



**Daily Financial, Currency and Metals Commentary**  
**Monday November 01, 2010**

	Estimate	High	Low	
11/01 13 and 26 Week Bill Auction		-	-	-
11/01 PCE Deflator	7:30 AM	-	-	-
11/01 Personal Income	7:30 AM	+ .2	+ .3	+ .1
11/01 Personal Spending	7:30 AM	+ .3	+ .4	+ .2
11/01 Construction Spending	9:00 AM	- .5	- .5	- .8
11/01 Help Wanted Index Online	9:00 AM	-	-	-
11/01 ISM Manufacturing Index	9:00 AM	-	-	-
11/02 4-Week Bill Auction		-	-	-
11/02 FOMC Meeting		-	-	-
11/02 Johnson Redbook Sales		-	-	-
11/02 Swiss Retail Sales	3:15 AM	-	-	-
11/02 France Manufacturing PMI	3:48 AM	-	-	-
11/02 German Manufacturing PMI	3:53 AM	-	-	-
11/02 Euro-Zone Manufacturing PMI	4:00 AM	-	-	-
11/02 Weekly ICSC-UBS Chain Store	6:45 AM	-	-	-
11/02 API Energy Stocks	3:30 PM	-	-	-
11/03 FOMC Meeting		-	-	-
11/03 UK CIPS/NTC Research Service	4:30 AM	-	-	-
11/03 Factory Orders	9:00 AM	-	-	-
11/03 ISM Non-Manufacturing Index	9:00 AM	-	-	-
11/03 EIA Energy Stocks	9:30 AM	-	-	-
11/03 Japan Composite PMI	5:15 PM	-	-	-
11/03 Japan Services PMI	5:15 PM	-	-	-
11/04 10-Yr TIPS Auction		-	-	-
11/04 German Service PMI	2:53 AM	-	-	-
11/04 Swiss Consumer Price Index	3:15 AM	-	-	-
11/04 France Services PMI	3:48 AM	-	-	-
11/04 Euro-Zone Services PMI	4:00 AM	-	-	-
11/04 Euro-zone Industrial Produce	5:00 AM	-	-	-
11/04 UK Monetary Policy	7:00 AM	-	-	-
11/04 Initial Jobless Claims	7:30 AM	-	-	-
11/04 Productivity	7:30 AM	-	-	-
11/04 Euro-zone Monetary Policy	7:45 AM	-	-	-
11/04 Canadian PMI	9:00 AM	-	-	-
11/04 EIA Gas Storage	9:30 AM	-	-	-

**BONDS COMMENTARY**

**11/01/10**

**A slightly bullish bias off short cover ahead of upcoming FOMC meeting**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**BONDS +90**

The Treasury market looks to start the new trading week out on a positive footing, as prices have generally remained near the upper end of the trading range seen for most of last week. However, an early strong opening bid in the US equity markets seems to be a slightly limiting development and it would appear that the short covering impetus from late last week in Treasuries has extended into the early Monday trade. Some traders think the bounce off last week's lows was primarily short covering/position squaring ahead of the 2 day FOMC meeting and ahead of the US election this week. However, the Treasury markets seem to have persistently lowered their expectations for the magnitude of the initial purchases to be undertaken by the Fed, with



those expecting over \$100 billion in the first tranche seemingly shrinking rather significantly. In fact, with the rumors last week, it would seem like the trade had generally factored in the incremental/go slow approach. While the Treasury market hasn't paid that much attention to the threat of inflation and its influence on the Fed decision makers, the PCE report this morning might take on added importance as some think that might free up the FOMC to be a little more aggressive with their incremental efforts. While the market will also be presented with Personal Income and Personal Spending readings this morning, it is unlikely that the scheduled data from this area will end up altering the upcoming Fed decision on Wednesday afternoon, especially since general expectations for the reports are for nominal gains. The bull camp might look to the US Construction Spending figures later in the day for some support to prices, as general expectations call for a modest decline in those figures. The Commitments of Traders Futures and Options report as of October 26th for U.S. Treasury Bonds showed Non-Commercial traders were net short 27,457 contracts, an increase of 27,412 contracts. The Commercial traders were net long 17,614 contracts, an increase of 35,214 contracts which represents a change from a net short to net long position. The Non-reportable traders were net long 9,843 contracts, a decrease of 7,802 contracts. Non-Commercial and Non-reportable combined traders held a net short position of 17,614 contracts. The Commitments of Traders Futures and Options report as of October 26th for US Treasury 10 Year Notes showed Non-Commercial traders were net long 4,252 contracts, a decrease of 73,707 contracts. The Commercial traders were net long 7,854 contracts, an increase of 92,688 contracts which represents a change from a net short to net long position. The Non-reportable traders were net short 12,105 contracts, an increase of 18,980 contracts which represents a change from a net long to net short position. Non-Commercial and Non-reportable combined traders held a net short position of 7,853 contracts. While the terror incidents from last week remain in the headlines, there doesn't appear to be much in the way of residual impact from that issue, especially given the early strength in the equity markets today. In fact, US Treasuries don't seem to be deterred this morning in the face of robust manufacturing data from both Indian and China overnight. Given the outside market forces this morning and the generally positive early track in Treasury prices, it would seem like some shorts are moving to liquidate their positions, or some players are buying in off anticipation of a bullish lift from the upcoming FOMC meeting.

