

	Estimate	High	Low	
09/03 German Service PMI	2:53 AM	-	-	-
09/03 Euro-Zone Services PMI	3:00 AM	-	-	-
09/03 France ECRI Future Inflation	3:30 AM	-	-	-
09/03 Germany ECRI Future Inflation	3:30 AM	-	-	-
09/03 UK CIPS/NTC Research Service	3:30 AM	-	-	-
09/03 UK ECRI Future Inflation Gau	3:30 AM	-	-	-
09/03 Euro-zone ECRI Future Infl	4:00 AM	-	-	-
09/03 Euro-zone Retail Trade	4:00 AM	-	-	-
09/03 Non farm Payrolls	7:30 AM	-75,000	-40,000	-120,000
09/03 Unemployment Rate	7:30 AM	+1	+1	Unch
09/03 ISM Non-Manufacturing Index	9:00 AM	-	-	-
09/03 Commitments of Traders	2:30 PM	-	-	-
09/03 Japan Composite PMI	6:15 PM	-	-	-
09/03 Japan Services PMI	6:15 PM	-	-	-
09/06 Japan BOJ Meeting	11:00 PM	-	-	-
09/07 13 and 26 Week Bill Auction		-	-	-
09/07 3-Yr Note Auction		-	-	-
09/07 Japan BOJ Rate		-	-	-
09/07 Johnson Redbook Sales		-	-	-
09/07 Japan Leading Indicators	12:00 AM	-	-	-
09/07 Swiss Employment	12:45 AM	-	-	-
09/07 German Manufacturing Orders	5:00 AM	-	-	-
09/07 Japan Machinery Orders	6:50 PM	-	-	-
09/08 10-Yr Note Auction		-	-	-
09/08 4-Week Bill Auction		-	-	-
09/08 Japan BOJ Report	12:00 AM	-	-	-
09/08 German Foreign Trade	1:00 AM	-	-	-
09/08 France Trade Balance	1:45 AM	-	-	-
09/08 UK Industrial Production	3:30 AM	-	-	-
09/08 German Industrial Production	5:00 AM	-	-	-
09/08 Weekly ICSC-UBS Chain Store	6:45 AM	-	-	-
09/08 Canadian Building Permits	7:30 AM	-	-	-
09/08 Canadian Monetary Policy	8:00 AM	-	-	-
09/08 Canadian PMI	9:00 AM	-	-	-
09/08 Beige Book	1:00 PM	-	-	-
09/08 Consumer Credit	2:00 PM	-	-	-
09/08 Consumer Installment Credit	2:00 PM	-	-	-
09/08 API Energy Stocks^	3:30 PM	-	-	-

BONDS COMMENTARY

09/03/10

Recent numbers suggest some resiliency in the US economy is possible

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
BONDS -10**

The Treasury market remains just above this week's lows into the critical monthly non farm payroll report. However, with the markets recent slide away from the highs, it would appear that the trade has factored in a number that is not as bad as might have been expected earlier in the week. Certainly data from



the US this week pointed to an economy with pockets of activity that could be considered positive or part of a growing economy. Some traders fostered the idea that Treasuries were falling back because of profit taking and book balancing by the Japanese ahead of their fiscal year end but since that event is still weeks off, that explanation of the setback this week seems a little suspect. However, the fact that the Japanese did reduce their net buying of US Treasuries to the smallest weekly total in roughly 12 weeks, does hint at the potential for some type of change in investing patterns. In looking forward today, the Treasury market seems to be braced for a middle of the road employment loss, as December bonds are sitting almost three full points below the August highs and the trade has already widely tossed around the idea of a job loss in a 40,000 to 120,000 range. The market also seems to have a slight up tick in the unemployment rate at least partially priced into the pie. Some bulls are suggesting that prices around the lower end of this week's trading range are factoring in a very small payroll loss and that an "as expected" reading will result in a quick recovery in prices. It is possible that the swing point on the number this morning will be the prior month's loss of 131,000 jobs, as a number bigger than last month could suggest that the economy is worsening, while a number below that level of loss might suggest the economy is holding together. With a cluster of economists seeing a loss of 90,000 to 100,000 jobs today, that could be another level that serves to divide the trade. In addition to the non farm payroll figures, the trade will also be presented with an ISM Non manufacturing report and a speech from the Atlanta Fed President at mid morning. Another sector of the market thinks the big news today will be from the Private jobs and government payrolls figures, as the prior months report was supposedly made worse because of a very negative reading from the government sector. The tech crowd is suggesting that this week's setback in prices came on a noted decline in volume and open interest and that in turn suggests a lack of interest in lower price levels. However, with such important fundamental news due out today, the technicals might be forced to take a back seat to macro economic psychology.

