

REVIEW

This past week saw the precious metals markets experience the highest-degree of volatility out of the equity markets, currency markets, commodity markets, and the precious metals markets.

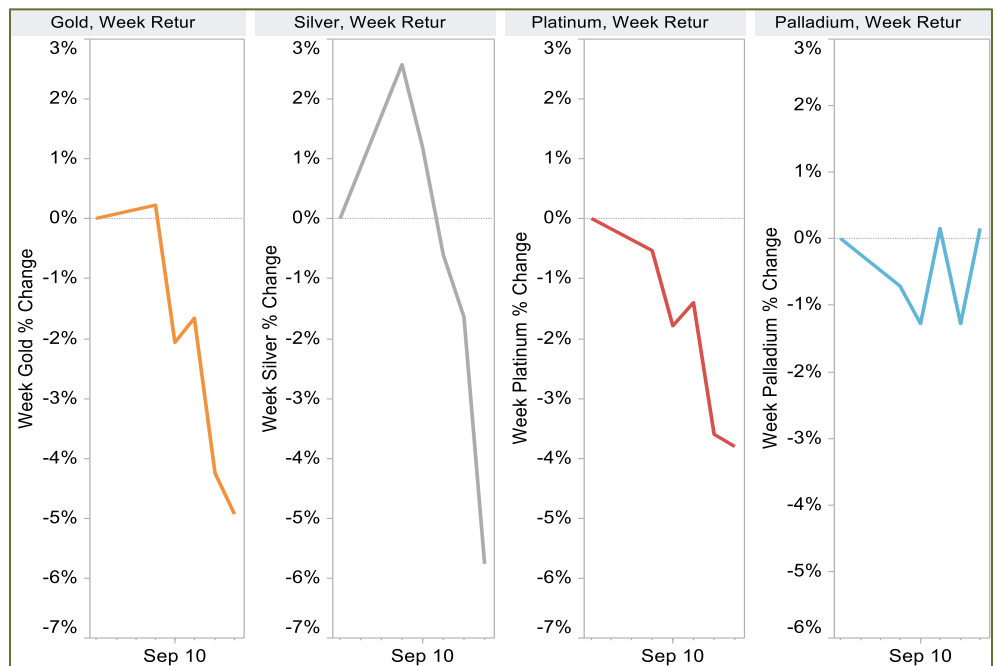
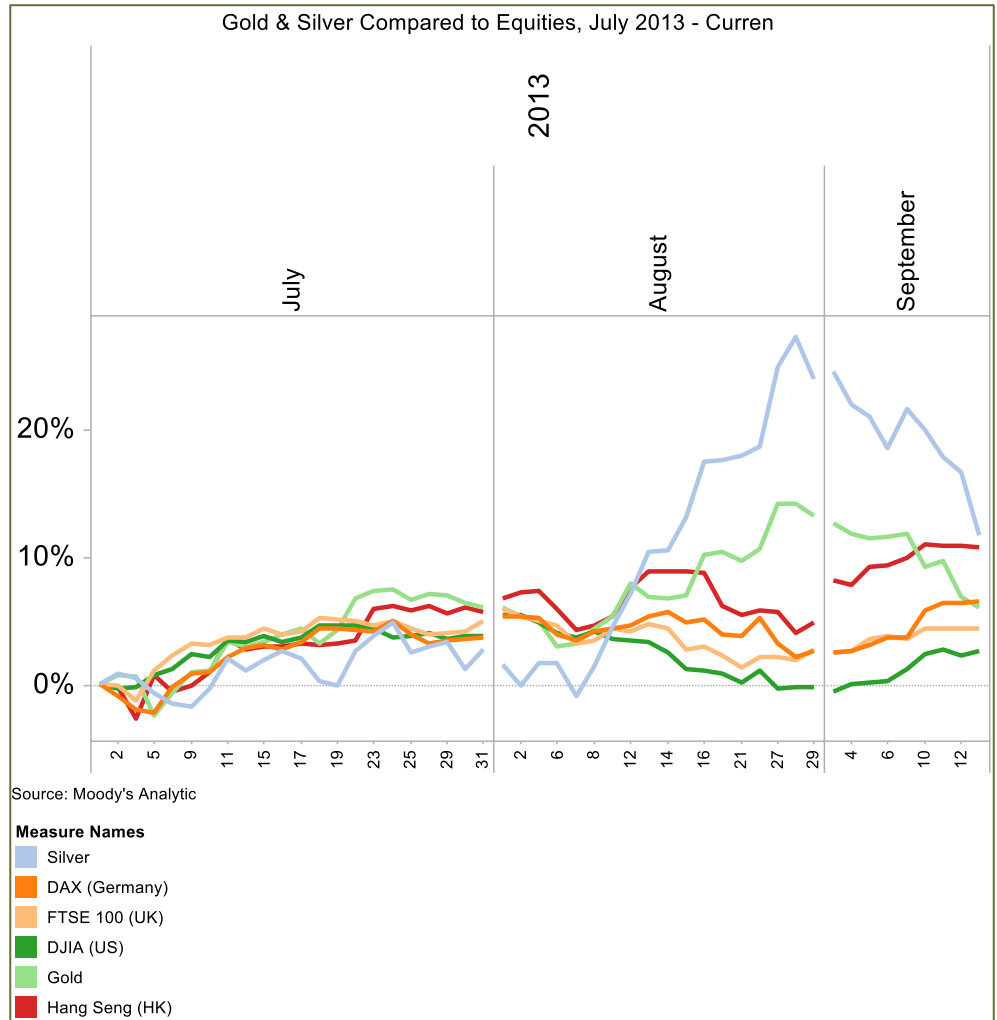
The catalyst behind this volatility in precious metals was the elimination of risk associated with a potential U.S. military strike against Syria and economic data pointing to moderately strong worldwide economic growth.