**TODAY'S MARKET IDEAS:**

We think the market is mostly seeing short covering buying this morning, as December bonds relative to the October highs still appear to be somewhat oversold. Some might suggest that the bout with terrorism late last week is prompting some fresh flight to quality buying but it is also possible that the trade was factoring in a very small initial QE2 effort at last weeks lows and some players are now having second thoughts about that view. In fact, the unease in the Housing Sector remains in place and the Fed is probably well aware of the amount of toxic debt still facing the US financial sector and therefore we think the Fed will need to err on the side of over easing. In short, despite a favorable equity market tilt and very up beat international economic information overnight, we think that the bull camp will have a slight edge for the first couple trading sessions this week. In fact, there might be little in the way of resistance in December Bonds until the 132-00 level, with similar resistance in December notes not seen until 126-28.

**NEW RECOMMENDATIONS:**

None

**PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 10/19/2010 - 10/26/2010						
	Non-Commercial		Net Position	Commercial		Non-Reportable
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	
<b>Financials</b>						
<b>Bonds</b>	-27,457	-27,412	17,614	+35,214	9,843	-7,802
<b>T-Notes</b>	4,252	-73,707	7,854	+92,688	-12,105	-18,980

**BONDS TECHNICAL OUTLOOK:**

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

BONDS (DEC) 11/01/2010: Daily stochastics declining into oversold territory suggest the selling may be drying up

soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside target is now at 129-220. The next area of resistance is around 131-170 and 131-270, while 1st support hits today at 130-150 and below there at 129-220.

10 YR TREASURY NOTES (DEC) 11/01/2010: The daily stochastics have crossed over up which is a bullish indication. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside objective is 126-260. The next area of resistance is around 126-205 and 126-260, while 1st support hits today at 126-015 and below there at 125-195.

## STOCKS COMMENTARY

11/01/10

**The markets look to continue to buy the rumor of elections & the FOMC**

### OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

**S&P 500 +640, DOW +81**

With most market measures tracking higher and returning to breakout points on the charts, it would seem like the markets are looking forward to the US election results on Tuesday and also to the FOMC decision on Wednesday. The markets were helped by a string of favorable economic readings from China, India and South Korea overnight and that in turn seems to have tamped down the negative influence of last week's terrorism threats. Some markets might be getting a lift from hopes that the election will clear the way for an extension of the tax cuts, while others think that just getting beyond the election uncertainty will allow overall sentiment to improve. A portion of the market might also be expecting the Fed to provide a lift to prices this week, even if the amount of purchases announced by the Fed fails to reach the shock and awe level that was seen in the beginning of the Fed watch.



**S&P 500:** While the December S&P early this morning managed to take out the four prior session's highs, the index was unable to sustain that rally straight out of the box today. Some traders think that recent polling data is providing the market with a lift, while others think that the expectation for an extension of the tax cuts is providing the market with ongoing lift. Still others think that the proximity to the Fed decision on Wednesday is providing the market with its lift. Positive European equity market action and up beat economic data from world power houses (India and China) might also be providing the bulls with incentive. The Commitments of Traders Futures and Options report as of October 26th for S&P 500 Stock Index showed Non-Commercial traders were net long 35,040 contracts, an increase of 6,277 contracts. The Commercial traders were net short 47,901 contracts, an increase of 2,163 contracts. The Non-reportable traders were net long 12,861 contracts, a decrease of 4,115 contracts. Non-Commercial and Non-reportable combined traders held a net long position of 47,901 contracts. This represents an increase of 2,162 contracts in the net long position held by these traders. Initial resistance is seen up at 1189.70 with somewhat closer in resistance seen at 1187.10. The bulls think they have control as long as the December S&P manages to hold above up trend channel support of 1174.80, with that level rising to 1178.00 on Tuesday.

