

# C A C H É METALS

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INTERNATIONAL BULLION SERVICES

**Week in review:** Mar 1-5

## **GOLD**

After having one of the most depressing past two months, gold has finally found some stability above the \$1089 mark. March has come in like a lion as gold has advanced \$30 this past week.

We saw early fund buying kick the week off and it wasn't about to be stopped there as the week was full of reports and speeches. Personal income rose by 0.1 percent in January while personal spending rose by 0.5 percent. Although the pickup in spending is encouraging, it is never a good thing to see Americans spend more than they make. The EUR/USD rallied to reach session highs as news of Greek band-aid plan began to leak out to the market.

According to Dow Jones newswires, the Greek government will increase the VAT tax to 21% from 19%, freeze all pension payments and reduce civil service wages by 12% in an effort to control its growing budget deficit this year. This caused gold to push higher to close to its weeks highs of \$1142 as risk appetite seems to have returned to the market. The market was still capping its gains as President of ECB Jean Claude Trichet was due to speak. Trichet offered strong support for the band-aid measures taken by Greece but backed away from any attempts to help bailout the country's finances and noted that the IMF would not be appropriate as a "supplier of help" to the Greek economy. Mr. Trichet's emphasis on letting Greece work out its fiscal problems within the framework of the European Union cast some doubt on resolution of the Greek conflict and EUR/USD weakened marginally in the wake of his remarks. This does not bode well for further problems we see ahead for the rest of the Euro zone, basically what Trichet has said is that there will be no major bail-out like we have seen in the US. Gold took its cues from the Euro as it too fell off to \$1133. Jobless claims fell from 498k to 469k last week which confirms that Jack Frost was behind the increase - the drop in jobless claims brings us back to levels we previously saw before snow-mageddon. Gold was very much in play at the beginning of the week to only fall off in the middle, the all important Non-farm payrolls and the unemployment number was on deck. We will keep you in suspense and explain why these numbers mean so much to the market. As we have always said no US recovery will ever take

hold until we can see a month to month declining number in the Initial Jobless claims and Non-farm payrolls.

A recovery is not much of a recovery when there is no job growth and consumer spending, especially when consumers are spending more than they are making. The improvements in the labor market have been uneven and we expect this trend to continue – the only difference is that this time we have Jack Frost to blame. Several snowstorms have hammered the Northeast US, triggering temporary layoffs in construction and transportation industries that are highly sensitive to weather. Some non-salaried employees may have also been taken off payrolls for not being able to get to work, which also puts a halt to the cities affected. Gold prices turned volatile as the dollar rebounded versus the euro following better-than-expected employment data in the US. Non-farm payrolls fell by only 36k in February; the market was expecting the employment number to drop by 56,000 due to the bad weather. With the better than expected NFP that kept the unemployment rate at 9.7%. The US dollar turned higher and gold backed off to a low of \$1128, we have seen more “dip buying” as traders are looking for bargains every time the market has a small sell off.

The precious metals have been very resilient even with the Euro sliding off after reaching highs of 1.3740. The following week should just be as volatile as we creep into spring.

With gold holding above the 100 day moving average of \$1112, we see the market moving higher. Look for support about the \$1125-\$1127 mark. Resistance shows at the weeks highs of \$1144, and year's highs of \$1162. On a close basis above \$1162, look for us to target \$1226. This will almost certainly spark the funds to load up more.

## **SILVER**

Silver had a fantastic week. It moved higher for the past 6 out of the 8 trading days. It most certainly outperformed gold in this stretch as was witnessed in the Gold/Silver ratio. The ratio has tightened up for the week after starting out at 67; we have seen it move to 65.15, which seem to be an area of resistance for it. Nonetheless this move is very encouraging for the silver bulls. For the week silver saw a low of \$16.32 before moving to current new highs; at the time of this week in review; \$17.51. The grey metal is leading the charge as the equity markets have had a strong run this past week, which is also favoring the PGM's.

Within this past week silver has gained more than \$1.00 on short covering and renewed investor demand. Record demand drove the U.S. Mint's silver coin sales 40.2 percent higher in the first two months of the year to 5.643 million ounces from 4.025 million ounces.

*"One of the main reasons why silver is popular is that from the price standpoint, it is certainly a lot less expensive than gold," said David Beahm, vice president of economic research at coin and bullion dealer Blanchard & Co.*

Gold has looked quite impressive, but eyes are on silver for 2010, continued fundamental outlook for a weaker U.S. dollar, which will likely result in strong precious metals prices.

Fundamentals for silver remaining positive, with demand increase for industrial and investment segments forecast to more than offset the continuing decline in photographic demand.

Silver has had a very impressive performance this past week. We look for this to continue next week. Look for support to come in at \$17.12, followed by \$16.94 and ever important \$16.76. We have largely stayed away from that area since we have breached it. A break below \$16.76 would most certainly bring in more selling. The resistance is coming in at \$17.58, off of trend line support, followed by \$17.92. Most interesting is that we have recovered more than 50% of our losses from our recent move from \$18.85-14.63, which is quite impressive!

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