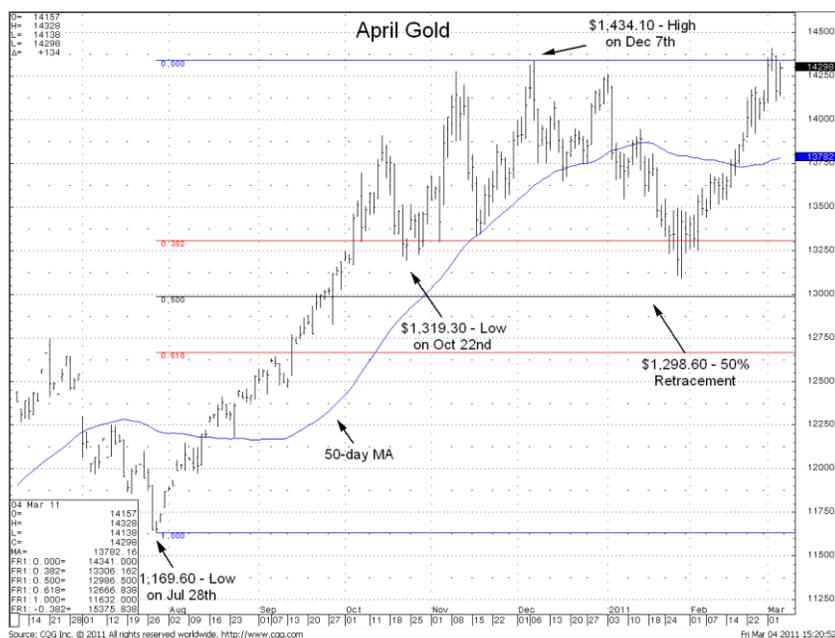
COMMODITIES | PRECIOUS METALS

Precious Metals Weekly

MF Global
440 S. LaSalle
Chicago, IL 60605

Price Outlook

Precious metals should be able to resume their upward trends this week, after Friday's employment report failed to match the elevated hopes of the market. Support will come from the prospect that monetary policy remains accommodative, ongoing tensions in the Middle East, and increasing signs of inflation. Opposition in Saudi Arabia is planning a "day of rage" on Friday and will remain a near-term positive influence. Opposing pressure will come from potentially tighter monetary policy in Europe and Asia and from key resistance in gold between \$1,431-\$1,435. We favor maintaining our long recommendation entered on Jan 27th as well as buying breaks near \$1,380.



Friday's payroll figures were very close to market expectations. There were 192K jobs added, which was slightly above the 185K expected. A net +58K in revisions to the prior two months gave the indication that the numbers should have been able to match even the whisper numbers around 250K. However, the average hourly earnings figures showed that consumers may have a tough time coping with higher prices in most goods including gasoline. Even though the figures came close to matching the whisper numbers, we believe that there was a sense in the market that they should have been much better. January data had been depressed by bad weather and snow storms and was expected to be more than made up for by the February figures. However, the +192K number caused the market to wonder how much lower payrolls would have been without the boost from weather. Next month's March payrolls won't have that benefit and could easily be pushed back down to lower levels. Weakness in job creation has been a principle reason behind the maintenance of accommodative Fed policy, and Friday's report did little to change that. The outlook going forward isn't much better. Ex-Fed Chairman Greenspan was on CNBC on Friday morning and discussed the fact that large companies are not building plants because of uncertainty. Capital spending as a

portion of cash flow is still very low. He also said that there are unexpected consequences of the Dodd/Frank bill that are creating high degrees of uncertainty.