TODAY'S MARKET IDEAS:

Ordinarily the Treasury market might discount a not as bad as expected Non Farm payroll reading, but given the pattern of better than expected readings from early in the week and the sharp slide on the charts, another reading that undermines the bull case might spark a sharp stop loss selling wave. In fact, if the US economy manages to post something that even hints at resiliency, that wouldn't play well in a market that managed a rally in excess of 10 points in bonds from the June lows. All things considered, the market is likely to get just enough softness in the numbers to firm up this week's lows as solid support. We doubt the President would have started the week with a call to arms on the stimulus front, if there was going to be anything positive from today's numbers. We would like to be long a cheap call ahead of the report as being long futures could be a very punishing affair if something strange is seen from the government, private or manufacturing components of the report. In other words, the bulls should have an edge from the trend but the risk to longs today is higher than normal.

NEW RECOMMENDATIONS:

Buy October bond 134-00 call for 114 or better. Risk the option to 50. Use an objective of 2-40.

PREVIOUS RECOMMENDATIONS:

None.

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) 09/03/2010: 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's close below the pivot swing number is a mildly negative setup. The next downside target is now at 131-150. The next area of resistance is around 133-100 and 134-060, while 1st support hits today at 131-310 and below there at 131-150.

10 YR TREASURY NOTES (DEC) 09/03/2010: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 124-050. The next area of resistance is around 124-260 and 125-045, while 1st support hits today at 124-105 and below there at 124-050.

STOCKS COMMENTARY

09/03/10

We think a not as bad as expected number is baked into the pie

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
S&P 500 +60, DOW +7

The market apparently saw some positive international economic readings overnight and it would seem like equities are set to trade slightly higher into the US non Farm payroll release. Given the noted run up in equity prices this week, one could come to the conclusion that investors think there will be something positive or simply something that is not "as bad as expected" from the report today. Given the magnitude of the recovery bounce this week, it would seem like the market is close to expecting something clearly positive, instead of something that is not as "bad as expected". Other investors are suggesting that a weak payroll reading will simply prompt some easing action from the Fed and that is certainly bullish spin. Even the European equities are showing positive action in the lead up to the US payroll event. Apparently the markets weren't overly concerned with the slightly disappointing UK PMI readings overnight as that number seemed to fly in the face of the macro economic optimism seen elsewhere.



S&P 500: At least in the early action today, the S&P managed to reach a fresh new high for the move and in the process it managed to reach the highest level since August 19th. From this week's lows, the September S&P has posted a rally of roughly 54 points. Given the magnitude of the run up in equities this week, it would seem like the markets are not expecting a particularly undermining payroll result. We see a critical pivot point down at 1086.00 today basis the September S&P contract. This market feels expensive, but sometimes the equity market has the capacity to look right through key numbers.

DOW: The September Mini Dow comes into the Friday action trading into new high ground for the move and seemingly unconcerned about facing a negative payroll reading. In short, the trade is expecting some job loss and therefore the size of the loss looks to be the driving force today. Some traders might be a little disappointed with suggestions from the White House that a second stimulus package wasn't being put together, while others think that the key to even higher stock prices in the wake of the data today, will be the expectation for the US Fed to act if it is necessary. In short, the bull camp thinks the number will either show a modest loss, or the Fed will step in and prop up prices. We think a trade back below 10,285 basis the September Mini Dow, will signal a more significant setback is due, but the bulls seem to have become somewhat fearless.

