The Weekly Gold Digger

Published by: Leslie Burton 11/1/2013 6:13:07 PM

It has been quite obvious that the Gold market is driven by the Fed as the stimulus or quantitative easing has propelled the Gold market higher! The projection of tapering in December has been enough to drive the Gold down into a lower range. The inverse relationship that Gold has with the US Dollar has never been more clear. The monthly bond purchases of $85 billion per month were kept yet the never ending stimulus has an end. Gold traders have been skittish lately taking profits on the rises. SPDR Gold Trust holdings have declined about 35 % this year. Managed futures accounts increased their positioning in the Gold market by 84,666 contracts. Gold hedge firms had decreased their positioning in Gold. Central banks have cut back on purchases as of late reducing reserves. Bullion holdings in the ETF's have decreased by 27 % this year. India has raised its Gold import tax three different occasions to stimulate purchases within India and decrease any foreign products coming into India. They have reduced imports by about 80 %. The Diwali festival season begins the beginning of November. The All India Gems & Jewelry Trade Federation believe the festival may provide some support for the Gold this season.

Bullion dealers have commented that sales remain 50 % of what they were. India used to import about 930 + tons of Gold a year. Shipments to China from Hong Kong in September were about 116.3 metric tons. China should overtake India in terms of becoming the world's largest buyer of Gold. The factors add up to support a bullish trend, but the confidence in the Gold market for the investor must also be restored. The US Mint had sold about 39.000 ounces of the American Eagle coins so far this month. The ETF Gold holdings have increased 6.5 metric tons up to October 22nd. The safe-haven aspects of the Gold market must be reinforced perhaps at the dollars expense. The ECB meeting is Thursday which could support the Gold somewhat. Friday, we have Unemployment. If the report is horrendous, it could take the tapering off the table.

The Fed leaders this week remarked how the US economy is showing underlying strength as evidenced by the manufacturing data. This strength may very well put tapering back on the table for December 17th -18th 2013 instead of the previous perceived March 2014. Initially the Fed had said that the tapering may begin when the Unemployment Rate reaches 6.5 % and or inflation reaches 2.5 % and at this juncture perhaps we should heed their words. When viewing the US in terms of the global presence, the position that the US has held may be compromised with a continuous divided front! The US haggling over the budget and shutdown weighs on the US Dollar along with the stimulus. The US Dollar represents the premier currency that other world currencies are pinned to. If other countries gain strength and a superior presence such as China, the foreign investors may be reluctant to invest in the US debt instruments and dollar. Last year, the US instruments increased holdings/assets of foreign investors by $166 billion. This year, they seem to be lagging as China has expressed criticism about the US leadership and the valuation of the US Dollar.

It is desirable for a country to hold the top spot in international growth and strength. Weakness opens a country up to vulnerability which could be an invitation to be overlooked in many areas. The next European Central Bank meeting is for November 7th where the Euro Zone may decrease interest rates to support their recovery. The unchanged action of the Fed should have been expected, yet we still experienced that knee jerk reaction as the statement was released. The US shutdowns had impeded the Fed from any decision making. As a matter of fact, the shutdown may have set back the recovery quite a bit. It is difficult to put a number on how much of a set- back it had been, but the numbers certainly have scaled back somewhat. One may investigate the psychology of the market on a Fed day, but perhaps the trading community has been through enough to fall back on uncertainty even in the best of circumstances. The US is on the road to recovery. The US leadership must somehow work as a united front if the US wants to maintain a reputation of strength and growth. The interesting thing about the Fed announcement is that some analysts read into the statement that the Fed may taper sooner than March of 2014. December of 2013 is now in the mix and that is a different picture as we see in today's softer market. A stimulus fed market with "tapering as an eventual end" is just not as pumped up. .

The Institute for Supply Management's Index increased to 56.4 while the previous reading had been 56.2. Any number over 50 points toward expansion. The Purchasing Managers Manufacturing Index for October was 51.8 while the previous reading was 52.8.

The Motor Vehicle Sales for October (Domestic0 was 11.9 million while the previous reading had been 11.8 million. The Total Motor Vehicle Sales were 15.2 million while the previous reading was 15.3 million. The US Initial Jobless Claims (the number of people applying for unemployment insurance for the first time) was at 340,000 down 10,000 from last week's 350,000. Continuing Claims were up 31,000 to 2.881 million. It is thought that in California, the new computer system may have skewed the data since September. The Chicago PMI Business Barometer Index for October was 65.9 while the previous reading was 55.7. Any number over 50 points to expansion.