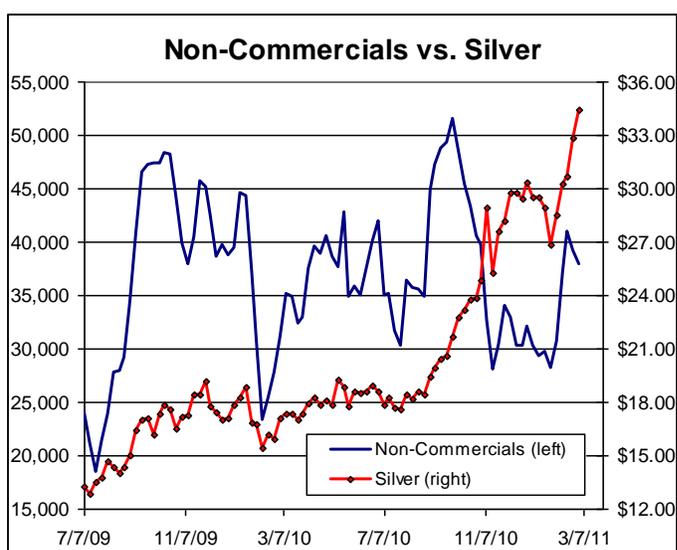
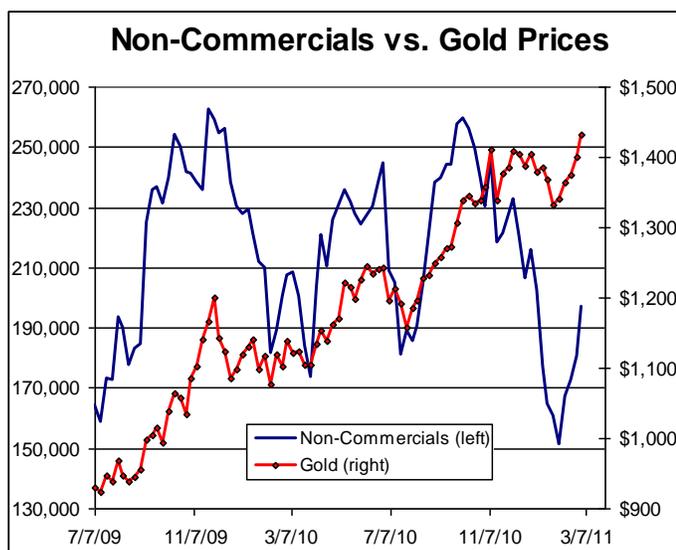
The downside of the market will be bolstered by the potential for tighter monetary policy. Economic data from the Eurozone last week showed CPI at 2.4% and reaching a 28-month high. The PPI was reported at 6.1% and compared to 5.3% previously. Other data showed that the unemployment rate fell while the PMI increased. Although the ECB left rates unchanged at Thursday's meeting, President Trichet highlighted the risks to economic growth caused by inflation. He said that rate policy was currently accommodative, but he withdrew the word "appropriate" from his remarks. ECB watchers suspected that he was laying the groundwork for a rate hike as soon as in April. Such a move is possible, as indicated on Friday by ex-Fed Gov Larry Meyer. He said that the ECB acts differently from the FOMC, in that they respond to headline inflation rather than core, and that they act on short-term data rather than intermediate-term as the Fed does. ECB members Wellink and Bini Smaghi both hinted at a rate hike on Friday by saying that inflation has been underestimated, and that inflationary pressure may require a rate hike. Given the likelihood that prices in February show further increases due to higher oil prices, the gold market could remain on edge for signs of tighter monetary policy from the ECB.

TRADE: Long GCJ1 at \$1,330, target \$1,500, risk \$1,360 (entered on Jan 27th)

Buy: GCJ1 at \$1,380, target \$1,435, risk \$1,360

Commitment of Traders Feb 22nd-Mar 1st Net non-commercial (large funds) (Legacy Report)

	Net Position	Change	Price Change
Gold	197,253	+16,829	+\$30.70
Silver	37,902	-1,321	+\$1.554
Platinum	27,744	-645	+\$58.80
Palladium	15,121	-372	+\$8.65
Copper	26,619	+3,389	+14.35c



Upcoming Metals/Dollar Events

Tue - Japanese Coincident Indicator

Wed - Japanese Machinery Orders
 Wed - UK RICS Housing Survey
 Thu - Chinese Trade Data
 Fri - Chinese Industrial Output, Retail Sales, PPI, CPI
 Fri - Indian Industrial Output
 Fri - Saudi Arabia "day of rage"
 Fri - Eurogroup Heads of State Meeting
 Mar 14th - Eurogroup Finance Ministers Meeting
 Mar 15th - EcoFin Meeting
 Mar 15th - FOMC Meeting
 Mar 24-25 – EU Leaders expect permanent crisis resolution mechanism
 Apr 26-27 - FOMC Meeting

Global Economic & Dollar News

The dollar index traded +0.07 at the metals' open and -0.10 at their close. The dollar weakened slightly throughout the day on Friday after the non-farm payroll figure failed to live up to the market's bullish expectations. At the same time, ECB officials signaled that rates may have to be increased due to growth in inflation.