**DOW:** The December Mini Dow looks to be set to start the new trading week out on a positive footing, as prices early this morning have returned to the vicinity of last week's highs in the early trade today. Apparently the markets are generally being supported by earnings reports even though some reports at the end of last week offered up somewhat discouraging forward guidance. However, some players think that future conditions might be understated, once the Fed provides the market with some added stimulus. The Commitments of Traders Futures and Options report as of October 26th for Dow Jones Index \$5 showed Non-Commercial traders were net long 32,387 contracts, an increase of 7,254 contracts. The Commercial traders were net short 37,356 contracts, an increase of 9,436 contracts. The Non-reportable traders were net long 4,970 contracts, an increase of 2,184 contracts. Non-Commercial and Non-reportable combined traders held a net long position of 37,357 contracts. This represents an increase of 9,438 contracts in the net long position held by these traders. Last week's high of

11,200 would seem to be a critical resistance point on the charts today but a slightly closer-in resistance level is also seen up at 11,150. At least in the early action today, the December Mini Dow looks to have support around 11,083.

**NASDAQ:** The December Nasdaq technically didn't take out last Friday's high in the early action today, but prices have remained within close proximity to the upside breakout point on the charts. As in other sectors of the market, there does seem to be hopes that the tax cuts will be extended shortly after the election regardless of the outcome of the elections. An NBC/Wall Street Journal polls this morning is also suggesting that the GOP is set to make significant gains in the mid term elections, but one doesn't get the sense that news is responsible for a large portion of the early gains this morning. The Commitments of Traders Futures and Options report as of October 26th for Nasdaq Mini showed Non-Commercial traders were net long 72,639 contracts, an increase of 20,050 contracts. The Commercial traders were net short 96,223 contracts, an increase of 16,216 contracts. The Non-reportable traders were net long 23,584 contracts, a decrease of 3,833 contracts. Non-Commercial and Non-reportable combined traders held a net long position of 96,223 contracts. This represents an increase of 16,217 contracts in the net long position held by these traders. There might be little in the way of resistance in the December Nasdaq until the 2140.00 level, with up trend channel support in the market today moving up to the 2118.10.

**TODAY'S MARKET IDEAS:**

The upward bias looks to continue until the market gets closer to reality of the outcome of the election and to the decision from the Fed. However, the bull camp would seem to have cover for their opinion for another 36 hours and perhaps even longer if the real focus of the equity markets is the Fed instead of politics. In short, up trend channel support levels look to hold up the markets for today, with the prospects good of even more new highs for the move in several sectors of the market over the coming two trading sessions. For the markets to quickly discount the terrorist incident last week, highlights the confidence and control of the bull camp.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - 10/19/2010 - 10/26/2010						
	Non-Commercial		Commercial	Non-Reportable		
	Net Position	Weekly Net Change		Net Position	Weekly Net Change	
<b>Financials</b>						
<b>S&amp;P 500</b>	35,040	+6,277	-47,901	-2,163	12,861	-4,115
<b>E-Mini S&amp;P</b>	-163,991	+14,572	114,334	-14,584	49,657	+12

**STOCKS TECHNICAL OUTLOOK:**

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

**S&P 500 (DEC) 11/01/2010:** Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal up on the daily chart is somewhat positive. The close over the pivot swing is a somewhat positive setup. The next downside objective is now at 1168.50. The next area of resistance is around 1185.30 and 1188.89, while 1st support hits today at 1175.10 and below there at 1168.50.

**S&P E-MINI (DEC) 11/01/2010:** Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal up is a positive indicator that could support higher prices. With the close higher than the pivot swing number, the market is in a slightly bullish

posture. The next downside target is now at 1168.38. The next area of resistance is around 1185.75 and 1189.37, while 1st support hits today at 1175.25 and below there at 1168.38.

DOW (DEC) 11/01/2010: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 10975. The next area of resistance is around 11064 and 11087, while 1st support hits today at 11008 and below there at 10975.

MINI-DOW (DEC) 11/01/2010: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal up is a positive indicator that could support higher prices. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is 10977. The next area of resistance is around 11130 and 11150, while 1st support hits today at 11044 and below there at 10977.

