

	Estimate	High	Low	
02/03 France Services PMI	2:48 AM	-	-	-
02/03 German Service PMI	2:53 AM	-	-	-
02/03 UK Halifax Housing Price Ind	3:00 AM	-	-	-
02/03 France ECRI Future Inflation	3:30 AM	-	-	-
02/03 Germany ECRI Future Inflatio	3:30 AM	-	-	-
02/03 UK CIPS/NTC Research Service	3:30 AM	-	-	-
02/03 UK ECRI Future Inflation Gau	3:30 AM	-	-	-
02/03 Euro-zone ECRI Future Inflat	4:00 AM	-	-	-
02/03 Euro-zone Retail Trade	4:00 AM	-	-	-
02/03 Canadian Labor Force Survey	6:00 AM	-	-	-
02/03 Unemployment	7:30 AM	+ .1	+ .2	Unch
02/03 Non Farm Payrolls	7:30 AM	+90,000	+130,000	+60,000
02/03 Factory Orders	9:00 AM	+1.3	+1.5	+1.1
02/03 ISM Non-Manufacturing Index	9:00 AM	+1.5	+1.7	+1.3
02/06 13 and 26 Week Bill Auction		-	-	-
02/06 German Manufacturing Orders	5:00 AM	-	-	-
02/06 Canadian PMI	9:00 AM	-	-	-
02/07 3-Yr note Auction		-	-	-
02/07 4-Week BILL Auction		-	-	-
02/07 Japan Index of Business Cond		-	-	-
02/07 Johnson Redbook Sales		-	-	-
02/07 German Retail Sales	1:00 AM	-	-	-
02/07 France Trade Balance	1:45 AM	-	-	-
02/07 German Industrial Production	5:00 AM	-	-	-
02/07 Weekly ICSC-UBS Chain Store	6:45 AM	-	-	-
02/07 Canadian Building Permits	7:30 AM	-	-	-
02/07 Consumer Credit	2:00 PM	-	-	-
02/07 API Energy Stocks	3:30 PM	-	-	-
02/07 Japan Leading Indicators	11:00 PM	-	-	-

BONDS COMMENTARY

02/03/12

The report today is "sneaky" important as US economic trend is suspect

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS +70

While European equity markets were lifted by somewhat positive German and Euro zone PMI readings overnight a decline in Euro zone retail sales probably keeps some concern toward the European economy in place today. Apparently Chinese PMI data overnight was somewhat soft but portions of the trade have suggested the Chinese data was good enough, to effectively argue against a hard landing. In looking at the Treasury charts this morning it would appear that the markets are initially marking time or coiling into the payroll reports and while prices are sitting closer to the recent highs, than to the recent lows, there doesn't appear to be much in the way of expectations that today's payrolls are going to be ultra "strong". In fact, over the last two weeks the Treasury market has seen concern of a faltering of the US recovery track creep into sentiment and on balance recent data has been soft or barely able to match minimally positive expectations. However, there have been some high bar expectations for the report that call for a gain of 225,000 jobs, but very few of the estimates expect the January payroll gain today to be above the prior month's tally of +200,000! Expectations generally



forecast the unemployment rate to remain unchanged but that portion of the report might provide a surprise result as seasonality and technical adjustments could be in play today. In other words some economists think there could be a balancing impact from the holiday period (particularly from the shipping and transportation sectors) and that could result in weaker than expected readings. Others think that base or technical changes to population inputs could result in a higher unemployment rate result. Later in the session, the market will be presented with an ISM non manufacturing reading, which is generally expected to be unchanged from the prior month, but that report will be accompanied by Factory orders which are expected to rise by as much as +1.6% to +1.9%. At times over the last two weeks, US Treasuries have partially discounted US economic data in favor of the ebb and flow of European news and that type of thinking could serve to cushion Treasury prices today against middle of the road or modest gains in US non farm payrolls. In fact, some traders think the market will attempt to discount the negative impact from US payroll figures today, unless the gains are above the prior month's tally and or there is a decline in the unemployment rate! However, in the event that the market sees a clean sweep of better than expected US readings this morning, which in turn could leave the markets vulnerable as Bonds are trading 1 full point above this week's lows, with Notes sitting approximately 1/2 point above this week's lows. At least in the early action today, there doesn't appear to be much in the way of flight to quality support for US Treasuries flowing from the euro zone situation, but that track can certainly change into the close of the European business day later on.

