CACHÉ METALS

INTERNATIONAL BULLION SERVICES

Week in review: Dec 7-11

GOLD

Gold loses some of its shine.

After Fridays massive sell off, gold continued its downward trend for the beginning of the week. It started out on a positive note, but a stronger USD led traders to book more profits as well as fund liquidation. The metal traded down to $1138, if you recall this was the low we saw after the Dubai debacle. It quickly found support at that level and bounced back as the prevalent buying on dips emerged. Fed chairman Bernanke spoke in the afternoon about the possibility of hiking rates, "headwinds" and "subdued" inflation were his choice of words. This sentiment led to the rally as traders sold the USD against all major currencies. With not much economic data due out this past week traders looked to the technicals. Many analysts have been saying the market was overbought, but then again this was being said when we reached $1050. The yellow metal resumed its slide as it broke all major support levels and traded as low as $1116 in the Far East. It found support as the London market opened and rallied back on the heels of a stronger Euro.

Traders were eyeing the trade deficit and initial jobless claims that were due out. With the release of these numbers it was a mixed bag, initial claims were worse than expected but continuing claims fared better. The latest trade numbers reflect the positive implications of a weaker dollar in the month of October.

The trade deficit fell 7.6 percent to $32.9 billion as exports reached the highest level in more than a year (Nov 2008). Trade with China was particularly strong with exports reaching a record $6.9B which tells us that the U.S. is also a beneficiary of the recovery in China.

Imports increased by only 0.4 percent on demand for computers and autos. Our guess would be it's all the unemployed people searching the internet for jobs. The markets were also disappointed by the rise in jobless claims and the drop in continuing claims. The number of Americans filing for first time unemployment benefits increased 17k to 474k last week. The dollar staged a sharp rally after it was reported that retail sales came in better than expected. To some extent this confirmed last week's unbelievable job numbers, as retail sales gained 1.3% in the month of November, more than doubling estimates. This took gold off of its intra days highs of $1142 and traded as low as $1128. Keep in mind that this is the holiday season, and we expect retail sales to make a jump. Before we start doing the moonwalk however, let's see how these numbers fair in the coming months of the new year.

Support comes in at $1105, $1050, $1009. Resistance shows at $1138, $1167

SILVER

Silver's wings clipped.

We talked last week of silver getting set to soar..... Houston we have a minor set back. For now, silver has been brought back to earth for minor repairs. After touching $19.47 which now becomes a resistance level, silver has turned around on the heels of profit taking and fund selling. The grey metal has broken all sorts of support levels. With the retracement in gold, we have seen silver follow the same path. The metal traded as low as $16.90 for the first time in a month, it held that level and with little buying appearing; more so due to short covering, the metal rallied back to $17.11. We see silver still being the brightest star of the two. Investment demand is still forecast to continue to prop up the metal prices, while industrial and jewelry silver consumption may return with the market sell off. The US Mint 2009 American Eagles Silver Coins have enjoyed fiery sales this year, very easily surpassing the 2008 record. We expect this surge to continue as the price has dipped.

"Gold Not a Bubble, Silver a Better Buy" as said by Jim Roger, chairman of Jim Rogers Holding.

Look for support to come in at today's low of $16.90, 16.75 a break of that could lead us to $15.75. Resistance comes in at $17.61, $17.95, $18.09

The markets have seen a shift. The market has gone from buying dips to selling the rallies. What we mean by that is, when gold has a somewhat positive day to trade higher large amounts of selling emerge as the market has turned from bullish to bearish. We are now seeing that (for the time being), the bears have got a good grip of this market. As we have highlighted before the fundamentals have not changed. See our previous "week in review"; but with all markets comes a decline and profit taking. What we are witnessing here is just that...... booking profits. In the medium to long term we should see gold re-test its highs, but in the short term gold will be very erratic and could trade in wide ranges. The theory of traders pushing gold higher every year end for the last nine years could change as we have never been to theses all time highs.

Let's not think of this downturn as a "market crash". Think of it as an entry point, if you were not in the market before this is your opportunity to pick a spot to get in. The plane is on the runway; get your boarding pass as we are getting ready to fly once again.

Trading Department - Cache Metals Inc.

This is not a solicitation to purchase or sell