NASDAQ (DEC) 11/01/2010: A new contract high was made on the rally. Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal down is a negative indicator for prices. The market tilt is slightly negative with the close under the pivot. The next upside objective is 2143.00. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 2132.00 and 2143.00, while 1st support hits today at 2114.00 and below there at 2107.00.

MINI-RUSSELL 2000 (DEC) 11/01/2010: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The intermediate trend could be turning up with the close back above the 18-day moving average. The daily closing price reversal up is a positive indicator that could support higher prices. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 687.7. The next area of resistance is around 708.8 and 713.4, while 1st support hits today at 696.0 and below there at 687.7.

## DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
<b>FINANCIAL COMPLEX</b>										
USAAZ0	131-000	42.47	44.24	19.61	18.14	130.45	131.39	132.40	132.36	132.14
TYAAZ0	126-110	50.98	52.12	32.64	32.90	125.79	126.30	126.65	125.67	125.44
SPAZ0	1180.20	65.70	66.28	77.29	72.99	1180.28	1177.64	1172.18	1137.17	1120.88
EPZ0	1180.50	65.96	66.30	77.25	73.15	1180.31	1177.67	1172.19	1137.19	1120.98
TFEZ0	702.4	57.95	60.38	70.21	63.98	702.20	701.13	698.71	668.72	654.96
NDAZ0	2123.00	76.14	74.39	91.71	92.29	2122.13	2103.58	2074.51	1986.52	1945.37
YMZ0	11087	61.32	63.76	74.92	69.06	11080.25	11068.33	11025.83	10715.38	10585.52
DFAZ0	11036	55.44	60.55	76.26	66.98	11070.25	11067.11	11025.22	10713.31	10583.80

Calculations based on previous session. Data collected 10/29/2010

Data sources can & do produce bad ticks. Verify before use.

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>FINANCIAL COMPLEX</b>						
USAAZ0	Bonds	129-210	130-140	130-240	131-170	131-270
TYAAZ0	10 Yr Treasury Notes	125-190	126-010	126-065	126-205	126-260
SPAZ0	S&P 500	1168.50	1175.10	1178.70	1185.30	1188.89
EPZ0	S&P E-Mini	1168.37	1175.25	1178.87	1185.75	1189.37
TFEZ0	Mini-Russell 2000	687.6	695.9	700.5	708.8	713.4
NDAZ0	NASDAQ	2107.00	2114.00	2125.00	2132.00	2143.00

YMZ0	Mini-Dow	10976	11043	11063	11130	11150
DFAZ0	Dow	10975	11008	11031	11064	11087

Calculations based on previous session. Data collected 10/29/2010  
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## CURRENCIES COMMENTARY

11/01/10

**The Dollar starts out a busy week with moderate losses.**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**US DOLLAR -298, YEN +11, SWISS -19, CA DOLLAR +15**

### Upcoming International Reports (all times CT)

11/01 10-Yr TIPS Auction Announcem  
 11/01 13 and 26 Week Bill Auction  
 11/01 4-Week Bill Auction Announce  
 11/01 Swiss PMI 3:30 AM  
 11/01 UK CIPS/NTC Research Manufac 4:30 AM  
 11/01 PCE Deflator 7:30 AM  
 11/01 Personal Income 7:30 AM  
 11/01 Construction Spending 9:00 AM  
 11/01 Help Wanted Index Online 9:00 AM  
 11/01 ISM Manufacturing Index 9:00 AM  
 11/02 4-Week Bill Auction  
 11/02 FOMC Meeting  
 11/02 Johnson Redbook Sales  
 11/02 Swiss Retail Sales 3:15 AM  
 11/02 France Manufacturing PMI 3:48 AM  
 11/02 German Manufacturing PMI 3:53 AM  
 11/02 Euro-Zone Manufacturing PMI 4:00 AM  
 11/02 Weekly ICSC-UBS Chain Store 6:45 AM  
 11/02 API Energy Stocks 3:30 PM



