

REVIEW

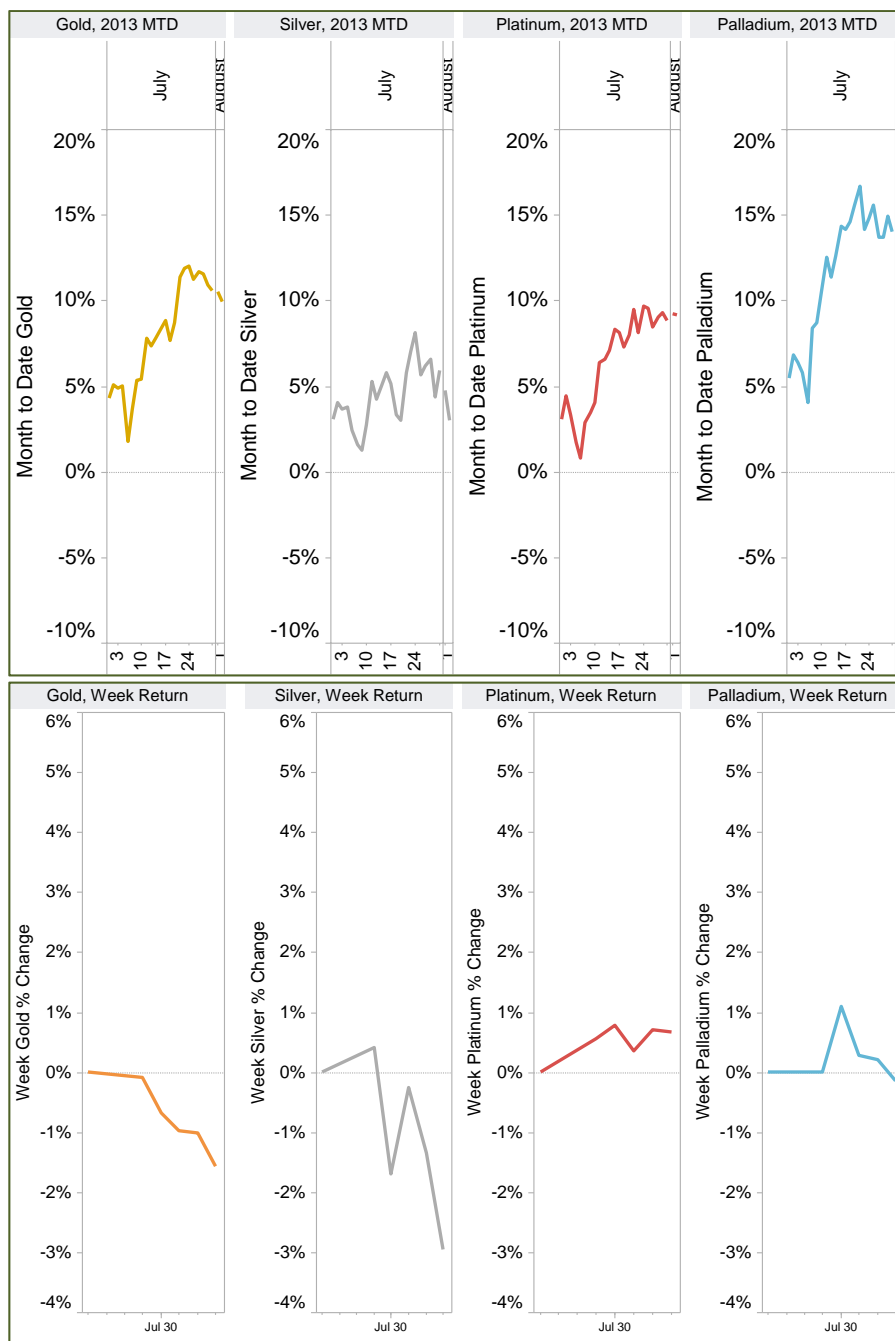
The last few days of July and the first couple of August generally showed European and northwestern hemisphere economies (U.S. in particular) gaining some modicum of momentum (although very fickle), while data out of Asian economies, in particular China, showed economies decelerating.

The decent economic data of the past week put downward pressure on gold, silver, and palladium, while platinum bucked the precious metal trend in experiencing a positive weekly return.

Overall for the week, gold was down about 1.6%, silver was down about 2.9%, and palladium was down about 0.1%, while platinum was up about 0.7% (bottom right).

In looking at the precious metal market returns over the past month, gold was up about 11% in July, silver was up about 6%, platinum was up about 9%, and palladium was up about 14% (top right). On a year to date basis, gold is down about 22%, silver is down about 36%, platinum is down about 8%, and palladium is up about 3% (top right figure of page 2).

In summing up the precious metal market over the past five years (bottom figure of page 2), the general story is (although it depends upon the metal): strong demand until about 2011, at which time market participants' inflation-hedge based demand started to weaken. Over the past three years, demand has also been weakened by a moderately recovering economy (i.e. the very poor economic conditions hedge aspect of precious metals). The weakness in the precious metal markets has reversed in recent months, with gold, silver, platinum, and palladium all up over 5% during the month of July, with gold and palladium increasing by double digits. The question for owners of precious metals now is: is July the much awaited bottoming out, or is simply a correction in an otherwise downward trending market?