This past week saw gold down about 5 percent in value, silver down about 6 percent, and platinum down about 4 percent. Palladium was the sole precious metal with no volatility, coming in basically flat for the week.

OUTLOOK

With U.S. military action against Syria off the table, precious metal investors will have a lot of influential economic indicators to chew on.

The economic indicators include industrial production conditions in the U.S., Eurozone labor costs and consumer prices, British prices, European trade balances, construction in Europe, housing starts in the U.S., industrial conditions in Japan, retail sales in Great Britain, and home prices in the U.S., to name most of the



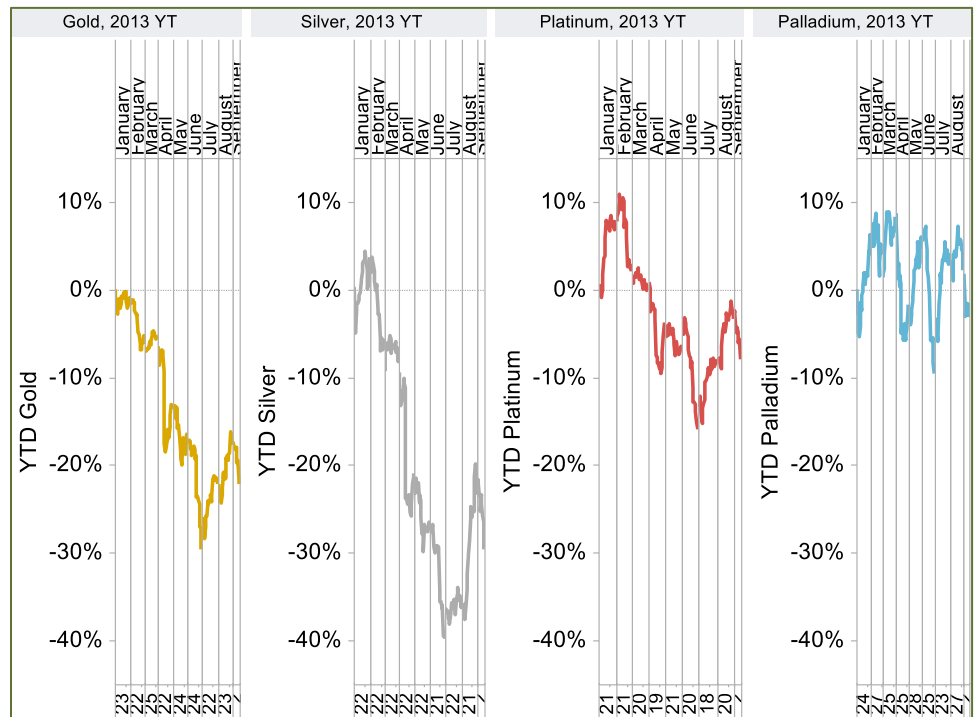
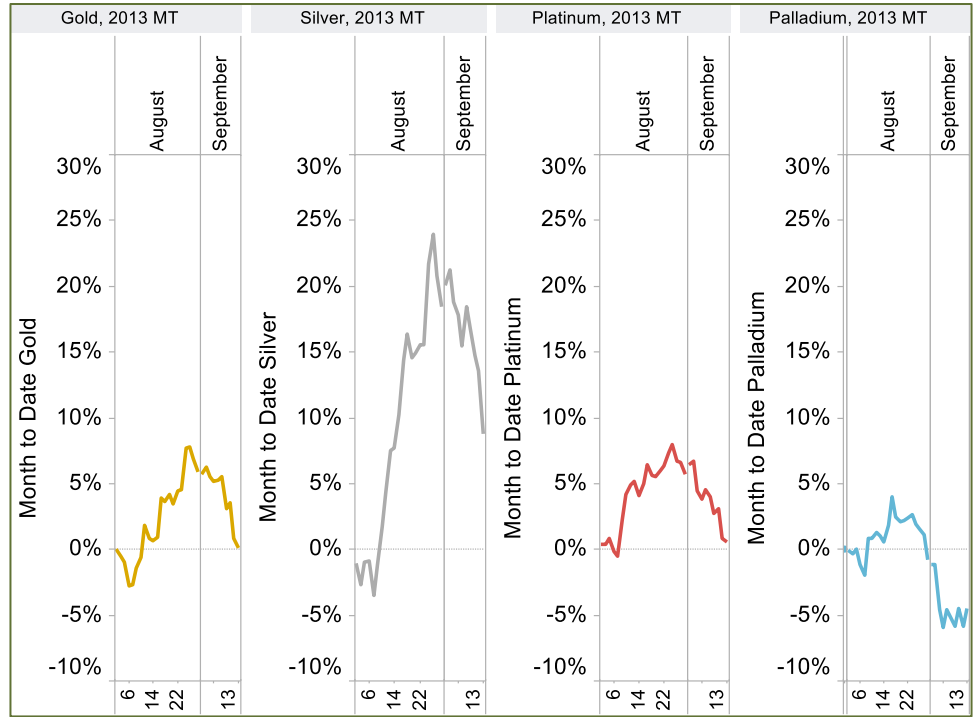
potentially big market movers. In addition to the economic indicators, investors will finally get an answer on whether the U.S. Federal Reserve will “taper” sooner rather than later.

Tapering, for those with more important things to do, refers to the Federal Reserve’s recent policy indications that the U.S. central bank may begin to reduce its purchases of mortgage backed securities (MBS) and U.S. Treasury securities. As of now, the central bank purchases \$85 billion a month in the aforementioned securities.

Markets generally have priced in \$10 to \$15 billion in reduced asset purchases.

Should the tapering amount come in above \$15 billion (i.e. reduced to less than \$70 billion), precious metal markets made benefit from the “over-aggressive Fed” trade. Essentially, markets may view anything above \$15 billion as detrimental to economic growth, and shift demand to precious metals.

On the other hand, should the tapering amount come in below \$10 billion, precious metal investors may see the value of their asset depreciate in that less-than-anticipated tapering may have a stimulus effect on economic growth.



GOLD, SILVER, PLATINUM, & PALLADIUM

With Wednesday’s tapering decision as the background, analysts generally give precious metals some downside bias in the coming week. Overall, gold has a two percent downside bias, silver has about a percent downside bias, and platinum and palladium have a quarter to half of a percent in downside bias. With the downside bias given, the taper trade could certainly push price higher, in addition to weaker than expected economic data.