**DOLLAR:** The Dollar has started out the week on the defensive, as the market prepares for the "official" word on US quantitative easing over the next few sessions. With mixed signals being given by Fed official and by other central banks, there is still enough uncertainty towards the eventual size of the Fed's activity to keep the Dollar under some pressure this morning. It may be late in the game to affect any Fed decision, but today's US economic data may be able to lift the Dollar further away from the lows if they exceed market expectations. The most recent Commitment of Traders report has non-Commercial traders increasing their net long Dollar position as of last Tuesday, but that may have been reduced by the over 1 point decline the Dollar has posted since that reading. With many of the market-shaking events still on the horizon, the Dollar may have trouble making a strong move above current levels but should be able to stay above Friday's lows. The Dollar should find support around the 77.00 level, but a larger-scale move is likely to wait for events later on in the week. The Commitments of Traders Futures and Options report as of October 26th for US Dollar showed Non-Commercial traders were net long 5,811 contracts, an increase of 2,685 contracts. The Commercial traders were net short 6,936 contracts, an increase of 2,917 contracts. The Non-reportable traders were net long 1,124 contracts, an increase of 231 contracts. Non-Commercial and Non-reportable combined traders held a net long position of 6,935 contracts. This represents an increase of 2,916 contracts in the net long position held by these traders.

**EURO:** The December Euro has been able to build on last week's recovery, but remains below the recent highs as prices may look to consolidate before market volatility increases later on in the week. The budget agreement in Portugal over the weekend has removed a potential trouble-spot for the December Euro, but the markets may be waiting for a clearer picture on US quantitative easing prospects before making a retest of the highs. The most recent Commitment of Traders reports showed non-Commercial traders reducing their December Euro net-long position as of last Tuesday, but that trend may have been reversed by the end-of-week recovery. The December Euro may test resistance again near the 140.00 level, but may be waiting for events across the Atlantic before making a stronger move towards the upside. The Commitments of Traders Futures and Options report as of

October 26th for Euro showed Non-Commercial traders were net long 38,367 contracts, a decrease of 6,677 contracts. The Commercial traders were net short 46,830 contracts, a decrease of 12,628 contracts. The Non-reportable traders were net long 8,463 contracts, a decrease of 5,952 contracts. Non-Commercial and Non-reportable combined traders held a net long position of 46,830 contracts. This represents a decrease of 12,629 contracts in the net long position held by these traders.

**YEN:** The December Yen has been able to get through a tumultuous night of trading with a small gain so far. A huge sell off in the early part of Asian trading after posting new highs for the move appeared at first to be Bank of Japan intervention, but now may be attributable to a "flash crash" trading move. This may be a strong indication of how wary the market may be towards the chances of further intervention, but the Bank of Japan may be on the sidelines until the FOMC meeting is out of the way. There may be some sluggishness as the December Yen approaches all-time highs, but last night's quick recovery may signal further strength later on in the session today. The December Yen may find resistance near the 124.50 level again this morning, but is likely to hold onto these lofty prices level through the rest of today's session.

**SWISS:** The December Swiss has been unable to benefit from the overnight market turbulence, and remains near the low end of the recent sell off. A lukewarm Swiss sentiment number this morning has added to the weak tone for the December Swiss, and the market may be waiting for events later on in the week before attempting a recovery. The December Swiss may find support near the 101.25 level today, but a move above the recent trading range may need a risk flare-up in the global markets.

**POUND:** The December Pound continues to drive to the upside, and is approaching the highest price levels since early in the year. A surprisingly strong private survey of manufacturing this morning has fed ideas that the Bank of England may not have to start up quantitative easing for the UK during the near future. The December Pound should be able to maintain current strength, but may find resistance just below the recent highs of 161.00 in front of events later on in the week.

**CANADIAN DOLLAR:** While the Dec Canadian has found support from stronger commodity prices this morning, the market has not been able to hold an early move above the recent trading range. Recent Canadian economic data continues to be encouraging, but a strong up move may have to wait until the FOMC meeting is out of the way. The Dec Canadian should hold the 97.90 support level this morning, but a larger move back towards parity could in the cards for later on in the week.

#### **TODAY'S MARKET IDEAS:**

The Dollar is likely to remain weak this morning, but the big events later on this week may help to keep prices within a fairly tight range. The December Pound could see a new high for the move if the market maintains early positive momentum.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

1) Short 1 Dec Yen 116.50 put long buy 6 Dec Yen 109.00 puts for a net cost of 30. Risk the combination to a net loss of \$1,100 and use an objective of 113.00 basis the December Yen futures.

#### **CURRENCIES TECHNICAL OUTLOOK:**

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US DOLLAR (DEC) 11/01/2010: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside objective is 78.11. The next area of resistance is around 77.65 and 78.11, while 1st support hits today at 77.05 and below there at 76.90.