OUTLOOK

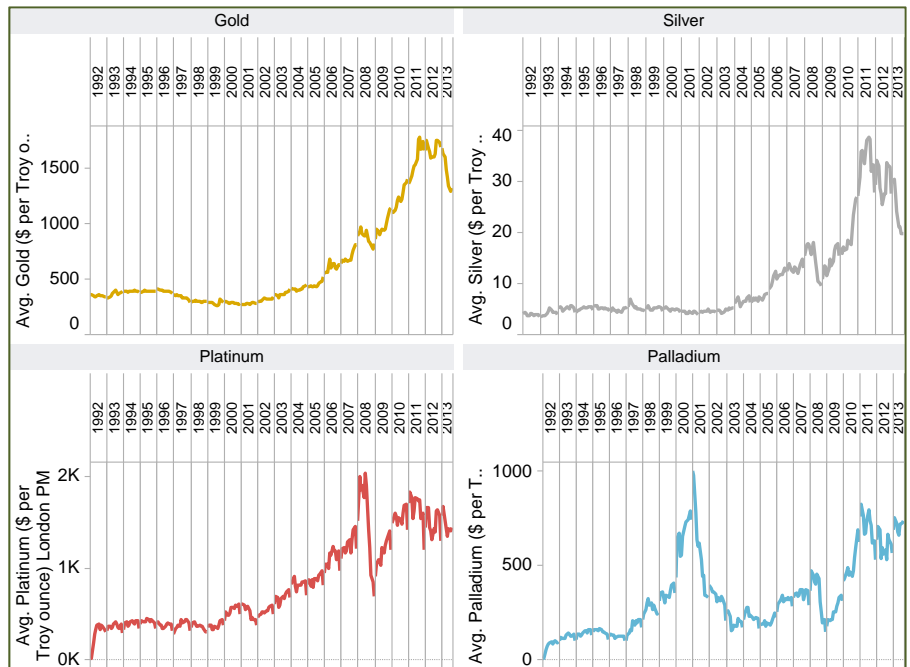
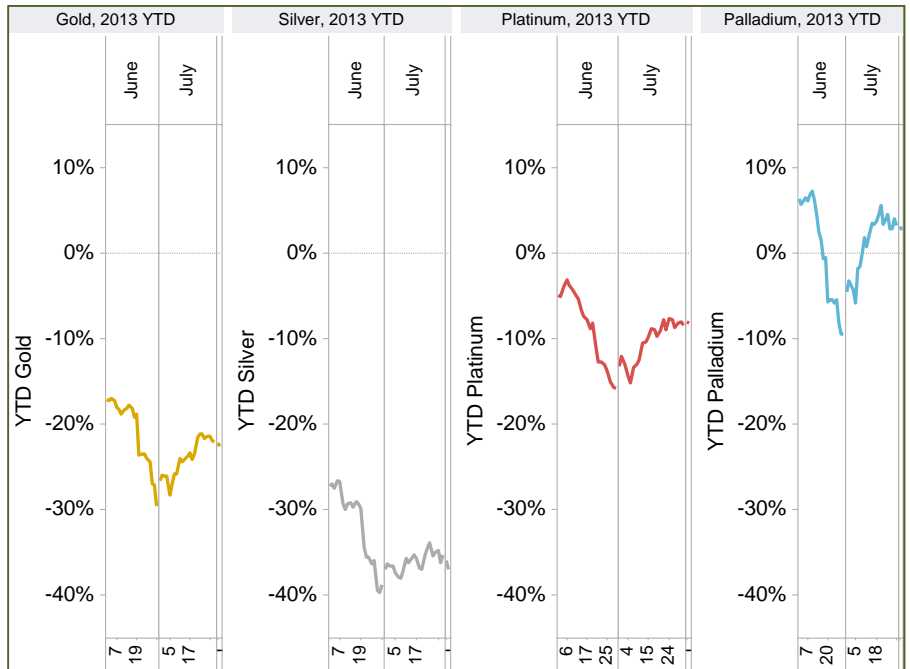
The week ahead is pretty slim on economic and corporate data; because of this, market participants will likely be paying greater attention to potential policy decisions in Europe, the United States, and China. Overall, central bankers may be able to move the precious metal markets more so this week than others.

GOLD

The flagship precious metal has been under pressure since reaching a recent peak of about 1,335 on July 24th. The current debate regarding gold is whether the strong upward bias experienced in July is the new trend (thus, gold has bottomed out), or if gold will reverse the brief bull market and trade below what a linear trend line would indicate. It all depends on whether European and U.S. economic conditions can continue to improve at a decent pace, while economic conditions in Asia only experience a weak deceleration.

SILVER

Of the four major precious metals, silver has experienced the largest drop over the past three years. The trading conditions of silver are akin to gold: should an economic or inflation hedge be needed, silver will likely appreciate very quickly.



PLATINUM

Platinum was the sole precious metal to see positive price appreciation this past week. Overall, platinum appears to have been a benefiter of weak gold and silver performance, and the dynamics are unlikely to change this week.

PALLADIUM

On a year to date basis, palladium is the sole precious metal to have experienced price appreciation, up about 3%. Although palladium has some different price dynamics, economic conditions will likely be the largest driver behind palladium performance in the coming week.