TODAY'S MARKET IDEAS:

The bull camp comes into the payroll numbers today touting the idea that the US economy could be losing positive momentum and therefore they might only need to see a non farm payroll gain at or below +150,000 to get through the report reaction with only minimal downside pressure. However, Treasury bond prices are sitting within 1/2 point of their recent highs and the bull camp will probably have to weather some measure of initial corrective action today, unless of course the Non farm payroll reading fails to come in above 125,000. In the event that the non farm payroll manages to best the prior month's gain of +200,000, that could really catch the Treasury market leaning in the wrong direction and that in turn could result in a slide to at least 143-10 in March Bonds. In our opinion, the Treasury market is looking for the true "direction" of the US economy today and if we come away from the report this morning, with evidence that the slowing momentum argument of the last two weeks has some credence, that in turn could quickly result in a fresh new high for the move in both bonds and notes.

NEW RECOMMENDATIONS:

Buy an April Bond 146 call for 115 and also sell a March Bond 146 call for 60. Look for an objective of 30 on the short call and look to hold the long April call for a rise to 2-15. Risk the combination to a net loss of \$800. With this strategy we hope to see an initial setback off an inadvertent reaction to the headlines but ultimately we see new highs for bonds in the coming weeks.

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 (MAR) 02/03/2012: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. 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 145-110. The next area of resistance is around 145-000 and 145-110, while 1st support hits today at 144-090 and below there at 143-280.

10 YR TREASURY NOTES (MAR) 02/03/2012: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. The upside closing price reversal on the daily chart is somewhat bullish. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside objective is 132-160. The next area of resistance is around 132-120 and 132-160, while 1st support hits today at 132-005 and below there at 131-245.

STOCKS COMMENTARY

02/03/12

Indices higher ahead of Jobs report; vulnerable for a setback

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

S&P 500 +230, DOW +29

World stock markets were mostly higher during the morning session, supported by hopes for a positive US jobs number and by economic data out of China and Europe. Chinese PMI services data overnight showed easing inflationary pressures, and that is seen offering the PBOC more flexibility in easing monetary policy. The Shanghai composite finished up nearly 1%, with a rally to its highest level since December 8th. The Japanese Nikkei broke a 4-session winning streak overnight and came under pressure following extremely weak earnings from Panasonic. European shares were higher early this morning, helped by January PMI data that showed expansion, which some traders took as a sign that Euro zone might be able to avoid a recession. That could be a stretch, especially with Greece continuing to run out the clock on debt negotiations, with a possible agreement now expected early next week. Nonetheless, the main European indices broke out to their best level in 6-months, while world equity markets as a group are up more than 7.0% so far this year. The highlight of this morning's US economic data is the January Non-Farm Payrolls report, which is expected to show a gain in the range of 125,000 to 150,000 jobs, compared to a gain of 200,000 jobs in December. Yesterday's favorable decline in Jobless Claims pointed to an improving US labor market condition, and that seems to have bolstered hopes for positive employment data this morning. The US Unemployment rate is expected to hold at 8.5%, its lowest level in nearly 3-years.



