



September 3, 2010

The Week in Review

1. The DOW closed out the worst August in nine years this week as gold approached the all-time high that it reached back in June of this year, and silver once again approached its high for the year as well. The DOW started off with a big gain on September 1st, which mainstream media immediately proclaimed a rally. Thursday the DOW traded sideways, and the approaching holiday weekend may mean that we can't really get a true read on stock market direction until the middle of next week.
2. Top on our list of newsworthy items is that JP Morgan Chase will be shutting down its proprietary commodities trading group in order to comply with the new Dodd-Frank act. The company informed its traders in London that their positions are now "at risk" and will likely be eliminated within two months. Goldman Sachs and Morgan Stanley are also said to be in discussion with their own "prop" desks on winding them down as well. Combine this fact with the position limits that the Commodities Futures Trading Commission is in the process of establishing and this could be a boon for precious metals investors everywhere. We may finally be seeing the end of the market manipulation that these big banks have been able to get away with for so many years.
3. US employment fell again for the third straight month, but the decline was much less than expected. In a surprise move, private payrolls unexpectedly increased last month. Unemployment increased to 9.6% due to an increase in people entering the jobs market and actively seeking employment. Despite the slight improvement in the jobs numbers, the fact is that the number of jobs being created is simply unable to keep up with the increases in the size of the labor force. Despite improvements in other sectors, the non-manufacturing or services sector grew at a slower pace than expected. Until job creation outpaces labor force increases, unemployment will continue to drag on the economy no matter what the numbers seem to show.
4. President Obama held a press conference shortly after the August jobs numbers were released and essentially repeated the address he gave last week, once again blaming Republicans for tepid jobs numbers for the year. It was essentially a press conference to announce another press conference next week in which Obama plans to unveil a new package, the goal of which would be to improve the unemployment situation. Today's address was basically a platform to say "look, the jobs picture is improving despite the Republican Party's efforts to keep it suppressed by blocking an essential jobs bill." We're sure the Republican rebuttal is forthcoming and we also expect the political party bashing to increase as the November mid-term elections approach.
5. In the UK the service sector grew at its slowest pace since April 2009 as employers expressed concerns over an economic slowdown and cuts in public spending. A recent study

in Ireland by company records agency vision.net.ie, showed that 36% of 100,000 businesses surveyed were at a “high risk” of failing.

6. There are wheat shortages in Russia due to drought, rice shortages in Pakistan due to floods, and apparently corn shortages in China due to sheer demand. Russia is extending its ban on grain exports into 2011 and fears are that a shortage may lead to rioting in developing countries that depend on imported wheat for food production. A shortage across three primary food grains will most likely mean spiking food costs for consumers across the globe.
7. The dollar was down against both the euro and the yen this week though the better than expected jobs news may help push it back up in the short term.
8. Fox News put out a story on Wednesday regarding a bill that Ron Paul plans to introduce when the US Congress gets back from recess in September. Representative Paul’s bill calls for an independent audit of the US gold held at Fort Knox and other facilities. Specifically, Paul said “It’d be nice for the American people to know whether or not the gold is there. And if it is all there the public should know whether any of it has been ‘obligated’.” The word “obligated” implies that Ron Paul is aware of the Federal Reserve’s involvement in gold swaps with foreign banks, news of which came out in September of 2009. The latest official audit by KPMG gave no detail on quantities contained in Fort Knox other than to say that gold and silver continue to be held there. Wouldn’t the banks love to be able to respond to an audit request with “yes, we have money”? Somehow I don’t think that would be well received.
9. Crude oil still remains bound in the mid-\$70 a barrel range, apparently coming back up off recent hits in the low \$70’s on the better than expected jobs data.

Friday to Friday Close

	August 27 th	September 3 rd	Net Change
Gold	\$1237.00	\$1247.00	10.00 + 0.81%
Silver	\$ 19.05	\$ 19.92	0.87 + 4.57%
Platinum	\$1537.00	\$1560.00	23.00 + 1.50%
Palladium	\$ 501.00	\$ 530.00	29.00 + 5.79%

Here are your Short Term Support and Resistance Levels for the upcoming week.

	Gold	Silver
Support	1240/1225/1200	19.80/19.50/19.00
Resistance	1255/1265/1280	20.00/20.20/20.50
	Platinum	Palladium
Support	1550/1520/1500	520/500/480
Resistance	1575/1600/1650	535/550/560

Volatility should be expected to continue. The news that JP Morgan and the other big banks will be closing down their proprietary commodities trading desks within the next few months is fantastic for the precious metals market. Combine these events with the position limits that the Commodities Futures Trading Commission will soon be implementing and it may mean that “Da Boyz” will finally be out of the precious metals market manipulation game. Ron Paul’s statements that there is “reason to be suspicious” about US gold holdings and that “it is a possibility that neither Fort Knox nor the New York Federal Reserve vaults have any gold” serve to draw further attention to precious metals as a key part of your investment portfolio. Following the usual supply and demand scenario, if the supply of gold is indeed being over-stated by world governments then that means demand has far outstripped the supply and a price explosion to the upside may be on the horizon. Inflationary pressure from increasing food prices may also cause an increase in demand for precious metals since they are historically viewed as a “safe haven” for cash during inflationary periods. The savvy investor continues to view price dips at these levels as an opportunity to add more precious metals to their portfolio. Remember, the key to profitability through the ownership of physical precious metals is to actually own the physical products and to hold them for the long term. Never over-extend your ability to maintain ownership of your product over the long term.

Trading Department – Precious Metals International, Ltd.

This is not a solicitation to purchase or sell.

© 2010, Precious Metals International, Ltd.