

# C A C H É METALS

INTERNATIONAL BULLION SERVICES

## **Week in review; Jan 4-8**

Happy New Year!

### **GOLD**

What a positive way to start the New Year! Gold jumped \$25 on its first official trading day of 2010, as the yellow metal saw fund buying and renewed investor enthusiasm. We have seen, to start the year, the USD slumping once again. This after it had a dramatic turn around to end the year on a high note. The first week of trading is chalk full of economic reports with U.S home pending sales due up, and the market eyeing Friday's Non-Farm Payrolls report. Dollar bears took control of the market as weaker housing market data confirms Fed President Duke's warning that the headwinds in the housing market are relatively strong. Pending home sales dropped 16 percent in November. This caused the metal to rally on the heels of higher equities. Gold rallied to an intra day high of \$1140, we are seeing great resistance at that mark. Gold prices cut some of its earlier losses on early Thursday afternoon, but remained in the negative column as funds booked profits on start-of-the-week strong gains, while the dollar remained unimpressed by slightly better-than-expected US jobs data. All optimism about a U.S. recovery we have seen in the past month has been erased by the sharp decline in non-farm payrolls last month. Many traders were positioning for a positive NFP report and job growth did return - but unfortunately it happened in November and the increase was modest. Gold took a leap from negative territory of \$1120 to \$1132, as investors retreated back to the safety of the yellow metal. Gold has rallied \$42 since the end of the year. Gold prices were in overbought territory before we had that correction; the longer term picture remains bullish. There is still uncertainty of how the U.S economy will shake out. Overall investor confidence doesn't appear to have been waned by the 12% correction we saw in December. We should continue to see investor scale down buying on the dips. This could shape up to be another fabulous year for the metals as we have seen the first major report of the year has already disappointed many investors, which could see many more making that play for bullion.

Support comes in at \$1115, \$1075, \$1018. We see resistance at \$1143 and \$1168, and \$1195

## SILVER

Silver has followed the same path as its bigger brother gold. The grey metal broke through its recent support level of \$16.90 to make a new multi month low at \$16.76 in December. We have seen silver rally back from the pull back to trade as high as \$18.47. Silver like gold has seen a similar pattern as it the Non-Farm Payrolls report caused the metal to jump from \$18.10 to the \$18.32 level. Silver, since the beginning of the week has made quite a significant gain in regards to the gold silver ratio. It was trading at a level of 65 at the end of December to a level currently of 61.50. The grey metals industrial demand seems to have softened the retreat of the metal in December with the equity markets holding up considerably well. Forecasters have suggested that industrial production should increase by 7% for 2010, which should see prices continue the bullish momentum. This in turn will see investors keeping the pedal to the gas for physical metal acquisitions. We like the chances of silver as we still have not seen the highs of March 2008 for silver of \$21. There is still room for this metal to go and all it will take is a slight move in the gold price. If there is any doubt in this apparent bull run, its silver's failure to confirm the primary trend in gold prices. Precious metal bulls are still confident hyperinflation is likely to takeover in the next few years and that Asian nations (and others) will continue diversifying out of US dollars. These analysts expect further dollar weakness in 2010, lending support to metal prices.

“As long as we see a zero interest-rate policy in the US and the probability of continued big fiscal deficit, the dollar is going to be under pressure again,” said GFMS Ltd (the worlds foremost precious metals consultancy) chairman Philip Klapwijk, “this past year’s most accurate forecaster,” say Bloomberg reporters. Klapwijk expects gold to continue to post gains in 2010 as inflation concerns increase and dollar weakness Other factors contributing to bullish sentiment for silver prices include further bullion purchases by central banks, low interest rates, and an end to covering of short dollar positions in the early part of 2010.

Support lies at \$18.02, \$17.65, and the December low of \$16.75. We see resistance at \$18.47, \$18.66, with a break above \$18.80 could open up the \$19.47 area.

Trading Department - Cache Metals Inc.

This is not a solicitation to purchase or sell