S&P 500: The March S&P 500 broke out of yesterday's inside day trading range during the early morning hours and looks poised for a challenge of last week's high of 1329.50. While the index appears to be in a choppy to higher trade in front of today's US employment data, a rally in European financial shares could be offering early support. Shares of Lockheed Martin could get some play today following the U.S. Air Force's announcement for nearly \$3.0 billion in upgrades for their F-16 fighter planes. Meanwhile, overnight weakness in the shares of BHP Billiton could offer a drag in mining-related shares this morning. The corporate earnings flow slows down this morning, with Aon, Clorox and Tyson Foods reporting prior to the Wall Street open. The market will be paying attention to Tyson's earnings for a read on how higher grain and feed costs have impacted profit margins. The early morning tone and short term trend support the bulls. Overbought technical conditions in the S&P 500 leave it vulnerable to disappointment with this morning's jobs data. Near term resistance in the March S&P 500 comes in at 1329.50, with support at 1315.50.

DOW: The March E-mini Dow grinded higher during the overnight and early morning hours but remained trapped inside of yesterday's inside day trading range. This could reflect a loss of upside momentum as well as uncertainty ahead of this morning's Non-Farm Payroll report. While the index finished with a minor gain Thursday, it seemed that weakness in Merck shares, after reporting weaker than expected Q4 sales, held the rally back. While there was modest weakness in large-cap healthcare stocks as a group, the most active call option strike at the CBOE was in the shares of Pfizer. The March E-mini Dow continues to dance around inside of an 11 day trading range between 12,786 and 12,476. The short-term trend continues to favor the bull camp, with channel support below at 12,640. Resistance today comes in at 12,810.

NASDAQ: The March NASDAQ traded into a new contract high during the early morning hours and continues to be the horse among the US indices. The March NASDAQ is up nearly 10.0% in 2012 and up 13.5% from its December low (2204.25). Technology-related shares were one of the best performers in yesterday's session, helped by a rally in Qualcomm to a new multi-year high and a better than 20% rally in the shares of Green Mountain Coffee Roasters. The NASDAQ also appears to be drafting support from an improvement in US economic data, which leaves the index looking for more follow through in this morning's slate of US reports. The impressive gains have pushed price momentum indicators into deeply overbought territory, making the market susceptible to a correction on slightly disappointing US jobs data. The short term trend continues to support the bull camp, with swing low support ratcheting up to 2479.50. Uptrend channel resistance comes in today at 2510.00.

TODAY'S MARKET IDEAS:

While major global equity markets have enjoyed significant gains so far in 2012, disappointment with this morning's January Non-Farm Payroll report has the potential to trigger a corrective decline. Market expectations for the number of jobs added are 140,000 to 150,000. It probably takes a healthy number approaching 200,000 to keep the bull drive alive. A reading under 140,000 is likely to be viewed as a negative for the market and usher in talk of more stimulative measures from the Fed. Price momentum indicators are into severely overbought territory and ripe for a set back. At this current juncture, it is possible that the March E-Mini Dow and March S&P 500 to revisit last week's highs of 12,786 and 1329.50. It probably takes a bull number to avoid a negative reversal.

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 (MAR) 02/03/2012: The daily stochastics have crossed over up which is a bullish indication. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 1330.32. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 1326.85 and 1330.32, while 1st support hits today at 1318.55 and below there at 1313.73.

S&P E-MINI (MAR) 02/03/2012: 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. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 1331.12. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 1327.25 and 1331.12, while 1st support hits today at 1318.25 and below there at 1313.13.

DOW (MAR) 02/03/2012: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal down puts the market on the defensive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 12597. The next area of resistance is around 12693 and 12728, while 1st support hits today at 12627 and below there at 12597.

MINI-DOW (MAR) 02/03/2012: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. 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 next downside target is 12585. The next area of resistance is around 12705 and 12742, while 1st support hits today at 12627 and below there at 12585.

NASDAQ (MAR) 02/03/2012: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 2513.25. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 2502.50 and 2513.25, while 1st support hits today at 2480.50 and below there at 2469.25.

MINI-RUSSELL 2000 (MAR) 02/03/2012: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 819.5. The 9-day RSI over

70 indicates the market is approaching overbought levels. The next area of resistance is around 815.4 and 819.5, while 1st support hits today at 806.6 and below there at 802.0.

