

September 15th, 2010

MF Global Daily Report

COMMODITIES | PRECIOUS METALS

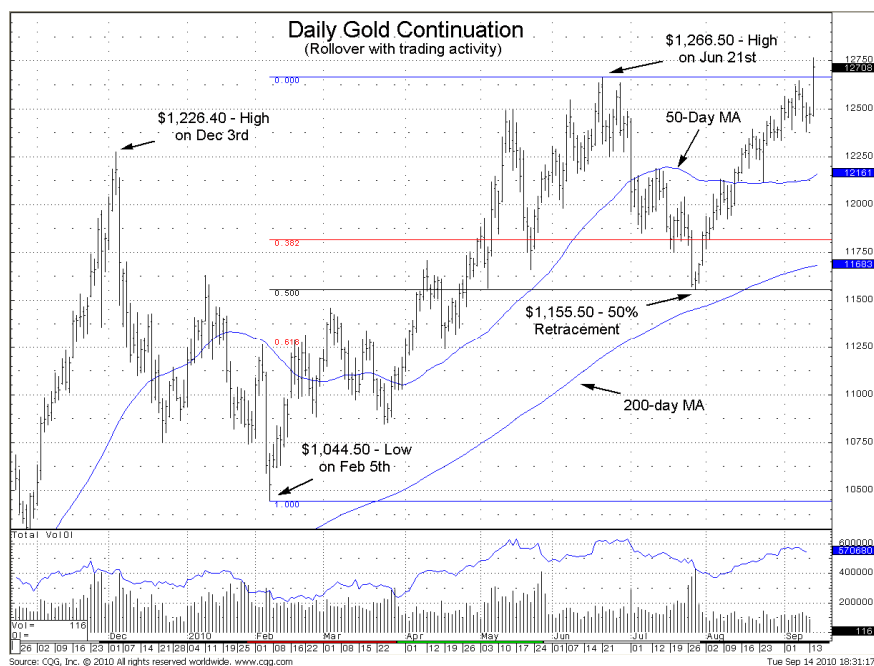
Precious Metals

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***Comments will be shortened in coming weeks to allow time for work on a conference presentation.**

Price Outlook

The gold market is likely to trade in an upward direction again today, but predicting daily price directions is certainly not easy in this environment of new all-time highs. Prices may be geared up for an advance toward the psychological \$1,300/oz resistance level, or even Fibonacci resistance near \$1,350. Support will come from momentum, debt monetization, and excitement over recent central bank purchases. We favor trading the market as a positive affair in the near-term, with the expectation that prices grind up toward \$1,300 over the next couple weeks.



Yesterday's trade moved sharply higher and rallied to a new all-time high at \$1,276.50. The old continuation chart high at \$1,264.80 was removed despite a recently downward trend in open interest, outflows from ETFs, and disappointing news on the physical demand front. Yesterday was one of those days where gold was able to have it both ways. There was safe-haven demand triggered by a higher yen and Swiss franc, a rally in treasuries, and early weakness in the stock market. However, there was risk appetite through a lower dollar, strength in industrialized precious metals, and eventually in the higher stock market. On the economic front, news was mixed with safe-haven sparked by weaker German ZEW sentiment, and by a sharp drop in the UK RICS housing survey, while risk-appetite was signaled by higher UK confidence and CPI figures. The tipping point for gold seemed to come from chatter about more aggressive quantitative easing by the Fed, and from an FT article discussing Thai purchases of gold. Fear of monetization of the Fed's balance sheet has increased since the Aug 10th FOMC statement which said that the Fed would buy treasuries with maturing MBS. Gold has rallied more than \$73/oz in the month that has followed. These factors have been the guiding light for the market since it last formed a major bottom in late-Jul and should continue to be so.

TRADE: None

Upcoming Metals/Dollar Events

Wed - Eurozone Inflation
 Wed - UK Unemployment
 Thu - Indian Monetary Policy Meeting
 Sep 21st - FOMC Meeting
 Oct 14-16 - India's Durga Puja
 Oct 17th - India's Dussehra
 Nov 3rd - India's Dhanteras
 Nov 5th - India's Diwali/Deepavali

Global Economic & Dollar News

The dollar index traded -0.03 at the metals' open and -0.82 at their close. The dollar began the day slightly lower but accelerated to the downside as the day progressed. A recovery in equities helped, as did strength in the energy complex. The Swiss franc held stronger against the dollar due to expectations of a rate hike, which may have helped the euro maintain upward momentum.

- » **Japanese PM Kan** won election for PM against Ozawa, creating strength in the yen.
- » **Eurozone Industrial Output** was unchanged vs. +0.2% expected and vs. -0.2% previously. The y/y rate fell to +7.1% vs. +8.0% expected and vs. +8.3% previously.
- » **German ZEW Economic Sentiment** was -4.3 vs. 10.0 expected and vs. 14.0 previously. A ZEW economist said that the risk of a double-dip in Germany remains.
- » **UK Nationwide Consumer Confidence** was 61 in Aug vs. 56 in July.
- » **UK Aug CPI** was +3.1% y/y vs. +2.9% expected and vs. +3.1% previously.
- » **UK RICS House Price Survey** was -32, which was the lowest since May '09 and compared to July's -8.
- » **U.S. Retail Sales** were +0.4% vs. +0.3% expected. Sales ex-autos were +0.6% vs. +0.3% expected. Both numbers were revised down a tenth.

Precious Metals News Stories

- » **Russia's Gold Output** in Jan-July was -3.6% y/y to 98.076 tonnes, according to the country's producer union.
- » **Gold Buying in India** has been weak recently due to high prices, according to industry executives.
- » **GFMS** published its first update to its 2010 Gold Survey yesterday. It said that gold may rally toward \$1,350 by year's end, as economic uncertainty stokes investment demand. It expects 2010 mine production to rise 2.4% y/y to 2,637 tonnes in 2010. Gold jewelry demand may fall 20% if the rally continues.
- » **SPDR Gold ETF Holdings** were -29,317 ounces or 0.9 tonnes in Monday's update.

Copper/Industrial Metals News Stories

- » **LME Copper Inventories** were +75 MT in yesterday's update.

U.S. ETF Holdings

	SPDR Gold Shares ETF Holdings	Barclays Gold ETF Trust Holdings	Barclays Silver ETF Trust Holdings
As of 9/13/10	41,558,984 oz	3,126,983	299,232,517 oz
As of 9/10/10	41,588,301 oz	3,126,983	299,232,517 oz
Inception	11/18/04 - 260,000 oz	1/28/05 - 34,997	4/28/06 - 20,999,768 oz

Lease Rates

	As of 9/3/10			Previously (as of 8/13/10)		
	Gold	Silver	Platinum	Gold	Silver	Platinum
1 month	-0.08%	-0.35%	0.15%	-0.02%	-0.45%	+0.07%
3 month	-0.08%	-0.30%	0.20%	-0.02%	-0.40%	0.15%
6 month	0.06%	-0.11%	0.40%	0.20%	-0.17%	0.45%
1 year	0.35%	0.20%	0.95%	0.50%	0.20%	1.00%