

# C A C H É METALS

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INTERNATIONAL BULLION SERVICES

## **Week in review October 12 - October 16:**

Dollar weakness party continues;

### **Gold**

Once again the US dollar weakness is leading the news as gold opened the beginning of the week higher. It was Columbus Day in the US so it was more of subdued markets, but gold continued its ascent higher led by overseas buying. Gold broke to \$1057.00. We have seen some very good buying present itself in the market, based upon the latest price action in the currency market, it almost appears as if traders cannot stop selling dollars. Lack of demand for dollars has driven the euro to 13 month highs, taking out levels last seen during Lehman's bankruptcy. Tuesday saw gold move to new highs of \$1066, there wasn't any "major" reports due out until Wednesday as we are looking for the retail sales numbers. Stronger than expected consumer spending in the month of September helped to lift the dollar against all of the major currencies, gold backed off to \$1059. The dollar fell to new lows against 4 out of the 7 major currencies on the heels of the FOMC minutes which revealed a surprising division within the Fed. Last week, Federal Reserve Chairman Ben Bernanke gave the markets false hope, which was obviously to talk the US dollar up, (the feds cannot fool us again.... we sleep with one eye open.) This led to a mini rally in gold after the floor closed. Gold broke higher to \$1067. Thursday saw gold move lower for the first time in 10 days to \$1051 as deflationary pressures are easing with consumer prices rising 0.2 % in September. The annualized pace of CPI growth is still negative at -1.3 %, but core price growth accelerated by 1.5 %. The eurozone currency fell after European Central Bank president Jean-Claude Trichet reiterated that the euro was not created to be a global reserve currency, adding that high volatility in currency movements is also a negative factor. This brought gold down to its lows, with the euro rally, gold rallied to \$1066 before more profit taking set in. "Friday follows Thursday" which means we saw some more profit taking, as the metal continued to back off. It bounced back early right after the second London fix making new highs at \$1056 as the euro dollar broke higher. The yellow metal finished off up on the week, after falling to a one week low of \$1043. Look for support \$1040, followed by \$1032.60, the high from March 2008. We should see resistance emerge at \$1060, \$1071 (all time highs)

## Silver

Silver saw similar action to gold. The grey metal moved higher Monday to \$17.95. The metal is trying to make a run for \$18, but is encountering a lot of resistance. The metal actually did trade as high as \$18.05, \$18.11 overseas. We need a close above it to sustain that momentum. Wednesday it settled unchanged as the bull and the bears couldn't decide on a direction. Thursday it had a key reversal as funds decided to book some profits. It came off to \$17.50, rally back on the heels of the gold rally to \$17.73. Just before the close we saw it take a significant tumble back to its lows of the day at \$17.32. Silver rallied off the back of gold and higher euro dollar as it surged to \$17.56. The gold-silver ratio moved to 60.30 from its current 59.30. We could see it get wider if retreat in prices continues. Look for support at \$17.20, \$16.80, with our resistance coming in at \$17.66 (our former years high) \$18.00, \$18.30.

This is a great time to get into the precious metals arena, everybody wants in. With people around the world, including large institutions and retail consumers, precious metals are poised to make another significant move. Between the two precious metals, despite the huge discrepancies in price, the fact remains that silver historically has always out performed gold. The recent move in Gold should be viewed as a precursor of the large move that should come very soon in silver. History is being made in the metals right now. When most investors are looking at stocks and mutual funds, savvy investors looks to more tangible assets like precious metals. Precious metals are not only on the move right now, but they also represent great long term value. What better way to say Merry Christmas than with gold or silver.

Trading Department - Cache Metals Inc.

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