CACHÉ
METALS
INTERNATIONAL BULLION SERVICES

Week in review: Oct 26 - Oct 30

Gold

Gold open up slightly lower on Monday at $1054, found support and became well bid early in the session climbing to $1060. The dollar showed some strength which led to institutional selling in the metals to a low of $1039. We finally broke out of our range of $1043. The yellow metal closed at $1042. US housing prices rose for the third consecutive month suggesting that the housing sector may be stabilizing. Stabilizing the housing market is a critical objective for US policymakers, with some analysts estimating that a further 10% decline in the value of housing would push more than 50% of all outstanding mortgages below their purchase price. With that news, the euro rallied 20 points, but traders awaited consumer confidence which was also due out. Gold continued on the slippery slope trading as low as $1032.60 (the previous all time high). It became well bid at the $1032 level and rallied back to $1036. US Consumer Confidence plunged to 47.7 versus 53.1 projected with current expectations component slumping to a 26 year low.

Persistent fears of job losses have dampened consumer sentiment which in turn could result in a weaker than expected Christmas shopping season.

This was the first decline in 3 months for the consumer confidence report indicating that despite a pickup in overall economic activity consumers are becoming increasingly concerned about their personal prospects. Gold tried to stage a rally but fell short and closed right where it had opened as we saw some good selling come in around the $1044 level. We now turn our attention to durable goods which came out Wednesday. US Durable Goods orders matched market expectations rising 1.0% in the month of September. This wasn't much of a market mover. Much weaker than expected housing data caused the equity markets to join the slippery slope as gold, reached an intra day low of $1027.50. It managed to climb back and close at $1031. We now have seen three solid days of liquidation as we have closed below the previous low of $1043. US GDP printed much stronger than expected at 3.5% versus estimates of 3.2% sparking a fresh round of buying in Euro. The news put to rest concerns that the global recovery was running out of steam. The EUR/USD skyrocketed by more than a cent as the massive short covering kicked in. which led a massive move higher for gold as it rallied off of its lows of $1027. We do believe that after 3 solid days of selling the market got caught short which led to stops being triggered on the way up. The yellow metal closed the day at $1046, which means we are right back in our $1043-$1071 level. The downside move didn't confirm very much other than we expect to see continued buying on dips. Despite the days better than expected news, the sustainability of this recovery depends on the improvement of US labor conditions. To that end, the weekly jobless claims provided little help to the bulls by rising to 530K from 525K projected. The figure remains stubbornly above the 500K barrier and until it drops below that level the market will not be fully confident that the recovery has taken hold. Friday saw gold take a dip from the rally to end down $6 at $1035, which was led by the Dow down 224 and S&P down 30. We are looking for a retracement to our recent low $1027. A break below $1025 could see us re-test the $1011, $1000 area.

Silver

Silver, like gold dropped very quickly to $17.12. We should see a more pronounced correction in the grey metal as the gold-silver ratio jumped from 59.70 to 60.22. With the decline in the Dow silver should see more on the down side. After four days of declines; like gold, silver exploded to the upside off of the lows of $16.13. The move measured to $16.70 off of economic data. If the grey metal is to make any sort of move higher we would need to see some consolidation between $16.13 and the $16.70. Friday brought a wave of selling as the Dow led the precious metals lower. Gold declined to its recent lows of $16.15 before bouncing to close at $16.24. The gold silver ratio made another jump to the current 64.00 area, before retracing. *What we saw here was some month end liquidation as traders squared up the books for the last trading day of the month.* Silver will end the month of October slightly down. This could bring in some more selling back to our September lows of $15.75. Look for support at $16.13, $15.94, $15.75. Resistance comes in at $16.70, $16.82, $17.12

The dollar strength is what has led this move on the down side for equities and the precious metals. The US dollar was in a steady, but orderly decline. There will be substantial data due next week for the month of October including figures for construction spending, factory orders, auto sales and non-farm payrolls. This will give us a clear picture (like mud) of whether the US economy is maintaining and continuing is recovery.

PGM's

The platinum group metals followed the gold and silver lower as the cash for clunkers program was discontinued, with that car sales for the month of September did not register very well. Speculative length for platinum and palladium remains high, although it would be hard for them to advance with out gold leading the charge.

Trading Department - Cache Metals Inc.
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