CACHÉ METALS

INTERNATIONAL BULLION SERVICES

Week in review; Dec 14-18

US dollar story:

Gold

The US dollar is the big story that is driving the price of gold lower. As the dollar has reached a 3 ½ month high versus the Euro, which has led to traders jumping out of the metals arena and back into the friendly confines of the US dollar. The week began with gold more or less stabilizing after hitting a low of $1109. Economic data for the week was plentiful, with the eyeing of the Federal Reserve's monetary policy meeting ending Wednesday. The US dollar continues to gain strength ahead of the policy meeting. The Federal Reserve has continued to unwind their emergency programs, driving the U.S. dollar higher against all of the major currencies. The tone of the FOMC was very much upbeat and this led to the US dollar taking flight. Gold strangely, after the meeting started to trade higher to $1142 in the after-market session. The reality finally set in for gold and it gave back most of its gains. The dollar bulls remain in control of this market. As we know, a stronger US dollar will lead to the metals trading lower. The yellow metal tried the topside to $1142, before it dramatically sold off to an intra day low of $1094. We have seen over the last few trading days just what we talked about in the previous week in reviews. The market is short and we are seeing the traders selling the rallies. On a short term basis, fund managers could also have motives to take profits on their gold positions. Since its years lows of $801/ oz in January to its highs just made a few short weeks ago of $1226 gold is giving a 53% return, let's take it back to August with a low of $925 to $1226….. that is a 32% return, these numbers are staggering. Regardless of the situation on the interest rates front…. these percentage returns appear very inviting to realize some profits.

What has moved gold in its direction now could easily turn the other way come the New Year. Fund managers at the start of the New Year will put new objectives in place for their investors. As we say, those who missed the boat on the first move up in 2009 could be getting ready for the next leg up come 2010. This could give gold a fresh new push towards new highs. ***As we have always said we are very appreciative of these pullbacks as its gives new investors the chance to get on the train.***

We look for support at our recent lows of $1094-$1105; a break of this level opens us up to our October highs of $1071. Resistance shows at $1138, $1167

Silver

Silver holding its own:

Silver came into the week severely depressed. After coming off if its year's highs to trade as low as $16.90, it started off the week on a minor up day at $17.36. We are seeing the metal hold up quite well compared to gold. The grey metal moved in-between $16.93-$17.41, and then it tried its hand at its topside resistance of $17.89. The metal reached a high in the overseas market of $17.80. It didn't sustain those highs as we saw more selling emerge as it traced to its resistance level. A weakness in the global equities will also spur more selling of silver, since silver avoided the type of historic pricing seen in the gold market over the last several months; it is possible that technical corrective actions in silver ahead will be less severe. With silver at times over the last six months, holding back from gains because of its industrial link, it is now possible that favorable US economic numbers ahead might actually serve to provide a measure of support to silver prices. The bull camp is holding out hope that the consolidation support of $17.13 will remain and support this market. Silver had a positive day when it jumped above its Dubai low of $17.68; this gave the bulls some support for their cause.

The short term outlooks remains cloudy, but as we look into the New Year we look at industrial demand begin to increase. If the equity markets keep up its surge to the topside, we should see silver start to become the poor's man choice for their investment. The price of silver has grown 72 percent since the start of the year, peaking at a 16 month high of $19.47 per ounce on December 3. It has outperformed gold, which has only risen 39 percent. This could make one surmise that silver still has not seen it's full potential yet as we have not even come close to our highs of $21. Once again we cannot stress the importance of these pullbacks as like gold, silver will once again draw in those investors that were not on the train before. The gold silver ratio continues to be slightly lower off its week's highs of 65. The 64 level seems to be the key level where it has held support.

The key support level is $16.90; a breach of this level opens us up to our October lows of $16.11, followed by $15.75. Top side resistance appears at $17.80, $18.02. A close above $18.02 should see the bulls jump back in.

Trading Department - Cache Metals Inc.

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