

**Price Outlook/Trade Recommendations**

Precious metals are expected to trade in a mixed direction today. The zig-zag nature of the commodities markets and the dollar index in recent days indicates that they have reached some kind of short-term equilibrium that's made worse by the light summer volumes. It's difficult to discover a trend in that environment, so we expect gold prices to maintain the recent \$913-\$949 trading range. Focus today will be on car sales and potential indications of investment allocation at today's start of Q3. The seasonal trend at the start of a new quarter is generally negative after today's close, as we discuss below. We favor trading precious metals as a trading affair.



markedly in the first 17 days of June. It said that the sales gain indicated a tempered but continued recovery in demand. It forecast a 9% decline in sales from year-ago levels but a 14% improvement over May levels. Another positive could be potential dollar weakness. The rate of Eurozone M3 growth slowed as did loans to the private sector. Lastly, technical factors will be positive and show trade on Jun 23rd testing and holding at the 62% retracement of the Apr-Jun uptrend (chart above). The test was made as the market was at oversold conditions on the daily stochastics oscillator.

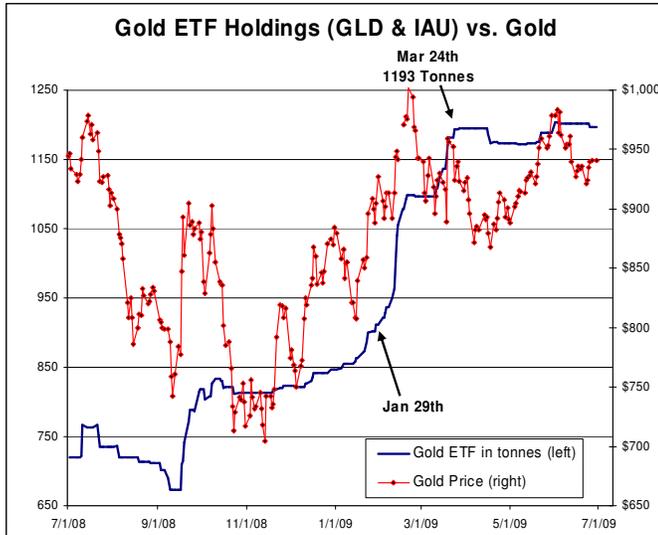
The negative side will be led by the risk trade. The dollar index sold off to new two-week lows yesterday but turned around and rallied after the consumer confidence numbers were weaker-than-expected. Markets rarely move that much on consumer confidence and for such a dramatic shift to occur may demonstrate the thinness of market volumes and the ongoing need for risk aversion. Pressure may also come from impending signs of reduced Chinese restocking of metals. That indication was given by an NDRC official on Monday and it is typical for the Chinese to slow or stop their restocking efforts in the second half of the year. Pressure could come from Fed's Bullard, who said that rates could remain low for an extended period, although the comments could have two meanings. On one hand they could indicate weak inflation prospects while on the other hand, they could indicate that low rates and economic growth could spawn inflation. Finally, the Bombay Bullion Association said that Indian import figures would be 8-10 tonnes in Jun. The number compares adversely to 24 tonnes imported in the same period a year ago.

Metals markets will see opposing influences in near-term trade, with support coming from the possibility of higher car sales today. Ford boosted its production about a month ago, which could signal increased demand for PGMs. JD Power said last Thursday that U.S. auto sales had improved

## Global Economic & Dollar News

The dollar index traded -0.20 at the metals' open and +0.35 at their close. The dollar opened lower amid a slight increase in risk appetite following better Japanese, German, and UK data. The dollar then firmed after consumer confidence fell short of expectations.

- **PBoC's Zhou** said that 8% y/y growth in 2009 was still achievable.
- **Japanese MFG PMI** was 48.2 vs. 46.6 previously.
- **Eurozone Flash CPI** was -0.1% y/y vs. -0.2% expected and vs. unchanged previously.
- **Eurozone M3 Money Supply Growth** decelerated to +3.7% y/y in May vs. +4.6% expected and vs. +4.9% in Apr. Loans to the private sector decelerated to +1.8% y/y from +2.3% previously.
- **German Unemployment** fell to 3.41M which was as-expected, but compared to 3.458M previously.
- **UK Q1 GDP** was revised down to -2.4% from -1.9% originally. It was the biggest decline since 1958. Back data were revised, showing that the recession began in Q2 '08, earlier than thought.
- **UK Nationwide House Prices** were +0.9% m/m vs. -0.4% expected and vs. +1.2% previously.
- **Deutsche Bank** raised its 2010 global growth forecast to 2.5% from 2.0% projected in March.
- **A Reuters Poll** showed that investors put a greater share of their funds into stocks, bonds and alternative investments in June at the fastest pace since the summer '07 when the financial crisis began.
- **Case-Schiller Home Prices** fell 18.1% y/y vs. -18.8% expected and vs. -18.7% previously.
- **Chicago PMI** was 39.9 vs. 39.0 expected and vs. 34.9 previously.
- **U.S. Consumer Confidence** was 49.3 vs. 55.0 expected and vs. 54.9 previously.
- **Fed's Bullard** said that monetary policy is very accommodative and will stay accommodative for an extended period. Said that an exit strategy



Trades: None

### Upcoming Metals/Dollar Events

Wed - Japanese Tankan  
 Wed - Eurozone MFG PMI (final)  
 Wed - ADP Payrolls  
 Wed - U.S. ISM Survey  
 Wed - U.S. Car Sales  
 Thu - U.S. Non-Farm Payrolls