NASDAQ: With the merger/buyout news flow less significant this morning and the 3Par deal seemingly completed, the Nasdaq seems to be poised to take a large amount of direction from the upper end of the stock market. The September Nasdaq enters the action today sitting 87 points above this week's lows and at the highest level since August 19th and that doesn't seem to suggest that the bull camp is particularly concerned about the US payroll report! We see a critical pivot point at 1835.00 in the September Nasdaq today.

TODAY'S MARKET IDEAS:

The bulls appear to be in control into the monthly payroll result. From a risk and reward stand point the bulls would seem to be facing a much more difficult situation than the bears, as prices are somewhat short term overbought. In fact, we think the bull camp has set a high bar for themselves today and that something positive will have to be gleaned from the data points in order to continue the pattern of gains. As suggested in the Treasury market, the capacity for a major surprise today is really high and therefore those that want to be long should own calls and not futures.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

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 (SEP) 09/03/2010: The major trend could be turning up with the close back above the 40-day moving average. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 1100.22. The next area of resistance is around 1096.44 and 1100.22, while 1st support hits today at 1082.75 and below there at 1072.83.

S&P E-MINI (SEP) 09/03/2010: The major trend could be turning up with the close back above the 40-day moving average. 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. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 1100.50. The next area of resistance is around 1096.50 and 1100.50, while 1st support hits today at 1082.50 and below there at 1072.50.

DOW (SEP) 09/03/2010: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 10328. The next area of resistance is around 10301 and 10328, while 1st support hits today at 10239 and below there at 10205.

MINI-DOW (SEP) 09/03/2010: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 10380. The next area of resistance is around 10353 and 10380, while 1st support hits today at 10265 and below there at 10204.

NASDAQ (SEP) 09/03/2010: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 1861.00. The next area of resistance is around 1851.50 and 1861.00, while 1st support hits today at 1823.00 and below there at 1804.00.

MINI-RUSSELL 2000 (SEP) 09/03/2010: The major trend could be turning up with the close back above the 60-day moving average. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 641.7. The next area of resistance is around 638.4 and 641.7, while 1st support hits today at 626.2 and below there at 617.2.

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
FINANCIAL COMPLEX										
USAAZ0	132-200	52.02	56.22	74.96	65.55	133.73	133.65	132.39	128.66	127.30
TYAAZ0	124-180	48.72	53.08	61.14	49.85	125.07	125.05	124.90	123.21	122.38

SPAU0	1089.59	59.16	54.61	30.48	48.25	1066.18	1060.37	1072.10	1080.12	1080.09
EPU0	1089.50	59.10	54.58	30.95	48.58	1066.13	1060.33	1072.07	1080.09	1080.07
TFEU0	632.3	59.75	54.65	39.56	58.67	614.65	608.41	613.47	625.65	629.76
NDAU0	1837.25	57.69	53.21	30.51	46.60	1798.13	1791.33	1813.36	1829.79	1834.23
YMU0	10309	57.10	53.45	28.79	43.81	10141.50	10100.33	10211.94	10242.98	10216.20
DFAU0	10270	56.74	52.55	24.69	41.45	10131.75	10083.33	10203.17	10240.00	10213.97

Calculations based on previous session. Data collected 09/02/2010

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

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
FINANCIAL COMPLEX						
USAAZ0	Bonds	131-140	131-300	132-260	133-100	134-060
TYAAZ0	10 Yr Treasury Notes	124-045	124-100	124-205	124-260	125-045
SPAU0	S&P 500	1072.82	1082.74	1086.52	1096.44	1100.22
EPU0	S&P E-Mini	1072.50	1082.50	1086.50	1096.50	1100.50
TFEU0	Mini-Russell 2000	617.1	626.1	629.4	638.4	641.7
NDAU0	NASDAQ	1804.00	1823.00	1832.50	1851.50	1861.00
YMU0	Mini-Dow	10204	10265	10292	10353	10380
DFAU0	Dow	10204	10239	10266	10301	10328

Calculations based on previous session. Data collected 09/02/2010

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CURRENCIES COMMENTARY

09/03/10

The Dollar is slightly weaker before today's Employment numbers.

