

**Price Outlook/Trade Recommendations**

Today's trade is expected to be mixed-to-positive. The gold market could potentially move down toward key support at the \$890.80 level, but we tend to believe that that level will hold the downside. Any additional weakness today would likely be judged as oversold by a market that witnessed a 29,200 contract increase in the net non-commercial long position last week. We favor trading gold as a mixed affair today and would think about buying dips near \$890.80.

Pressure today could potentially be seen by downside follow-through from yesterday's \$17.90 selloff. Both the dollar index and stock market tested and held near lower boundaries of upward trending channel patterns. Upside follow-through is possible, which would likely weigh on gold prices.



Support will be found, however, at the \$890.80 level, which comes from the May 12th high (chart above). That level was taken out as resistance during a sharp rally sparked by sharp dollar weakness. Support may also come from geopolitical concerns, as the IAEA report on Iran on Tuesday and the militant attack on a pipeline in Nigeria earn

renewed focus. The oil market is another potential positive, which could rally on predictions of a developing tropical storm system in the Caribbean.

**Trades:**  
 None

**Upcoming Metals/Dollar Events**

- Wed - U.S. Durable Goods Orders
- Thu - UK Distributive Trades
- Thu - U.S. GDP 1st revision
- Fri - Japanese Industrial Production
- Fri - Japanese CPI
- Fri - Eurozone Industrial Survey
- Fri - UK GfK Consumer Confidence.
- Fri - Chicago PMA
- Fri - COT Data Normal Schedule
- Anytime - Homeland Security Speculation Hearings
- Jun 24/25 - FOMC Meeting

**Global Economic & Dollar News**

The dollar index traded +0.20 at the metals' open and +0.34 at their close. The dollar rallied after the German GfK consumer confidence was reported below expectations. It saw further gains following the stronger new home sales data.

- **Japanese LDP Tanigaki** said that there was room for Japan to consider flexibly using its foreign reserves. Said they would consider a sovereign wealth fund.
- **BOJ's Chief Economist** said the economy is slowing now due to higher energy and raw materials costs.
- **German GDP** was +1.8% y/y vs. +1.6% previously.
- **German GfK Consumer Sentiment** was 4.9 vs. 5.8 expected and vs. 5.9 previously.
- **20% of UK Homebuyers** are behind on mortgage payments, according to FT.

- **Fed's Krozner** said the housing market will stabilize by the end of the year.
- **U.S. Consumer Confidence** was 57.2 vs. 60.0 expected and vs. 62.3 previously.
- **U.S. New Home Sales** were +3.3% to 526K vs. 520K expected and vs. 526K previously.
- **Fed Pres Yellen** said that current rate policy is at an "appropriate mark." Said that fiscal stimulus will lift the economy and that the recovery will likely come in the second half of the year. Said that inflation is disappointing, but that stagflation is unlikely.

### Metals News Stories

- **India's Nifty Index** was -0.3%, China +0.3%, and Japan +1.5%.
- **Copper Stocks** on the LME were -975 tonnes yesterday.
- **ECB Gold Holdings** fell E46M due to sales by one member bank and a purchase of coins by another. The sales equate to around 2.5 tonnes.
- **George Soros** said that soaring oil prices are increasingly the result of speculation. Said that money pouring into oil increasingly had the look of a bubble, but that it would not burst until both the US and UK was in a recession.

### Barclays Silver ETF Trust Holdings

As of 5/23/08	192,569,101 oz
As of 5/22/08	192,569,101 oz
Inception - 4/28/06	20,999,768 oz
Max Size As Amended	320,000,000 oz

### SPDR Gold Shares ETF Holdings

As of 5/23/08	19,020,521 oz
As of 5/22/08	19,020,521 oz
Inception - 11/18/04	260,000 oz

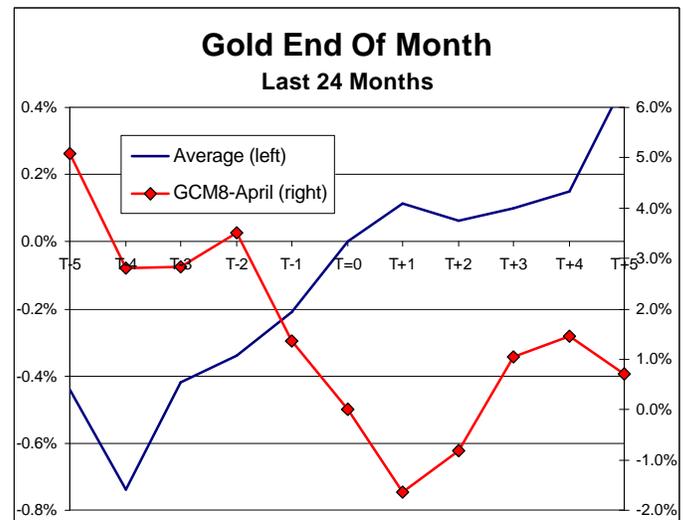
### Lease Rates (as of 5/23/08)

	Gold	Silver	Platinum
1 month	0.20%	-0.08%	0.90%
3 month	0.32%	0.10%	2.20%
6 month	0.50%	0.21%	2.90%
1 year	0.60%	0.40%	5.10%

### Analysis

### End of Month Patterns

Despite yesterday's \$17.90 selloff in gold prices, the market is trading in a period of seasonal strength. The end of the month has typically been beneficial to gold prices. As the chart shows below, over the last 24 months, prices have risen in the period from four days before the last day of the month until one day after the last day of the month. The average price gain has been 0.9%. The trade has been successful in 16 of the last 24 months. If an average gain were to take place this month, it would result in a rally from Friday's close totaling \$8.40/oz, or a target of \$937.40. Using yesterday's lower close (yesterday was day t-3) would produce results of \$8.20/oz and \$916.10 respectively.



### Geopolitical Tensions/Developments

**Nigeria:** Shell Oil said that MEND militants attacked the Nembe Creek trunk pipeline in the Niger river Delta. The pipeline was being repaired from a previous attack and will result in 175,000 b/d of production being knocked out for several weeks.

**Iran:** An anonymous IAEA source said Iran may be withholding information needed to establish whether it tried to make nuclear arms. The source said past IAEA reports hadn't been tough enough on Iran.

**UAE:** The UAE gov't slammed Iran for terming as a "misunderstanding" their row over three Gulf islands. UAE said the islands were under occupation and were no less precious than Arab lands occupied by Israel. The islands are controlled by Iran but claimed by UAE.