#### Barclays Silver ETF Trust Holdings

As of 6/29/09	280,510,677 oz
As of 6/26/09	280,510,677 oz
Inception - 4/28/06	20,999,768 oz
Max Size As Amended	320,000,000 oz

#### SPDR Gold Shares ETF Holdings

As of 6/29/09	36,193,684 oz
As of 6/26/09	36,193,684 oz
Inception - 11/18/04	260,000 oz

#### Lease Rates (as of 6/26/09)

	Gold	Silver	Platinum
1 month	0.09%	-0.10%	0.00%
3 month	0.27%	0.13%	0.30%
6 month	0.65%	0.60%	0.90%
1 year	0.95%	1.00%	1.50%

is needed to control inflation expectations. Deflation risks are abating, but have not completely gone. Said that demand for liquidity programs has diminished and that the Fed plans to end emergency programs in 2010.

- **Al Franken** was declared the winner of the Norm Coleman's senate seat in Minnesota after a recount. The win gave the democrats a 60-vote majority in the Senate.

### Precious Metals News Stories

- **India's Sensex Index** was -2.0%, China -0.5%, and Japan +1.8%.
- **Indian Gold Imports** are likely to be around 8-10 tonnes in June vs. 24 tonnes a year ago, according to the BBA. Imports were 395.8 tonnes in 2008 and 759 tonnes in 2007.

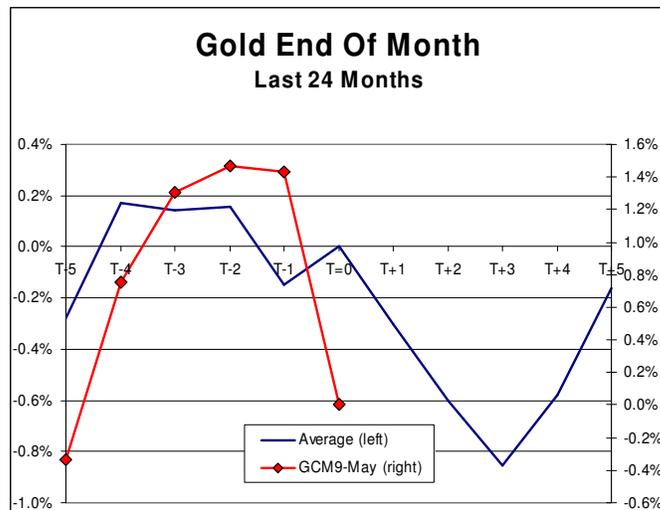
### Copper News Stories

- **Copper Stocks** on the LME fell 1,350 tonnes in yesterday's posting.
- **GFMS** said that "from a fundamental point of view, copper is fully priced during this stage of the economic cycle."

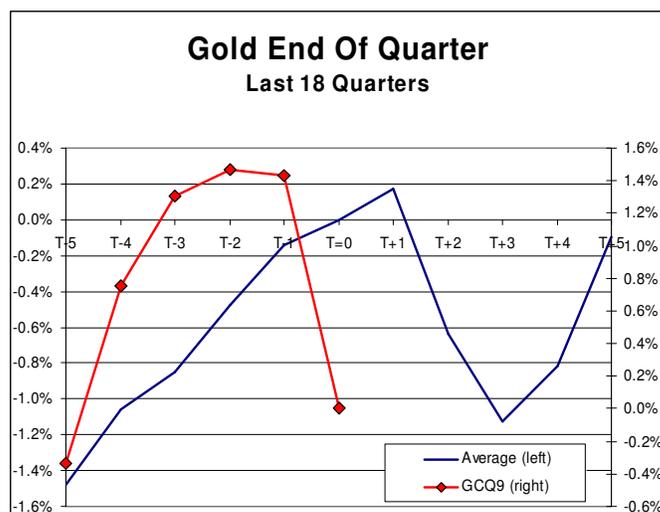
### Analysis

#### Quarter-End Patterns Negative for Gold

Yesterday's trade marked the last day of the month as well as the last day of the quarter. There used to be a tendency for gold prices to rally slightly into the end of the month before turning to a sideways direction, but that has been replaced by a flat-to-lower trend as shown in the chart below. The shift has been made gradually over the past year.



A quick glance of a continuation gold chart during the past five quarters-end shows that gold prices have created price peaks at various times either before or after the quarter-end. There doesn't seem to be a sure pattern when glancing at the chart, however, an event study shows that prices weaken shortly after the end of the quarter. As the chart shows below, prices peak around the first day of the new month and bottom near the third day. As a trade, it has been a winner in 9 of the last 14 quarter-ends, with an average decline of 0.8%. It's definitely not a sure thing, but it does show that prices may face downward pressure over the next few days.



## **Geopolitical Tensions/Developments**

**Iran:** An Iranian hardliner demanded an end to protests over the election. The Guardian Council dismissed complaints of irregularities, taking away the last legal challenge to the election results.

**Nigeria:** Nigerian militants attacked a Shell offshore field near the Forcados export terminal. Shipments of Forcados crude are continuing, but mainly from existing stocks of 2-3 MB.

**Honduras:** The Honduran President said that he will return home this week and will return to office, but the man that has already replaced him said that he could face arrest.

**North Korea:** The North Korean cargo ship suspected of carrying banned weapons turned around yesterday and headed back north. The U.S. Navy has been tracking the ship since it departed port on Jun 17th.