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										
USAAH2	144-200	58.53	56.01	64.30	75.75	144.76	143.27	143.43	143.14	142.94
TYAAH2	132-060	66.55	62.94	78.52	87.89	132.11	131.38	131.20	130.65	130.44
SPAH2	1322.70	74.43	70.22	78.85	79.62	1314.90	1314.46	1304.07	1266.34	1251.63
EPH2	1322.75	73.94	69.97	77.68	77.97	1314.94	1314.47	1304.97	1268.57	1252.02
TFEH2	811.0	81.86	75.00	90.13	91.29	800.00	794.26	781.73	753.12	740.83
NDAH2	2491.50	86.85	77.89	90.35	91.52	2476.31	2460.86	2424.85	2338.59	2323.32
YMH2	12666	67.71	66.16	75.01	72.59	12624.50	12640.00	12550.94	12258.40	12091.25
DFAH2	12660	59.97	60.53	78.07	75.96	12619.50	12634.67	12532.72	12237.91	12187.30

Calculations based on previous session. Data collected 02/02/2012
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						
USAAH2	Bonds	143-270	144-080	144-190	145-000	145-110
TYAAH2	10 Yr Treasury Notes	131-240	132-000	132-040	132-120	132-160
SPAH2	S&P 500	1313.72	1318.55	1322.02	1326.85	1330.32
EPH2	S&P E-Mini	1313.12	1318.25	1322.12	1327.25	1331.12
TFEH2	Mini-Russell 2000	801.9	806.6	810.7	815.4	819.5
NDAH2	NASDAQ	2469.25	2480.50	2491.25	2502.50	2513.25
YMH2	Mini-Dow	12584	12626	12663	12705	12742
DFAH2	Dow	12596	12627	12662	12693	12728

Calculations based on previous session. Data collected 02/02/2012
Data sources can & do produce bad ticks. Verify before use.

CURRENCIES COMMENTARY

02/03/12

The Dollar under pressure from positive sentiment before US data.

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR -55, YEN -17, SWISS +14, CA DOLLAR -19

Upcoming International Reports (all times CT)

- 02/03 France Services PMI 2:48 AM
- 02/03 German Service PMI 2:53 AM
- 02/03 UK Halifax Housing Price Ind 3:00 AM
- 02/03 France ECRI Future Inflation 3:30 AM
- 02/03 Germany ECRI Future Inflation 3:30 AM
- 02/03 UK CIPS/NTC Research Service 3:30 AM
- 02/03 UK ECRI Future Inflation Gau 3:30 AM
- 02/03 Euro-zone ECRI Future Inflation 4:00 AM
- 02/03 Euro-zone Retail Trade 4:00 AM
- 02/03 Canadian Labor Force Survey 6:00 AM
- 02/03 Unemployment 7:30 AM



02/03 Factory Orders 9:00 AM

02/03 ISM Non-Manufacturing Index 9:00 AM

DOLLAR: The Dollar was unable to build on overnight gains and has fallen back towards this week's lowest price levels, with trading relatively subdued in front of today's key US jobs numbers. A weak private survey of Chinese service industries provided some limited safe-haven support, although the Dollar has clearly lost some value as a "flight-to-safety" destination in the wake of last month's FOMC meeting. Today's Payroll numbers could go a long way towards reinforcing market sentiment of a slow but steady US recovery, and may be the catalyst that sends the Dollar down into new low ground for this current downtrend. If the Non-Farm Payroll number comes in at the lower end of expectations, however, the Dollar may find enough strength to rebound back towards this week's highs. Any further gains beyond that area would likely require a flare-up of risk problems in Europe or from the Middle East later on during the day. The Dollar may find support near the 78.85 level early during today's session and will most likely wait for today's US jobs data before making any stronger downside move.

EURO: The March Euro has been able to consolidate recent gains, and appears to have successfully "side-stepped" any pressure from the failure to conclude a Greek debt swap deal this week. A generally positive reception for recent Euro zone debt auctions has kept yields from flaring up, which has helped to overcome any anxiety from potential trouble in Greece and Portugal. Today's US jobs numbers could provide fuel for a general "risk-on" market shift, which more than likely will be to the March Euro's benefit. Unless the market gets spooked by a risk flare-up, the March Euro appears to be heading back towards the recent highs. The March Euro may find resistance near the 131.95 level early on, with positive US data likely to send prices up to fresh 11/2 month highs.