EURO (DEC) 11/01/2010: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal down is a negative indicator for prices. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is now at 137.48. The next area of resistance is around 139.88 and 140.40, while 1st support hits today at 138.42 and below there at 137.48.

JAPANESE YEN (DEC) 11/01/2010: The daily stochastics have crossed over up which is a bullish indication. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 125.09. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 124.84 and 125.09, while 1st support hits today at 123.86 and below there at 123.12.

SWISS (DEC) 11/01/2010: The close under the 40-day moving average indicates the longer-term trend could be turning down. Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is 100.62. The next area of resistance is around 102.07 and 102.37, while 1st support hits today at 101.19 and below there at 100.62.

### DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
<b>CURRENCY COMPLEX</b>										
DXAZ0	77.35	42.37	40.35	59.12	62.00	77.79	77.73	77.57	79.74	80.53
JYAZ0	124.35	71.13	69.76	73.42	74.66	123.22	123.18	122.68	120.32	119.57
EUAZ0	139.15	55.52	58.46	48.08	44.63	138.57	138.80	139.11	134.41	132.95
BPAZ0	160.19	62.37	59.73	40.48	53.47	158.80	157.96	158.49	156.92	156.74
CAAZ0	97.77	50.45	51.11	36.47	36.37	97.53	97.43	98.08	97.13	96.77
SFAZ0	101.63	41.80	46.38	24.40	17.76	101.44	102.40	103.31	101.38	100.09
DAAZ0	97.49	52.33	55.47	52.15	45.50	0.97	0.97	0.98	0.95	0.93

Calculations based on previous session. Data collected 10/29/2010

Data sources can & do produce bad ticks. Verify before use.

### DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAZ0	US Dollar	76.89	77.04	77.50	77.65	78.11
JYAZ0	Japanese Yen	123.11	123.85	124.10	124.84	125.09
EUAZ0	Euro	137.48	138.42	138.94	139.88	140.40
BPAZ0	British Pound	158.24	159.38	159.85	160.99	161.46
CAAZ0	Canadian Dollar	97.03	97.38	97.81	98.16	98.59
SFAZ0	Swiss	100.61	101.19	101.49	102.07	102.37
DAAZ0	Australian Dollar	95.79	96.76	97.24	98.21	98.69

Calculations based on previous session. Data collected 10/29/2010

Data sources can & do produce bad ticks. Verify before use.

## PRECIOUS METALS COMMENTARY

11/01/10

The bulls have internal and external forces in their favor today





**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
GOLD +6.10, SILVER +40.60, PLATINUM +16.80**

London Gold Fix \$1336.75 N.A. LME Copper Stocks 367,550 tons -925 tons  
Gold Stocks 11.121 million ounces +2,765 ounces, Silver Stocks 110.791 million ounces -991 ounces

**OUTSIDE MARKET DEVELOPMENTS:** While equity markets in Asia were mixed, stocks markets in Europe are generally stronger this morning. U.S. stock indices are higher during the early Monday trade. The Dollar is weaker against most of the major currencies during overnight trading. The Premiers of China and Japan had an informal meeting this weekend as a first step towards resolving a territorial dispute in the South China Sea. China has said that 2011 export quotas for rare earths will not be significantly reduced from present levels. The Portuguese government and opposition parties reached agreement on a budget for 2011. The Chinese official Purchasing Managers Index for October rose to 54.7, higher than expectations. A private survey of UK Manufacturing during October also rose to 54.9, higher than forecast and the first increase since May. Japanese auto sales during October were down 23.2% from last year's levels. Major US economic indicators this morning include September Personal Income and Consumption at 7:30 AM, and September Construction Spending along with a private survey of Manufacturing during September around 9:00 AM.

