

C A C H É METALS

INTERNATIONAL BULLION SERVICES

Week in review: Nov 2-6

Gold

Gold kicked off the week higher as EUR/USD rallied more than 70 points. Construction spending and pending home sales started off the week for economic news. The reports blew away expectations which caused the equity markets and the yellow metal to rally. Gold continued its rally as news reports surfaced that India's central bank bought \$6.7 billion worth of gold from the International Monetary Fund. India's purchase of about 200 metric tons of gold was a strong indication of the investment demand for the precious metal. India, along with China and Russia, have indicated interest in buying gold as a way to diversify their holdings in dollar-denominated assets. The U.S. dollar has weakened considerably this year amid record-low interest rates, which have encouraged investors to look for higher-yielding assets, like stocks and commodities.

Gold continued to move higher reaching all time highs of \$1086, triggering stops on the way up, gold rose even as the dollar moved higher against other major currencies in early trading, breaking away from its traditional inverse relationship with the U.S. currency. The dollar later retreated. The middle of the week saw gold continue its assault higher to \$1095 as a spike in the Euro brought in more buyers. The FOMC left its overnight target rate unchanged, (no big surprise). They also kept the rhetoric the same as the prior month "The committee will maintain the target range for the federal funds rate at 0 to ¼ percent and continues to anticipate that economic conditions including low rates of resource utilization subdued inflation trends, are likely to warrant exceptionally low levels of federal funds rate for an extended period" Let me break that down in our terms. Clearly it's an indication that the dismal US labour environment will continue. It was an overall quiet day Thursday as traders await Non farm payrolls due out Friday. Gold reached an intra day high of \$1094, we saw it pull back marginally into \$1091.00.

Non farm payrolls for October presented decidedly mixed picture with headline unemployment rate jumping into double digits but the job losses from payrolls dropping below 200k barrier, the unemployment rate reached 10.2% -the highest level in more than 26 years, breaking the psychologically important 10% barrier. Euro/USD spiked on the negative news causing gold to stage a rally to its all time highs of \$1101. The metal's rapid rise from lows of \$1,040 this week suggests that some consolidation is overdue. Look for more selling to continue as we get above the \$1101 mark. Profit taking set in as gold fell quickly from its highs to \$1095. We look for traders to buy the gold on dips. Support comes in at the previous all time high of \$1070, \$1060, \$1040. Look for resistance to come in now at \$1101. We could see gold continue its rally next week, with a measured move to \$1120.

Silver

Silver saw similar action as gold as it started the week higher opening at \$16.51. Selling dragged the metal lower as it found support near the \$16.45 mark. Positive housing data caused equity markets to spike leading to the grey metal quickly rallying to \$16.71. We saw profit taking set in as it closed on its lows at \$16.42. The Gold Silver ratio pushed to fresh highs of 64.40. The grey metal exploded to \$17.31 as strong investor buying flooded the market. Silver pushed to highs of \$17.52, the break above \$16.80 brought in buyers as traders see a revisit of our highs of \$18.06. We expect to see some buyers enter the market with a close above \$18.00, with a measured move to \$19.30. The Gold Silver ratio moved lower to 63 from the 64.41 level. As the equity markets continue to show relentless momentum so will silver. Look for support to show at \$17.32, \$17.15, \$17.00 and look for resistance at \$17.61, \$17.80, \$18.06. Silver has proven itself time and again, to be a safe haven for investors during times of economic uncertainty and, as such, with the current economy in difficulty the silver market has become a flight to quality investment vehicle. Physical silver is currently undervalued compared to gold bullion and is in position to generate anywhere from 10 - 50% greater returns than investing in gold bullion (based on historical gold to silver price relationships).

Trading Department - Cache Metals Inc.

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