YEN: The March Yen fell back from this week's highs for the move, although trading has been quiet in front of today's US Payroll release. Japanese officials have turned up the volume on their threats of intervention but today's weakness may be due more to an erosion of safe-haven support. Strong US numbers could take the March Yen well below this week's trading range, which may set the stage for Japanese officials finally taking some decisive action next week. The March Yen may find support around 131.05 level early in the session, and will more than likely finish the week on the defensive.

SWISS: The March Swiss found mild support this morning but it continues to lose ground to the Euro. The acting head of the Swiss National Bank defended their current "cap" versus the Euro, which undercut any chances that the March Swiss would rally above this week's highs for the move on a strong set of US Payroll numbers. The March Swiss may find resistance around the 109.60 level this morning, and it should remain well supported well past today's US data release.

POUND: The March Pound recovered from overnight pressure and is heading back for a retest of 21/2 month highs from earlier this week. A well-received private survey of UK service industries has contributed to this morning's positive tone but the stronger chance of a rally up to new high ground will come from decent US Payroll numbers this morning. The March Pound may find resistance near the 159.70 level early on, and will be one of the main beneficiaries of positively received US jobs numbers.

CANADIAN DOLLAR: The March Canadian climbed back above the 100.00 level early in what will be a volatile trading day as Canadian and US jobs numbers are released within 90 minutes of each other. The Canadian numbers were below expectations, continuing their recent trend of unpredictability. However, positive numbers on the US side of the border may provide enough support for the March Canadian to post new highs for the move later on in the session. The March Canadian may find early resistance near the 100.15 level but the market's reception to today's jobs data from Canada and the US will dictate overall direction.

TODAY'S MARKET IDEAS:

The Dollar starts out this morning under pressure but today's US Payroll numbers will be a major factor in today's session. A Non-Farm number above 175,000 will erode safe-haven support and send the Dollar down to new lows, while a gain below 100,000 may revive risk concerns and give the Dollar a boost. The March Pound and March Canadian look to gain the most from strong US jobs numbers, while the March Yen may climb back towards this week's highs on a set of weak numbers although the threat of intervention may limit that currency's potential upside.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

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 (MAR) 02/03/2012: Daily stochastics are trending lower but have declined into oversold territory. 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 target is 78.61. The next area of resistance is around 79.32 and 79.55, while 1st support hits today at 78.85 and below there at 78.61.

EURO (MAR) 02/03/2012: 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 next upside target is 132.57. The next area of resistance is around 132.04 and 132.57, while 1st support hits today at 130.92 and below there at 130.33.

JAPANESE YEN (MAR) 02/03/2012: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The next upside objective is 131.63. The next area of resistance is around 131.38 and 131.63, while 1st support hits today at 131.06 and below there at 130.98.

SWISS (MAR) 02/03/2012: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. 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 next upside objective is 110.07. The next area of resistance is around 109.62 and 110.07, while 1st support hits today at 108.71 and below there at 108.23.

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										
DXAH2	79.08	33.45	38.89	14.09	11.31	79.21	79.45	80.28	80.20	79.81
JYAH2	131.22	66.17	62.57	77.84	87.36	131.24	130.20	130.17	129.46	129.52
EUAH2	131.47	61.47	56.73	81.44	84.02	131.30	131.07	129.53	130.64	131.84
BPAH2	158.02	71.24	64.17	86.44	89.76	157.68	156.96	155.46	155.60	156.12
CAAH2	99.99	69.69	64.47	86.28	88.75	99.82	99.57	98.86	98.09	97.86
SFAH2	109.17	64.67	60.18	85.49	87.15	109.05	108.74	107.28	107.28	107.91
DAAH2	106.62	76.32	71.41	88.55	89.81	1.06	1.06	1.04	1.02	1.01