The Bloomberg Consumer Comfort Index for the week of October 27 was -37.6 while the previous reading was -36.1. The ADP Employment Report of private payroll employment for October came in at 130,000 while the previous reading was 166,000. It was thought that the government shutdown may have skewed the numbers a bit. The MBA Purchase Applications for the week of October 25th Composite Index was 6.4 % while the previous reading was -0.6 %. The Purchase Index was 2.0 % while the previous reading was 1.0 %. The Refinance Index was 9.0 % while the previous reading was -1.0 %.

The Consumer Price Index for September was 0.2 % while the previous month was 0.1 %. The CPI excluding food and energy was 0.1 % while the previous reading was unchanged. ICSC-Goldman Store Sales for the week of October 26th was -0.4 % while the previous reading was 1.4 %. The Producer Price Index for September was -0.1 % while the previous reading was 0.3 %. The PPI excluding food and energy was 0.1 % while the previous reading was 0.0 %. Retail Sales for September was -0.1 % while the previous reading was 0.2 %. Retail Sales excluding automobiles was 0.4 % while the previous reading was 0.1 %. The Retail Sales excluding Automobiles and Gasoline were 0.4 % while the previous reading was 0.1 %.

The Redbook Store Sales for the week of October 26th was 3.6 % while the previous reading was 2.9 %. The S&P Case-Shiller HPI for August SA was 0.9 % while the previous reading was 0.6 %. The NSA was 1.3 % while the previous reading was 1.8 %. Business Inventories for August was 0.3 % while the previous reading was 0.4 %. The Consumer Confidence for October was 71.2 while the previous reading was 79.7. The State Street Investor Confidence Index for October was 95.7 while the previous reading was 101.4.

The Industrial Production report for September came in at 0.6 % while the previous reading was 0.4 %. The Capacity Utilization Rate was 78.3 % while the previous reading was 77.8 %. The Manufacturing portion was 0.1 % while the previous reading was 0.7 %. The Pending Home Sales Index for September was 101.8 level while the previous level was 107.7. The Pending Home Sales Index was down 5.6 % while the previous reading was down 1.6 %. The last US Nonfarm Payrolls or Employment Report came in at 148,000 while the previous reading had been 169,000. The Unemployment Rate came in under expectations at 7.2 % while the previous reading was 7.3 %.

The Average Hourly Earnings came in at 0.1 % change while the previous reading was 0.2 %. The Average Workweek was unchanged at 34.5 hours. The Private Payrolls was 126,000 while the previous reading was 152,000. Government jobs increased 22,000. Factory employment increased by 2,000. Construction companies increased by 20,000 workers. Restaurants and bars decreased workers by 7,000 jobs. Of course, the government shutdown may have impeded the labor statistics somewhat in terms of accuracy and effects on the work force itself. It may take until December to just sort things out to a point of normalcy. Initially, the Fed had a target of a 6.5 % Unemployment Rate target with a 2.5 % inflation target as signals to taper.

The Richmond Fed Manufacturing Index for October was 1 while the previous reading was 0. It is thought that the flat activity level may remain for a while. The ICSC-Goldman Store Sales for the week of October 19th were 1.4 % while the previous reading was -0.7 %. The Redbook Store Sales for the week of October 19th were 2.9 % while the previous reading was 3.2 %. Construction Spending for August was 0.6 % while the previous reading was unchanged. The Treasury International Capital Foreign Demand for Long-term US Securities for August was -$8.9 billion while the previous reading was $31.1 billion. The Chicago Fed National Activity Index for September was delayed due to the shutdown. The previous reading has been 0.14. Existing Home Sales Level SAAR for September was 5.29 million while

the previous reading was 5.480 million. The month's change was -1.9 % while the previous reading was 1.7 %. The Leading Indicators for September were delayed due to the shutdown. The previous reading had been 0.7 %. Some of the delayed reports may have an impact on the Fed attempting to gather the data necessary to determine their next potential move to taper. The October Housing Starts may be released November 26th. The October New Home Sales is slated for December 4th.

The December Gold was supported to degree until the Fed spoke of a potential tapering down the road. The stimulus fed this Gold market and without it the support is gone for the most part. The thing is that Gold may be in a bearish mode for the time being, but if we ponder the reason that large investors hold the Gold such as even the central banks, it is for the safe-haven properties. Unfortunately one needs a crisis for Gold to shine again. For now, under $1305.00 we remain bearish with potentially $1250.00 in our sights.

Gold Chart

The Buy December Gold 2013 1800 Call for 20.00 or better! It is currently at $10.00. This was begun on the last Gold Digger Alert!

The risk on the trade would be $2000.00 plus fees and commissions. The profit potential is unlimited and the expiration is November 25th 2013.

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Take a close look and feel free to call in and talk to me in greater detail. It would be my pleasure. Good trading!

Call me at (877) 224-1952 or email me at lburton@danielstrading.com