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR -81, YEN -36, SWISS -7, CA DOLLAR +1

Upcoming International Reports (all times CT)

09/03 German Retail Sales 1:00 AM
09/03 Swiss Consumer Price Index 2:15 AM
09/03 France Services PMI 2:48 AM
09/03 German Service PMI 2:53 AM
09/03 Euro-Zone Services PMI 3:00 AM
09/03 France ECRI Future Inflation 3:30 AM
09/03 Germany ECRI Future Inflation 3:30 AM
09/03 UK CIPS/NTC Research Service 3:30 AM
09/03 UK ECRI Future Inflation Gau 3:30 AM
09/03 Euro-zone ECRI Future Inflation 4:00 AM
09/03 Euro-zone Retail Trade 4:00 AM
09/03 Unemployment 7:30 AM
09/03 ISM Non-Manufacturing Index 9:00 AM
09/03 Japan Composite PMI 6:15 PM
09/03 Japan Services PMI 6:15 PM



DOLLAR: The Dollar has kept within a fairly tight range during overnight trading, with the market remaining calm before the approaching storm of the US Employment numbers this morning. The price consolidation near the lower end of Wednesday's sell off may indicate that some of the negative impact of today's numbers has already been factored into the Dollar's price. The rebound in global equities over the course of this week has also eroded some of the Dollar's safe haven strength as well. The slight improvement in tone with some of the US economic numbers during the week has not changed the fact that any surprises for the Dollar will likely come more from better-than-expected numbers than from anything shockingly bad. If today's Employment numbers match up with the diminished expectations of the market, the Dollar may press the low end of the late week trading range. Look for the Dollar to find support near the 82.25 level, but any surprises from today's numbers will no doubt produce a

very swift reaction.

EURO: The September Euro continues to build on the current late-week rally, but gains now are becoming sluggish as the market's attention shifts across the Atlantic. Recent data out of the Euro zone has lent some support, as well as getting several potentially problematic debt auctions behind it, but the September Euro has been reluctant to trade above the 1.2850 area until today's numbers are out of the way. With a contrasting outlook between the US and Euro zone still there, the September Euro is likely to test the 1.2850 resistance level if today's numbers are in line or weaker than expected. However, any sort of positive surprise from the US numbers would likely send the Euro back below the 1.2800 area in a hurry.

YEN: The September Yen has been somewhat on the defensive this morning, but remains well within the trading range of the past few days. The global rally in equity markets has shut down the flight to quality angle, but prices continue to hold near the recent highs as Japanese officials have as yet been unable to find a way to diminishing the Yen's recent strength. Of the major currencies, the September Yen is clearly the most vulnerable to any sort of positive spin out of today's US Employment numbers. If the outlook for the US economy shows any sort of improvement, there is quite a bit of safe-haven support for the September Yen that will head for the exits very quickly. The September Yen should find support near the 118.15 area, with plenty of downside potential if those levels are taken out this morning.

SWISS: In spite of a decent Swiss CPI number this morning, the September Swiss has turned lower as diminished market risk concerns have led to an erosion of safe-haven support. While there is some potential for a test of recent highs if the US numbers come in weak, the September Swiss has not been able to hold above the 99.00 level over the past few days with plenty of opportunities to do so. The September Swiss is likely to stay near the top end of the recent rally no matter how today's Employment numbers are received, but will likely find the 99.00 level to be a significant resistance area going into the holiday weekend.

