

C A C H É METALS

INTERNATIONAL BULLION SERVICES

Week in review: October 5- October 10

Dollar weakness leads to the extended gains in the metals

This week started on a positive note with gold and silver trading higher, which again was led by a weak dollar. I know I may sound like a broken record here, but the dollar is the largest factor affecting the metals right now. There wasn't much in the way of news for Monday which led to a sideways choppy day for gold and silver. Tuesday was the major day. We hit fresh new highs in gold; *these were all time highs*, led by a very weak dollar, but more importantly the rumor of secret meetings between Gulf States, China, Russia and Brazil to establish non-dollar denominated oil contracts. Now, whether these meetings are true or not it really shows the distaste that investors have with the US dollar.

Gold

Gold reached a high of \$1043.50 where silver (which we think is undervalued right now as gold hits its highs) hit \$17.41. I am very bearish the US dollar, not a big bad bear that says we are in for hyperinflation, but more of the yogi bear type who thinks that we are headed for a relatively orderly, steady decline in the value of the US dollar. I hope you have caught the theme of why gold is rallying to new highs! The buying continued during the middle of the week as again we hit fresh new highs of \$1048.50 on the back of earnings expectations and Euro dollar rally. Gold continued its upward momentum on Thursday as the metal hit another new high of \$1061. The Euro dollar strength and the US dollar weakness continues to be the talk of the town, big bad Ben Bernanke stated Thursday night that the US central bank will be ready to tighten monetary policy as economic conditions improve. It's great that he still has a job, but tell that to the nearly 15% of people who are unemployed that economic conditions are improving. Until the weekly jobless claims numbers drop into the 400k range the US economy is likely to continue losing jobs which will keep big bad Ben and the Fed stationary for the foreseeable future.

Silver

Silver continues to lag gold, when gold had reached its highs in 2008 of \$1032 silver was trading at \$21. With gold at highs of \$1061, investors may now turn to silver, which now looks due for a rally. The gold silver ratio slipped to its lowest ratio in a year to 59 units per ounce of gold. In a report that India (The world's top consumer of metal), is now looking to offer silver bars for sale in some cities because of interest from investors, the metal seems to be poised to rally. Silver made a high of \$17.93 before it backed off to \$17.50. Silver should continue its gains as with gold, it continues to make higher lows. As we dip expect buyers to step in, as now we are all looking for an entry point to catch that next run up. Look for support at \$17.50 and resistance at \$18.40.

The platinum group metals are rising orderly, but seem to be avoiding the major hype we've seen in gold and silver. With poor auto sales continuing don't expect platinum or palladium to gain any momentum soon.

Now that gold has taken out our long term target of \$1032, you may sit back and ask yourself what next? I am glad you asked!

In April 2009, gold hit a low of \$865 (twice) from that low it rallied to \$990. A \$125 move! It has never got back to \$865. After the move to \$990 we had a pull back to \$905. We moved from \$905 to \$1025, a move of \$120. With that move gold pulled back to \$985. I hope you see the pattern here. *I think a low of \$985 plus a measured move of \$120 takes us to \$1100.* We expect see this by the end of the year. As you can see we are making higher lows (\$865, \$905, \$985), coupled with higher highs, keeps the pressure to the topside. With gold making a move to \$1100 I expect silver to be well into the \$20-\$22 range. Keep in mind with these measured moves we will almost certainly have pullbacks where the market is in profit taking mode.

Support levels come in at \$1032, \$1024, \$1009.

Trading Department - Cache Metals Inc.

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