

Market Movers

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New Recommendations

- Buy the February gold at \$840 or better while risking the trade to a close below \$820. Look to take profits at \$890 or better.

Market Landscape

Market Movers maintains a bullish overtone for the precious metals markets this year and particularly for the gold. We expect to see significant rallies later this year with support coming from safe haven buying as well as inflation. Recently we have seen an end of year rally in the gold market rallying the price about \$60.00 from a low of \$830 to a high of \$892. The past week was the first real trading week of this new year and we saw the price of gold decline about \$40.00 from the end of year highs to \$850. Although the last week's selloff occurred despite weak economic news this recent divergence of market correlation seems largely due to index fund rebalancing rather than a decoupling of market trends. Index fund

rebalancing is a normal course of business at this time a year and given the large volatility we had in 2008, a significant adjustment of market weights seems prudent. However we expect that the main fundamental drivers for gold, safe haven buying and inflation hedge buying, to still be driving the trade. On Friday, the U.S. labor department released the unemployment numbers indicating that the unemployment rate had increased from 6.7% to 7.2% in December. While the U.S. labor department had also revised previous unemployment numbers suggesting that the unemployment situation had been less severe than previously reported it seems clear that both the U.S. and the world economy is still contracting.



Gold market is vulnerable for small pullbacks and Market Movers feels that these price corrections are buying opportunities. While index funds have sold some of their precious metals positions to adjust their exposure, the large net position of funds indicates that they are still quite bullish the gold market. As of January 6, the Commitment of Traders report reveals a net position for funds in both futures and options of 144,751, an increase from last week of about 6,456. It seems that the trade has been rallying the gold in anticipation of inflation. The Federal Reserve's policy of quantitative easing has also put inflation fears quietly into the back of trader's minds. While inflation is not yet prevalent in the economy, as banks are reluctant to lend money and consumers are hesitant to spend, the landscape for significant inflation and higher gold prices has been set.

support. Market movers believes that that a consolidation to these levels are buying opportunities as they represent in minor correction would then an upward drifting trend. Traders should look to buy February gold on a retest of \$840 and risk the position to a close below \$820. Initial upside targets would be first minor resistance at \$890 within upside objective of \$940.

For more detailed information on this trades or other markets, please feel free to contact the trade desk at 866-631-6216.

Technical Landscape

February gold has in a sideways up trend since the middle of December 2008 when it had rallied from the previous low of \$688 in late October 2008. February gold peaked on its latest rally with a high of \$892 and had corrected as low as \$838.80 made on Tuesday of last week. However, February gold has consistently closed above \$840 since making its previous high indicating the strength of that support level. The daily chart of February gold depicts the trade failing to reach the upside objective of about \$940 level but holding above the 62% retracement level at about \$843 level. This price action combined with the formation of a wedge pattern over the last week and a half suggests a technical retracement to once again test supported 840 and a possible retracement to 820 minor

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