**GOLD**

**GOLD MARKET FUNDAMENTALS:** Gold and physical commodities were probably lifted overnight in the wake of favorable economic data from China and India overnight. In addition to mostly supportive economic information overnight, the Chinese government might have fanned interest in gold by their ongoing concerns toward inflation and specifically rising commodity prices. With the Chinese Ministry also specifically mentioning gold in relation to currency reserves, oil and the value of the US Dollar, it isn't surprising to see gold and the rest of the metals markets benefiting in the early action today. While the gold market hasn't taken changes in physical supply as significant developments recently, it should be noted that Harmony Mines posted a decline in their 1st quarter gold production overnight and to some that might be cause to bid up gold prices today. The market also saw favorable Indian gold import news for the month of October, as the final tally was 43 tons and that figure was apparently higher than some initial projections. While the recent terrorism incident doesn't seem to have retained much focus in the headlines this morning, that issue might be providing some buyers with ongoing incentive. Other issues that seem to be in play this morning are residual anticipation of QE2 from the US Fed, and the nearing proximity of the US mid term elections. Comex Gold Stocks were 11.121 million ounces, up 2,765. Stocks have increased 14 of the last 20 days. The Commitments of Traders Futures and Options report as of October 26th for Gold showed Non-Commercial traders were net long 259,469 contracts, a decrease of 16,447 contracts. The Commercial traders were net short 304,065 contracts, a decrease of 15,438 contracts. The Non-reportable traders were net long 44,595 contracts, an increase of 1,008 contracts. Non-Commercial and Non-reportable combined traders held a net long position of 304,064 contracts. This represents a decrease of 15,439 contracts in the net long position held by these traders. The gold market has managed another new high for the move, and the bullish buzz looks to have settled back into the trade for at least the first couple sessions of the new week. There might be little in the way of resistance in December gold until the \$1,370.50 level but support looks to have risen to \$1,344.50. In fact, we suspect that the trade will continue to buy the rumor of easing and perhaps the gold market is drafting off the hope for an extension of the Bush tax cuts. Conservative traders might be poised to bank profits and exit or attempt to lock in some profits with put options into mid day Tuesday, as optimism might reach a temporary zenith just prior to the Fed's announcement on Wednesday afternoon.

**SILVER**

**SILVER MARKET FUNDAMENTALS:** The silver market seems to be catching some spill over buying from gold and the rest of the metals markets in the early action today. Like gold, the silver market was probably lifted off the comments from Chinese officials who expressed concern over commodity price inflation overnight. Silver might also be drafting off news of softer monthly physical silver production from Peru, but the metals trade in general also seems to be locked on action in the currency markets. Some players are especially up beat about the temporary climb above even numbers of \$25.00 in the December silver contract. Comex Silver Stocks were 110.791 million ounces, down 991 ounces. Stocks have declined 11 of the last 20 days. The Commitments of Traders Futures and Options report as of October 26th for Silver showed Non-Commercial traders were net long 43,339 contracts, a decrease of 3,130 contracts. The Commercial traders were net short 61,033 contracts, a decrease of 849 contracts. The Non-reportable traders were net long 17,695 contracts, an increase of 2,282 contracts. Non-Commercial and Non-reportable combined traders held a net long position of 61,034 contracts. This represents a decrease of 848 contracts in the net long position held by these traders. With December silver

managing to climb above \$25.00 overnight the market seems to be poised to extend on the upside. With gold also regaining its footing, the Dollar weak and many markets anticipating something helpful from the US Fed directly ahead, it would appear that most outside market forces are set to favor the bull camp in silver for at least the first two trading sessions of the new week. Critical support in the December Silver is seen at \$24.75, with little in the way of resistance seen until \$25.25.

## PLATINUM

Despite seeing some rather large long readings in the most recent COT report, the platinum market is managing an early range up push in the Monday morning trade. The Commitments of Traders Futures and Options report as of October 26th for Platinum showed Non-Commercial traders were net long 27,416 contracts, an increase of 1,490 contracts. The Commercial traders were net short 31,753 contracts, an increase of 1,972 contracts. The Non-reportable traders were net long 4,337 contracts, an increase of 482 contracts. Non-Commercial and Non-reportable combined traders held a net long position of 31,753 contracts. This represents an increase of 1,972 contracts in the net long position held by these traders. There would seem to be little in the way of resistance in January platinum until the \$1,725 level and perhaps there isn't much in the way of resistance in January platinum until the \$1,750 level.

### TODAY'S MARKET IDEAS:

The bull camp looks to have the edge in the early Monday trade and that control looks to come from a moderately long list of developments. In addition to favorable Chinese economic news, the Dollar is weaker, equities are higher and many physical commodity prices are showing strength. Therefore, traders should expect the bull's control to extend at least into the Tuesday trade, with some bulls thinking that the bullish bias will remain in place until the actions of the Fed are known on Wednesday afternoon.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

Long December silver \$23.50 put for 81 and long December silver at \$23.70. Short 1 December silver \$24.75 call at 1.44. Risk the combination to a net loss of \$2,000 (on a close basis) and use an objective of \$24.75 basis the December futures.

