

C A C H É METALS

INTERNATIONAL BULLION SERVICES

Week in review: Feb. 22-26, 2010

GOLD

Gold seems to have hit a bit of a rut in its rally. After making fresh highs to \$1131 on Monday gold has traded lower every day since. It was a slow week for economic data as eyes were pointed to the Initial jobless claims for Thursday and Fed Chairman Ben Bernanke's semiannual report on monetary policy. After moving higher in the overnight session Monday, gold drifted lower as investors quickly realized profits and covered their positions. We have seen the market; for the first half of the week drift lower and traded \$1099-\$1121. The US dollar traded higher as weak Euro zone economic data and "dovish" comments from Bank of England officials drove European currencies lower. Consumer confidence fell sharply in the month of February, with the confidence index falling from 56.5 to 46, consumer sentiment deteriorated to the weakest level since April. It seems Americans are getting more and more pessimistic about the labor market after last week's rise in Initial Jobless claims.

The only satisfactory response that Bernanke gave is that the Fed will keep interest rates low for as long as possible and to reassure Congress that although normalization of monetary policy is underway it may not have a dramatic effect on jobs. Bernanke's speech was very disappointing to the dollar bulls as the US traded lower against all the major currencies. Metals shot higher as well, the yellow metal reached an intra day high of \$1104 before we started to see selling emerge once again. Fed Chairman Ben Bernanke did not say anything all that different from the comments he made earlier this month, although Bernanke acknowledged that rates will be raised at some point, he was relatively downbeat about the economy going forward. Lost in the whole speech was the release of the new home sales, which plunged 11.2% in January, which means either people are having a hard time attaining credit or the rise in the initial jobless claims is having a much bigger effect. First time claims jumped for the second week in a row to 496k from 474k, the highest level since November. Two weeks of sharply higher jobless claims raise makes for a very nervous market, especially since economists expected claims to drop. Continuing claims also rose from 4.61M to 4.617Ms.

Another major problem weighing down the markets is the Greece situation it will remain a critical issue that will keep the market gains capped if a definite solution is not found. Gold

turned positive on Thursday after the floor closed with rumors that China is looking to purchase the IMF gold. The talk was found to be credible, although China would only be buying half of the gold. The yellow metal made a quick rally to \$1109; of course we could not sustain those gains as once again more selling emerged.

We have made new weekly lows in gold, but again we bounced back. Gold touched \$1088 in overnight trade, but with the UK market opening gold quickly found support and traded off of its lows. Gold has made that push higher to \$1120; again it is finding resistance at higher levels. Resistance comes in at \$1120, \$1133, and \$1146, with a close above \$1162 will almost certainly see the shorts squeezed out of their positions. Support shows at \$1088, \$1062, \$1045.

SILVER

Silver has followed basically the same pattern as gold. We have seen wild swings in the grey metal over the past week. With the equity markets trading higher for most of the week, silver has pretty much been trading in a range of \$15.62-16.43, The metal has at one point this week was outperforming gold. The metal hit \$15.62, but had a very nice bounce higher to \$16.05 this was in a span of about 20 minutes. This shows that there is plenty of bargain hunting buying on lower levels. The bull camp is making another strong case for the upside, the rise above the prior two sessions highs is also giving the bull camp some technically based buying interest. With the favorable news coming out of China Thursday, bulls may have been given the news they were looking for. However, on the flip side residual turmoil in Greece and the weak US dollar may help the bear camp as well. The gold/silver ratio move lower from its years highs of 71 to current 68.22. Some have said this ratio will determine what the metals will do for 2010. Silver has for the most part lagged behind gold after the major drop to \$14.63, for the simple reason that a major drop like what occurred has left investors weary. We have seen the Platinum group metals remain very robust as car sales have picked up for the beginning of the year. This move has helped silver keep its head above water. In the monthly U.S. Treasury report this week, it was announced that China had sold \$34.2 billion of Treasuries in December; they must put their money somewhere and traders are surmising that we could see China be big commodity buyers very soon. This will bode well for silver as our view is that we will see the gold/silver ratio coming back to a level of 64-66.

Support comes in for silver at \$15.62, \$15.30, \$15.02. A break of \$15.02 leads us to the year's lows of \$14.63 Resistance shows at \$16.33, followed by \$16.62. A close above \$16.33; which would mean a higher close than last week is very positive for the silver bulls. This would take us back to \$16.62. ***We remain bullish on all things shiny and precious, both for the intermediate term and the longer term***

Trading Department - Cache Metals Inc.

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