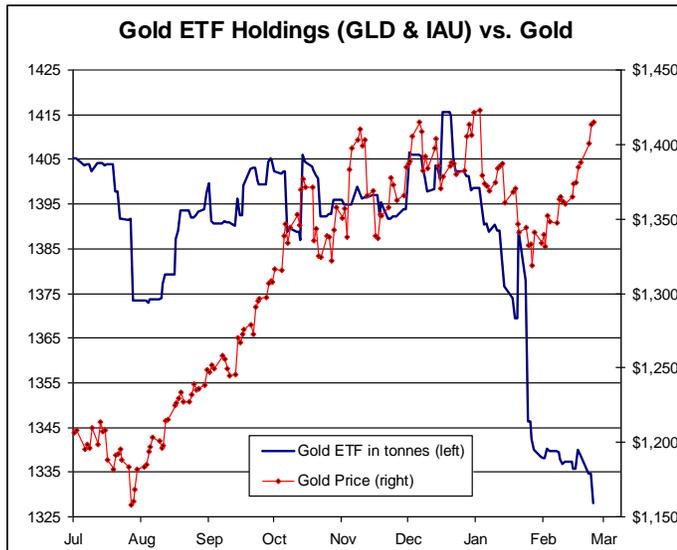
- » **Middle East Summary:** Rebels in Libya vowed "victory or death" and advanced toward a major oil terminal. They called for foreign air strikes and a no-fly zone after suffering three days of attacks from Gaddafi's warplanes. A rebel leader was reportedly killed on Friday.
- » **A Small Shiite Protest** was held in Saudi Arabia's oil producing eastern province, demanding release of prisoners that are being held without trial.
- » **ECB's Wellink** said that 2011 growth may be better than expected. Said that inflationary pressure may require a rate hike.
- » **ECB's Bini Smaghi** said that inflation has been underestimated.
- » **SNB's Jordan** said that rates have to rise in the mid-term.
- » **UK Halifax House Prices** were -0.9% in Feb vs. -0.5% expected.
- » **Non-Farm Payrolls** were +192K vs. +185K expected. Private Payrolls were +222K vs. +190K expected. Revisions added additional 58K to Dec and Jan data. The unemployment rate was 8.9% vs. 9.1% expected and 9.0% previously. Average hourly earnings were unchanged.
- » **Marvell** noted weakness in the wireless market segment.

Precious Metals News Stories

- » **iShares Silver ETF Holdings** were +976,380 ounces in Thursday's update.
- » **iShares Gold ETF Holdings** were +13,983 ounces in Thursday's update.
- » **SPDR Gold ETF Holdings** were -10,947 ounces, in Thursday's update.

U.S. ETF Holdings

	SPDR Gold Shares ETF Holdings	iShares Gold ETF Trust Holdings	iShares Silver ETF Trust Holdings
As of 3/3/11	38,922,671 oz	3,824,684	347,063,747 oz
As of 3/2/11	38,933,618 oz	3,810,701	346,087,367 oz
Inception	11/18/04 - 260,000 oz	1/28/05 - 34,997	4/28/06 - 20,999,768 oz



Copyright by MF Global Inc. (2011) 440 LaSalle Street. The information contained in this report has been taken from trade and statistical services and other sources which we believe are reliable. MF Global Inc. does not guarantee that such information is accurate or complete and it should not be relied upon as such. Any opinions expressed reflect judgments at this date and are subject to change without notice. The principals of MF Global and others associated or affiliated with it may recommend or have positions which may not be consistent with the recommendations made. Each of these persons exercises independent judgment in trading, and readers are urged to exercise their own judgment in trading.