POUND: With a recent string of UK economic data mostly failing to match expectations, there may be more of a vested interest for the September Pound to see some well received US Employment numbers today. If the market can get past today's numbers without any negative surprises, the September Pound may be able to build upon today's recovery and head towards the upper end of the recent trading range. To see a meaningful move above the 1.5500 area, however, the September Pound will need to receive stronger economic data from the UK as well as the USA.

CANADIAN DOLLAR: For a rare time, the Sept Canadian will not have to go through the difficulty of having Employment numbers from Canada and the US within a few hours of each other. The recent strength in commodity markets and global equity markets has helped to keep the Sept Canadian near the 95.00 level, but any negative surprises today could send the market quickly back towards this week's lows. Look for the Sept Canadian to find resistance near the 95.20 area if today's Employment data is thought to be in-line.

TODAY'S MARKET IDEAS:

The Dollar has a slightly weak tone this morning, but it is clear that any larger price moves will be saved for after the Employment numbers are released. Any negative surprises could send the Dollar down to new lows for the week. The September Swiss is the most likely currency to hold its current ground no matter how the US numbers are received by the market.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) Long December Yen 106 puts from 50 with an objective of 250. Risk the position to a close below 10. 2) 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:

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.

US DOLLAR (SEP) 09/03/2010: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 82.12. The next area of resistance is around 82.58 and 82.77, while 1st support hits today at 82.26 and below there at 82.12.

EURO (SEP) 09/03/2010: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 128.93. The next area of resistance is around 128.65 and 128.93, while 1st support hits today at 127.93 and below there at 127.48.

JAPANESE YEN (SEP) 09/03/2010: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next upside objective is 119.42. The next area of resistance is around 118.99 and 119.42, while 1st support hits today at 118.21 and below there at 117.85.

SWISS (SEP) 09/03/2010: Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. The upside daily closing price reversal gives the market a bullish tilt. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 99.54. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 99.17 and 99.54, while 1st support hits today at 98.31 and below there at 97.82.

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
CURRENCY COMPLEX										
DXAU0	82.42	42.89	45.54	71.31	58.08	82.86	83.02	82.74	82.72	83.59
JYAU0	118.60	58.98	59.51	65.39	67.89	118.51	118.20	117.55	115.91	114.65
EUAU0	128.29	54.79	51.63	25.68	38.71	127.38	127.10	127.85	128.53	127.11
BPAU0	154.03	40.02	44.31	19.56	20.15	154.10	154.55	155.41	154.78	153.23
CAAU0	94.95	46.98	46.03	21.03	24.99	94.52	94.58	95.36	95.90	96.07
SFAU0	98.74	73.38	68.77	83.94	85.17	98.26	97.58	96.65	95.80	94.37
DAAU0	91.06	64.37	60.90	50.92	70.39	0.90	0.89	0.89	0.89	0.88

Calculations based on previous session. Data collected 09/02/2010

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAU0	US Dollar	82.11	82.25	82.44	82.58	82.77
JYAU0	Japanese Yen	117.84	118.20	118.63	118.99	119.42
EUAU0	Euro	127.47	127.92	128.20	128.65	128.93
BPAU0	British Pound	152.97	153.50	154.02	154.55	155.07
CAAU0	Canadian Dollar	94.25	94.56	95.02	95.33	95.79
SFAU0	Swiss	97.82	98.31	98.68	99.17	99.54
DAAU0	Australian Dollar	90.27	90.73	90.93	91.38	91.58

Calculations based on previous session. Data collected 09/02/2010

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PRECIOUS METALS COMMENTARY

09/03/10

A bullish bias might be difficult to fully remove today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +1.00, SILVER +1.30, PLATINUM +11.70

London Gold Fix \$1252.00 +\$4.25 LME Copper Stocks 397,675 tons -1,800 tons Shanghai Deliverable stocks were 105,917 tons -4,665 Gold Stocks 10.821 million ounces unch, Silver Stocks 110.222 million ounces -90,433 ounces



