CACHÉ METALS

INTERNATIONAL BULLION SERVICES

Week in Review Oct 19-Oct 23:

Dollar watching;

Gold

We continue to "dollar watch" this week as gold drifted higher to $1061 led by a rally in the Euro. There was very little follow through selling from last Thursday's selloff. Gold closed around the $1056 mark, as it still has the bulls and the bears in a tight struggle. US economic data printed softer than expected on Tuesday with headline PPI numbers contracting a sharper than expected -0.6% versus 0.1% eyed, while housing starts rose only a modest 0.5% to 590K versus 610K eyed. The drop in producer prices was the result of lower energy costs – a trend that could reverse itself if oil prices remain above the $80/bbl level for a sustained period of time, with that data printing softer gold made a run for $1071. It fell short at $1068 as we saw some late day profit taking. One thing we must discuss is the oil market. Oil hit a years high of $80/bbl, this is a huge break out from the $70-$75 range we have been witnessing. You may ask yourself why are they talking about oil? Energy costs are the single greatest transmitter of inflation throughout the economy, ***if oil heads towards $100/bbl or even holds the $80 level this could be a major drag on the US recovery.*** The pump will become the pain in the US consumers side. Many analysts have made the point that oil prices these days are driven primarily by the weakness in the US dollar rather any underlying fundamental factor. Why again you ask? This leads us to believe that again with the rise in oil will lead to other commodities rallying (Precious metals, base metals) as investors continue to flee the US dollar like a burning building. The middle of the week brought gold up slightly to $1062 as the euro finally broke 1.50 level, the market was eyeing the release of the initial jobless claims due out Thursday. After declining for two consecutive weeks US jobless claims rose an unexpected 11,000 to 531K from 515k projected. Gold retreated along with the equities as it showed further deterioration of the US employment market. US Existing home sales rose more than the consensus, which was dollar friendly and led the Euro to erase some of its earlier gains. Gold fixed at $1061.75 the market promptly took its cue from the home sales and profit taking ahead of the weekend as gold fell of its highs to $1050.30.

The markets are in a consolidation mode with neither the bulls nor bears establishing any firm ground. This market is tremendously long and with the consolidation this past week we are looking for a break out on the upside. Bloomberg reported pension funds to buy gold as insurance. *"Pension funds will increase gold holdings to acquire "financial insurance," pushing prices higher as currencies drop, according to* ***Shayne McGuire****, director of global research at the Teacher Retirement System of Texas. "Consider the tremendous fiscal excess that major governments have made to prevent the world economy from collapsing," he said. Owning gold today is "financial insurance,"* he said.

Silver

Silver continues, as gold to range trade. We have seen $17.20-$17.93. The grey metal is showing such resilience as it continues to bounce back. The trend is your friend, and the trend right now is showing up. Silver is showing a positive up for the week as the grey metal was well bid as it moved lower. Silver followed gold lower as US home sale rose, silver hit intraday low of $17.48, but once again it was well bid and quickly bounced back to $17.60. It closed at $17.68. While silver has seen a much sharper price rise in the last 12 months, gaining 86%. Last year October 23, silver made a low of $8.68. We are still nearly a fifth below its record high of last year March. The fall from the March high to the October 2008 low was much steeper for silver than gold - 60% versus 34% -- leaving silver still playing catch up with its more lustrous peer. The equities have had a strong run which has also caused the silver price to rally; industrial demand for silver is still at record highs. The gold-silver ratio plays a key part in this equation. In 2007 we saw it dip to 52 we currently sit at 59.82, with support at about 58.21.

We have been range bound all week in the metals. Gold found support last week at $1043, with resistance coming in at $1071 (all time highs). We continue to see the market well bid for both metals as the longs defend their position. Silver has support at $17.20, while resistance remains at $18.00. Our bias is to the upside on the metals.

Trading Department - Cache Metals Inc.