

Metals Commentary

Official data released overnight have shown a 19th straight increase in the Eurozone unemployment rate which rose to 11.8% in November from 11.7% in October. Spain, which is currently in a deep recession, has again recorded the highest unemployment rate of 26.6%. Most alarming is the continuing high level of youth unemployment for the zone which is now has reached 24.4%. The European Union has been struggling with recessions with Governments forced to rein in spending to meet the strict budget goals and reduce sovereign debt. With the European Central bank meeting on Thursday questions are starting to be raised as to what further steps they can take to stimulate growth in the Eurozone. These poor employment figs combined with rumors of an imminent French Sovereign downgrade (which proved exactly that) drove the EUR below 1.3100, where decent support had been in play during Asian hours. Elsewhere, it was a relatively positive start to the 4Q US earnings season, with Alcoa coming in slightly above expectations (eps at \$0.06 /share). The US equity indices edged lower however over the day (Dow -0.41%, S&P -0.32%), still looking to find some directionality this year.

Despite the relative weakness in the EUR and equity markets o/n gold continued to lumber higher again topping out just above its 200 dma (1661.60), which is proving good short term resistance. After a bit of too and fro around that level the gold settled to close close to the peak at \$1660. I think for day trading selling around this level is proving to be profitable for fast money customers, who are looking to scoop it back around \$1650. Silver continues to see demand under \$30 mainly from Chinese buyers, keeping the metal

propped up for now. For Palladium a number of banks and news agencies are reporting that demand will outstrip supply in 2013, thanks to an improving auto industry and stagnating mine production. Despite these reports, funds and specs have sat on the sidelines or taking small short positions if ETF and Comex positioning are anything to go by. Further, the activity of these sectors in PGM's usually provides a good barometer for future movements in the short to medium term. In the physical space demand is very robust due to the lower prices and the pre- Chinese holiday demand, with imports into China from HK doubling in Nov vs Oct. Elsewhere, GLD ETF holdings fell about 2 T to 1,340.74 T as at Jan7, total holdings now 10 T less than what they were at the end of 2012.

Asian session:

Gold opened at \$1660 this morning and after a few attempts to pay it through the o/n highs pre Tocom were unsuccessful with decent visible Comex offers starting at \$1661.50 (cash equivalent). Tokyo came in and were very light buyers but the technical and physical offering above \$1661.50 again proved a difficult ceiling to break and we dipped lower which is where we remained for the rest of the morning. The afternoon session was a slow affair for the most part, but towards the close a stop loos run above the mornings high saw the yellow metal touch 1664.10 GCG3 before profit taking emerged to settle for the day towards the highs. Australian retail sales came in lower than expected (-0.1% vs expected +0.3%) which weighed on the AUD marginally, which also helped march the gold and silver slightly lower. Physical bids from China emerged around \$1657-58 area and acted as support over the course of the morning and through lunch. USDJPY was volatile again being sold off aggressively in teh twilight hours to a low of 86.84 but running into strong tech buying there. Later in the day the following BBG headline hit the wires "FITCH: WOULD CONSIDER JAPAN DOWNGRADE WITHOUT ACTION ON DEBT" this saw the JPY weaken and USDJPY trade as high as 87.55.

European session:

Gold traded this morning session quietly in a range of almost of 7 dollars. Pressure came during New York session were gold traded heavily. The metal moved lower from 1664 down to 1654 due to some fund selling after the fix. Even though the metal recovered slightly to 1659, the persistent pressure pulled the market back to the lows and printed 1651.50 as day low.

Silver printed its high at 30.55 during London morning session and drifted slowly to 30.30. New York came in after a small recover and selling started while triggering stops at 30.30, 30.25 and 30.15. Silver printed a low at 30.05 but managed to recover the end of the day.

PGM's were both supported by week shorts getting out. Platinum traded between 1580 and 1600 with a fall between 1595 and 1585. Palladium rose too, it traded from 675 to test several times 685. It finally broke the resistance and stops triggered pushing the metal up to 692. XPD consolidated then above 1685.

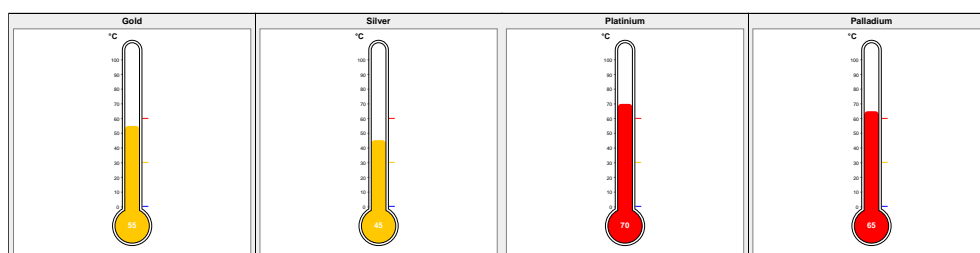
Trading Ranges

	GOLD	SILVER	PLATINUM	PALLADIUM
	GVA-NY	GVA-NY	GVA-NY	GVA-NY
OPEN	1662.50/1663.50	30.40/30.45	1580.00/1585.00	674.00/679.00
HIGH	1665.80/1666.80	30.55/30.60	1595.00/1600.00	692.00/697.00
LOW	1651.50/1652.50	30.05/30.10	1580.00/1585.00	674.00/679.00
Close/Stl	1655.00/1656.00	30.26/30.31	1595.00/1600.00	685.00/690.00
EFP	-0.40/0.00	-0.005/0.015		
Fix AM/PM	1663.50/1657.75	30.39	1590.00/1593.00	683.00/681.00

Technical Analysis

	GOLD	SILVER	PLATINUM	PALLADIUM
Resistance 3	1689	31.01	1650	717.20
Resistance 2	1665	30.54	1630	691.30
Resistance 1	1659	30.31	1600	685.80
Support 1	1655	30.27	1589	677.30
Support 2	1642	30.00	1570	673.20
Support 3	1542	29.54	1555	666.20

Our View



Political/Economic Calendar

Country	Event	Month	Expect.	Last	GVA Time
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