OUTSIDE MARKET DEVELOPMENTS: While equity markets in Asia and Europe are generally stronger this morning, U.S. stock indices are near unchanged levels during the early Friday trade. The Dollar is slightly weaker against most of the major currencies during overnight trading, although posting a slight gain against the Yen. China indicated that their currency reserves have roughly a 65% weighting in US Dollars, 26% in Euros, 5% in Pounds, and 3% in Yen. The White House stated that they are not considering a second stimulus package at this time. Japanese companies cut their capital spending during the second quarter by 1.7%, lower than expectations. Euro zone Retail Sales for July were up 0.1%, higher than forecasts. Swiss CPI for August was up 0.3% year-on-year, slightly above expectations. A private survey index of UK services Purchasing Managers fell to 51.3, much lower than expected. US economic numbers released this morning include August Non-Farm Payrolls, August Unemployment, August Private Payrolls, and August Average Hourly Earnings at 7:30 AM, and a private survey of non-Manufacturing Purchasing Managers at 9:00 AM. In addition, Federal Reserve regional President Lockhart will give a speech at 9:00 AM.

GOLD

GOLD MARKET FUNDAMENTALS: With Indian gold prices slightly higher overnight and nearby gold futures prices this morning trading within relative proximity to their recent highs, the gold bulls don't appear to be that fearful of the US numbers due out later this morning. Apparently portions of the gold trade continue to bank on the prospect of renewed flight to quality buying interest in the wake of the data flows today. However, since gold seemed to be able to track positively with the US equity markets at times this week, there would appear to be more than one bullish theme or angle working in the gold trade. However, since a portion of the trade has favored the flight to quality or safe haven angle for several weeks, gold is expected to weaken temporarily if the US numbers aren't as bad as some expectations. In retrospect, gold and other metals markets this week have periodically shown a positive correlation with equities and therefore the worst payroll result today, might be a middle of the road number, as that would disappoint the flight to quality crowd and in turn might not allow a rising US equity market to rise even further. Comex Gold Stocks were unchanged at 10.821 million ounces. Stocks have declined 14 of the last 20 days. The gold market this week has managed to shift its focus on a number of occasions and that gives off the impression of a market that is intent on pushing upward on the charts. However, as suggested already the biggest risk to the bull camp might be a middle of the road number, as economic doubt without economic uncertainty might result in a back and fill setback. In the end, one has to be impressed with the gold market action and it should be difficult to end a bull market today because of a single number. As suggested yesterday, we would be long gold but perhaps protected by a temporary option play. We would remain bullish as long as the December gold contract manages to avoid a trade back below \$1,248.00.

SILVER

SILVER MARKET FUNDAMENTALS: The silver market comes into the Friday morning action trading just below the recent highs and 89 cents an ounce above the August lows. Silver appears to periodically be the leadership market in the metals complex, with silver at times seemingly rotating between a flight to quality focus and its physical commodity market standing. In other words, silver seems to be getting buying interest from macro economic uncertainty, but at times this week silver has seen some buying interest off hope that the economy is holding together. Therefore, the bull camp would generally seem to be emboldened by this week's action, but the bear camp is pointing out the fact that this week's gains were made off lower volume than the volume that was seen in the face of the silver gains that were forged in late August. Comex Silver Stocks were 110.222 million ounces down 90,433 ounces. Silver stocks have declined in 11 of the last 20 days. While the trend appears to be

up in silver and the market has forged some very impressive action in the face of potentially undermining developments, we have to think that the market is at least partially overbought technically. Certainly silver could spring board to the even number \$20.00 level in the face of a not as bad as expected reading today, but a middle of the road number might prompt a profit taking setback later in the session. In conclusion, there is no reason to end the uptrend today, but volatility probably increases through the number this morning.

PLATINUM

The platinum market appeared to be dragged up by the rest of the metals markets recently and also because of positive action in the equity markets this week. Therefore, platinum might be a touch more vulnerable to technical corrective action than the rest of the metals complex. However, the prospect of a National Union of Mine Workers strike on Monday adds a true physical bull market fundamental to the platinum equation and that could set the table for a test of the \$1,600 level next week. In order to get to \$1,600 quickly, probably requires a not as bad as expected payroll reading.