## COPPER COMMENTARY

11/01/10

### Short covering & Fed related buying favors the bulls for today

**GENERAL:** While copper prices are showing some bounce this morning, the copper market appears to be taking a back seat to the precious metals markets. Given the sharp slide in copper prices at the end of last week, it is possible that some of the gains today in copper are the result of technical short covering.

Indian copper prices were higher overnight and the copper market was at least partially lifted by the supportive comments from the Chinese Ministry that made the connection between physical commodity prices and inflation. The copper market was also lifted as a result of favorable economic data from China and India overnight. While the market seems to be generally focused on the prospect of improved demand ahead, the copper market might also have been lifted by news of lower copper production targets from Japanese copper producers. LME Copper Stocks were 367,550 tons, down 925. LME Copper stocks have declined 14 of the last 20 days. The Commitments of Traders Futures and Options report as of October 26th for Copper showed Non-Commercial traders were net long 26,396 contracts, an increase of 310 contracts. The Commercial traders were net short 28,846 contracts, a decrease of 204 contracts. The Non-reportable traders were net long 2,451 contracts, a decrease of 513 contracts. Non-Commercial and Non-reportable combined traders held a net long position of 28,847 contracts. This represents a decrease of 203 contracts in the net long position held by these traders.



### TODAY'S MARKET IDEAS:

A certain measure of short covering looks to be joined by fresh speculative buying over the coming two trading

sessions, and that could result in December copper prices managing a return to the middle of the last month's consolidation range. We see the middle of the last months range to be around \$3.82, but we would not be surprised to see December copper prices manage a rise back to \$3.90 but that could require news that the Fed's initial purchase of bonds was at or above the \$100 billion level. In short, the bull camp looks to have control as long as the December copper contract holds above critical support of \$3.7660.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

Long March Copper \$3.75 put for 16, \*Hit objective of 23 Friday.

Commitment of Traders - Futures and Options - 10/19/2010 - 10/26/2010						
	Non-Commercial		Net Position	Commercial		Non-Reportable
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	
<b>Metals</b>						
<b>Copper</b>	26,396	+310	-28,846	+204	2,451	-513
<b>Gold</b>	259,469	-16,447	-304,065	+15,438	44,595	+1,008
<b>Palladium</b>	16,188	+676	-18,434	-623	2,246	-54
<b>Platinum</b>	27,416	+1,490	-31,753	-1,972	4,337	+482
<b>Silver</b>	43,339	-3,130	-61,033	+849	17,695	+2,282

**METALS TECHNICAL OUTLOOK:**

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

COMEX GOLD (DEC) 11/01/2010: The crossover up in the daily stochastics is a bullish signal. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 1377.5. The next area of resistance is around 1370.8 and 1377.5, while 1st support hits today at 1346.4 and below there at 1328.6.

COMEX SILVER (DEC) 11/01/2010: The daily stochastics have crossed over up which is a bullish indication. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The near-term upside target is at 2545.0. The next area of resistance is around 2520.5 and 2545.0, while 1st support hits today at 2423.5 and below there at 2351.0.

COMEX PLATINUM (JAN) 11/01/2010: A bullish signal was given with an upside crossover of the daily stochastics. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. Market positioning is positive with the close over the 1st swing resistance. The next upside objective is 1725.90. The next area of resistance is around 1718.60 and 1725.90, while 1st support hits today at 1694.40 and below there at 1677.50.

COMEX COPPER (DEC) 11/01/2010: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 366.23. The next area of resistance is around 378.90 and 383.02, while 1st support hits today at 370.50 and below there at 366.23.

## DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
<b>METALS COMPLEX</b>										
GCAZO	1358.6	60.48	60.67	37.81	39.95	1340.58	1336.90	1347.41	1305.10	1284.32
SIAZO	2472.0	69.01	68.61	57.08	61.39	2395.73	2369.71	2364.28	2185.38	2098.79
PLAF1	1706.50	59.17	59.50	48.48	52.13	1695.15	1687.89	1694.69	1641.25	1615.07
CPAZO	374.70	45.59	51.91	62.39	48.84	379.48	379.68	379.38	363.52	355.54

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## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>METALS COMPLEX</b>						
GCAZO	COMEX Gold	1328.5	1346.3	1353.0	1370.8	1377.5
SIAZO	COMEX Silver	2351.0	2423.5	2448.0	2520.5	2545.0
PLAF1	COMEX Platinum	1677.50	1694.40	1701.70	1718.60	1725.90
CPAZO	COMEX Copper	366.22	370.50	374.62	378.90	383.02

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