CACHÉ
METALS
INTERNATIONAL BULLION SERVICES

Week in review: Nov 16-Nov 20

Keep your rally caps on.

GOLD

Gold continues to extend the rally as we have witnessed another record setting week. Monday, gold set a new record high of $1140.00 as fund buying and strong equity markets pushed gold to its highs. The U.S. dollar rallied against the euro on the heels of Ben Bernanke's comments as the Fed Chairman pledges to use Fed policy to "ensure that the dollar is strong." Mr. Bernanke indicated that the central bank will monitor the dollar closely which implies that other nations may be pressuring the U.S. government to stop the dollar from falling. However, Bernanke's comments on the economy do not support a recovery in the dollar and may be part of the reason why the dollar has not strengthened against all of the major currencies. The Fed Chairman's tone was relatively pessimistic. He sees headwinds and believes that future setbacks are possible. According to Bernanke, unemployment is much too high, credit is constrained and demand has fallen significantly. Thanks Mr. Fed Chairman, but I think the 10.2% of the population that's unemployed already knew that.

Retail sales did increase by 1.4% in the month of October, but that wasn't enough to lift the dollar as investors continue to sell the dollar and buy gold. The yellow metal again took its cue's from a weak dollar. In overnight trades Wednesday gold shot to a new high of $1153.00, as investor demand shows no signs of fading. Profit taking pushed the metal lower as it back off the rest of the week reaching intra day lows of $1132.90.

Jobless claims missed expectations', but really that didn't have much of an impact on the metals, however with the equities taking a pause from its own rally party, plus a slightly stronger USD led traders to take money off of the table. As mentioned previously, jobless claims were virtually unchanged at 505k but continuing claims rose to 5.611M. The labor market is still the primary sore point of the U.S. economy and based upon the latest reports, it hasn't improved significantly. The theme of these pull backs has been consistently buying on dips, which is exactly what we have been seeing over the past two days. Gold bugs are bidding up prices to hedge against inflation and the U.S. dollar.
This suggests that at least one group of traders or investors still believe the dollar could be headed lower.

There's a huge pile of December gold call options at the $1,200 strike price. The CME preliminary report for Wednesday's trading shows that there are still 28,157 call options at that price, but there are also 9,187 call options at $1,300, 12,319 at $1,400 and a huge 15,658 at $1,500. These are very large numbers which points us to believe that somebody knows something (by the way, they are not telling us) or traders have made lots of money over the year and are willing to just throw it away with these call options. This should be all cleared up by Monday, November 23 as it will be a shortened week with the US thanksgiving on Thursday November 26, either in or out of the money.

Look for support to come in at $1106, $1115, $1123, $1132, resistance should be at $1145, $1153 and a measured move of $1180.

SILVER

Silver has finally decided to put on its dancing shoes and join the party! Silver finally broke its long held high of $18.09. It was a mighty struggle as the gold silver ratio was keeping the price in check. Investment demand, like gold, continues to be the main driver. After climbing over the March 2008 highs it continued to fly to reach 2009 high of $18.85 (New York)., before we saw a late week pull back to $18.50.

The selling for the rest of the week continued as it took the metal to an intra day low of $18.02 on Friday during London trading hours. Silver like gold, has found solid buying as we dip lower. This buying has propelled it back to $18.40 area. At $18.40 an ounce, silver is far more affordable than gold. Sales of Silver Eagles from the U.S. Mint have soared to 25 million 1-ounce coins so far in 2009 from 19.6 million for all of 2008. GFMS expects silver to surpass $20 per ounce in the near term before falling in the second half of 2010 as recovering economic growth fails to erase a surplus and a rebound in the dollar slows investor purchases.

We shall continue to see great investment demand for the grey metal as investors still feel that silver has a much larger upside potential than gold. With the mean of 50:1 for the gold silver ratio, we have traders predicting it clawing back to those levels. Currently it sits around the 62.26 level. This past week it made a dramatic jump from its 64-65 area to get to this 62 level. This was large part due to the rush of silver from $17.45 to $18.85.
Silver has a tremendous opportunity to reach the July 2008 highs $19.47. This is not inconceivable as with the option expiry and the switching of contracts from December futures to February Futures due with the month end next week.

The grey metal ended the week on a very positive note as it closed almost unchanged on the day, this could be a very positive note for those silver bulls. As with gold, Monday will be a key day as we will see who will win this major battle between the bulls and the bears. **Support comes in now at $18.02 (our lows Friday) $17.80, $17.60. Resistance stands at our 2009 high of $18.85, $19.20 and the aforementioned $19.47.**

Trading Department - Cache Metals Inc.
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