TODAY'S MARKET IDEAS:

We don't expect an end to the uptrend bias today but holding protective puts and short calls against long futures plays looks to make sense through the US scheduled numbers.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

09/03/10

The bulls will attempt to spin the number into a positive today

GENERAL: The copper market comes into the Friday action sitting within close proximity to its recent highs and seemingly only partially concerned about the outcome of the US payroll report. The copper market is probably supported by the decline in Shanghai weekly copper stocks overnight and by the rather robust daily LME copper stocks decline. Indian copper futures prices were down overnight and with December copper prices to the highs this morning, almost 30 cents a pound above the late August lows, one would think that copper at least



has a "not as bad as expected" reading baked into the pie. On the other hand, copper has been very resilient and seemingly more forward looking on the economy than any other physical commodity market recently. In other words, the copper market looks to attempt to spin the payrolls into a positive today, but the bull camp has to feel a little vulnerable to the numbers early today. LME Copper Stocks were 397,675 tons down 1,800. LME Copper Stocks are at the lowest levels since 11/11/2009. LME Copper stocks have declined 14 of the last 20 days. LME copper stocks are at the lowest in the past 10 readings. Shanghai Deliverable Stocks were 105,917 tons down 4,665. Shanghai Deliverable stocks have declined 13 of the last 20 weeks.

TODAY'S MARKET IDEAS:

As we suggested in the precious metals commentary we wouldn't expect the up trend pattern to come to an end today because of the payrolls, but given the current price level, compared to the August lows, one would not think that copper will be able to skate right past a weak number without some serious backlash. If the number is good then the copper market gets another star for its macro economic predictive capacity. In the end, we think copper will survive the data, but the risk and reward for the longs is not one that traders should consistently embrace.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

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) 09/03/2010: The crossover up in the daily stochastics is a bullish signal. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 1261.4. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 1257.8 and 1261.4, while 1st support hits today at 1248.0 and below there at 1241.7.

COMEX SILVER (DEC) 09/03/2010: Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside target is 2001.3. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 1989.2 and 2001.3, while 1st support hits today at 1949.8 and below there at 1922.4.

COMEX PLATINUM (OCT) 09/03/2010: The market now above the 60-day moving average suggests the longer-term trend has turned up. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's short-term trend is positive on the close above the 9-day moving average. Market positioning is positive with the close over the 1st swing resistance. The near-term upside target is at 1576.27. The next area of resistance is around 1563.75 and 1576.27, while 1st support hits today at 1534.85 and below there at 1518.48.

COMEX COPPER (DEC) 09/03/2010: Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 352.88. The next area of resistance is around 351.07 and 352.88, while 1st support hits today at 346.83 and below there at 344.39.

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
METALS COMPLEX										
GCAZ0	1252.9	76.49	69.66	88.34	88.83	1247.63	1241.03	1230.55	1209.62	1218.13
SIAZ0	1969.5	76.94	69.66	85.27	92.20	1939.85	1902.58	1864.97	1829.93	1841.67
PLAV0	1549.30	58.80	54.20	54.78	67.58	1535.40	1530.24	1530.52	1536.46	1545.32
CPAZ0	348.95	67.42	64.45	71.36	84.72	344.16	336.47	334.17	323.13	317.45

Calculations based on previous session. Data collected 09/02/2010

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

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
METALS COMPLEX						
GCAZ0	COMEX Gold	1241.6	1247.9	1251.5	1257.8	1261.4
SIAZ0	COMEX Silver	1922.3	1949.7	1961.8	1989.2	2001.3
PLAV0	COMEX Platinum	1518.47	1534.85	1547.37	1563.75	1576.27
CPAZ0	COMEX Copper	344.38	346.82	348.63	351.07	352.88

Calculations based on previous session. Data collected 09/02/2010

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