CACHÉ METALS

INTERNATIONAL BULLION SERVICES

Week in review: Jan 11-15

GOLD

Gold started the week higher on the heels of Friday's bullish move. Gold moved up to, currently the high for the week at $1161.00 as funds decided to get an early jump on their positions. The euro has climbed to a 3 week high against the U.S. dollar as FX traders continue to pile on risky assets. There are no major U.S. economic reports due for release early this week, which suggests that it should be quiet trading ahead of the Initial jobless claims, barring any wild volatility in the stock market. The metal retraced lower as the US dollar gained momentum ahead of the important Initial jobless claims and beige book report. Gold erased all of its gains it had at the beginning of the week to trade to an intra day low of $1124. It continued its descent as equity and base metals markets turned much lower. Gold continued its "choppy" trading for the rest of the week mostly closing around unchanged levels. We are finding most traders, speculators sitting on the side lines as we have witnessed a good move to begin the year for the shiny metal. Gold closed 2009 at $1097, we have seen it reach a high of $1161, which is a $64 (or a gain of 6%), move within one week. The release of the "ugly" retail sales numbers, led to the U.S dollar falling aggressively. That didn't seem to have much of an impact on the metals as one would have hoped. Meanwhile jobless claims and import prices also failed to help the dollar. Claims rose from 433k to 444k while import prices remained unchanged. Once again these numbers don't seem to be giving this market any sort of direction. The market seems to be in a consolidation pattern as we trade in a range of $1123-$1161. Euro tumbled in the early morning European trade Friday on speculation that German Chancellor Angel Merkel was about to resign, gold followed suit as traders booked profits. The general theory on news this jarring is that traders generally "sell first and ask questions later". After all the selling subsides, now traders sit back and they digest what was really said and although the rumors may not be true, traders would rather be flat than try and guess what could happen next.

"The fundamental question is has anything changed?" said **Adrian Day**, chief executive officer of Adrian Day Asset Management in Annapolis, Maryland. "Investors continue to be nervous about paper money, and newly enriched central banks want an asset of real value in their reserves."

The key word is "asset of real value", not only is the individual investor looking for that real value, central banks have as well been adding to their gold reserves. While the prices will remain choppy until we can break out of this consolidation, we still see the evidence of scale down buying. This could quite possible be the biggest year for commodities, we are already seeing the oil market benefit from renewed investor enthusiasm. Look for gold to once again have another record year on the upside. The underlying problems in the U.S economy remain the same and don't look to be changing any time soon.

Support levels come in at $1123, $1115, $1097. Resistance shows at $1161, $1175, $1195. A positive close above the week's highs of $1161 should bring in more buying.

SILVER

Silver has followed the same pattern as its bigger brother gold. We saw the metal rally to a high of $18.88, it closed 2009 at $16.88 it has moved 12% in one week. It really has outshone its brother. We have always read and seen analysts say that silver will outperform gold percentage wise, well it has happened in the first couple of weeks of the trading year. Silver retraced its big move to $18.13 as a strong U.S dollar and profit taking led to its decline. With word that the CFTC (Commodity Futures Trading Commission) may be putting speculator limits on gold and silver, we have seen positions being added on the dips. We know this will never come to fruition as unlike the oil market, silver has a very large physical market and it would be hard to control that aspect of trading.

"Precious metals are huge international markets because there are a lot more trading outside of the US, particularly in the physical market," said Bill O'Neill, partner of New Jersey-based LOGIC Advisors. "I really don't think it will have that much of an impact."

This type of talk only fuels the buying, as funds think now they need to desperately add to their existing position before a so called limit takes affect.

Silver continues to consolidate between $18.13 and $18.88, where as like gold it's making higher lows. This could be an indication that the bears may have control of this market. We should thus not be too concerned by the current corrective action in silver - on the contrary, we should capitalize upon such corrections as opportunities to build positions in and silver and to rebalance portfolios.

Support comes in at $18.15, $17.48, $17.11. We see resistance at our weeks high of $18.88, followed by our 2009 high of $19.46.

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