

December 2008 Comex Gold November 14, 2008
as of pit session close 12:30 PM CDT
12 hour chart

9400
9300
9200
9100
9000
8900
8800
8700
8600
8500
8400
8300
8200
8100
8000
7900
7800
7700
7600
7500
7400
7300
7200
7100
7000
6900
6800
6700
6600

Yesterday's violent short covering rally in the US equity markets took up most of the commodity world right alongside of it. Gold shot up sharply in the aftermarket session. Oddly enough, those gains were able to be sustained in today's session even with a swooning equity market but once again the \$750 level served to hold any gains in check. There is obviously a seller/s of great size at or near this level.

The reversal off of the \$700 level is technically friendly but the inability to convincingly blast through the \$750 level means that the odds favor a continuation of the sideways congestion pattern that has marked the gold market for nearly three weeks now especially given the performance of the mining shares today. They went one way while the paper gold price went the other. The original band was \$750 on the top and \$720 on the bottom. It looks like we now have enlarged the band from \$750 down to \$700. Also, the fact that crude oil was lower today while the corn and soybean markets were lower makes me a bit suspect of today's gains in the gold. I have the feeling that some of this strength was no doubt short covering in front of the G20 meeting this weekend plus some added ummph from the story that Bloomberg broke about the Chinese perhaps adding to their gold reserves. That story is undoubtedly true but it is highly unlikely that the Chinese will now rush out and purchase all that gold at once! What it does do however is give shorts pause because it indicates that there is very sizeable potential buying lurking underneath this market. That will help the bulls who have been nervous because of the plethora of hedge fund and index fund selling which has been linked to redemption requests and forced deleveraging. Now that the bulls have some potential big friends on their side to absorb some of that selling it might give them a bit more confidence. Next week's action will be crucial to determining what this market will do - will it bounce off the top of the range and move back down or will it break out to the upside and begin to run?

I would be remiss by not mentioning a rather noteworthy development in the open interest front. The November gold contract, which is quite thinly traded saw an amazing increase of 886 contracts in yesterday's session. Prior to that, the open interest was a mere 83 contracts. Someone or somebodies might have decided to go into the NOVember for ONE PURPOSE, to stand for delivery. That would be quite a remarkable development. I have seen some of these guys play some strange games however and take all of the contracts off either the very next day or the following day so we will have to see whether or not they actually get assigned. If they do, it might be that our little campaign to start drawing the gold out of the comex warehouses is gathering some followers. I do hope that this is the beginning of a new trend. There is nothing that I know of that will effectively kill the reign of paper gold than cleaning out the warehouse supply.

Gold continues having difficulty staying above the \$750 level

support (now first resistance)

stronger level of support

Major Support -