Calculations based on previous session. Data collected 02/02/2012

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

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH2	US Dollar	78.60	78.84	79.08	79.32	79.55
JYAH2	Japanese Yen	130.97	131.05	131.30	131.38	131.63
EUAH2	Euro	130.32	130.91	131.44	132.04	132.57

BPAH2	British Pound	157.48	157.70	158.12	158.34	158.76
CAAH2	Canadian Dollar	99.57	99.78	99.99	100.20	100.41
SFAH2	Swiss	108.22	108.70	109.15	109.62	110.07
DAAH2	Australian Dollar	105.86	106.23	106.64	107.01	107.42

Calculations based on previous session. Data collected 02/02/2012

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

PRECIOUS METALS COMMENTARY

02/03/12

Minimal bullish tilt but the markets need headline assistance to rally

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +0.70, SILVER -20.00, PLATINUM +2.20

London Gold Fix \$1,759.50 +\$12.00 LME Copper Stocks 326,100 tons -2,575 tons Shanghai Copper stocks +48,246 tons to 179,891 tons Gold Stocks 11.524 million ounces +30,743, Silver Stocks 130.176 million ounces +1,193,041 ounces



OUTSIDE MARKET DEVELOPMENTS: Asian equity markets were mixed this morning, with Shanghai stocks rising despite somewhat soft Chinese PMI readings. However, the Nikkei and Australian equity markets were weaker. European equities were generally higher off positive UK services PMI data. In the early action today, US equities are showing minimal gains to start, but movement is probably being limited ahead of the monthly US non farm payroll report. In retrospect, overnight data was somewhat soft but yet markets in Asia and Europe seemed to spin the news into a positive. Perhaps the trade is looking ahead to the US Non farm-payroll results, which generally have a range of estimates of gains from just below 100,000 to as high as 190,000. In addition to US Non farm payrolls for January, the US will also see a factory orders release and the ISM Non Manufacturing release for January. Expectations for both Factory Orders and the ISM non manufacturing readings generally call for modest gains but those readings might be partially overshadowed by the residual impact from the payrolls.

GOLD

GOLD MARKET FUNDAMENTALS: The gold market seems to have a positive tilt in the early action this morning and for some that would seem to suggest that gold traders are anticipating a generally supportive US payroll result. However, the gold market might be cushioned against some US macro economic disappointment, as the overnight global news flow and equity market action was mostly up beat. In fact, portions of the trade saw the Chinese PMI readings in a positive light and in turn that fostered some talk that China might be able to avoid a hard landing. The highlight of the positive number flow overnight was clearly the UK PMI reading, which seemed to spark some measure of "risk-on" sentiment. It also seemed as if European news flow last night was spun into a supportive track by many physical commodity markets, as the trade seemed to embrace marginal Euro zone and German PMI readings and in turn the trade seemed as if a decline in Euro zone retail sales was mostly unimportant. However, with gold prices managing to carve out a fresh new high for the week and in turn hitting the highest level on the charts since December 2nd the bull camp has to feel somewhat confident. Furthermore, news that Spanish debt yields have continued to fall overnight is another element that probably gives the gold bulls some confidence into the US scheduled numbers. Given the positive macro economic track in place from overnight, the gold bulls might be in a better position to weather a disappointing payroll reading today. The bear camp might suggest that US non farm payrolls need to be above the prior's month's gain of +200,000, just to keep fears of faltering macro economic momentum from surfacing in the headlines. However, it could be difficult to make anything above a +150,000 US monthly non farm payroll gain into a negative for gold today. Comex Gold Stocks were 11.524 million ounces up 30,743 ounces. Gold stocks have declined in 11 of the last 20 days. The gold market seems to think the payroll reading today will be strong enough to foster ongoing growth views. Perhaps the trade was emboldened by the initial and ongoing claims results yesterday and perhaps the gold trade is simply taking its direction from the spin off overnight international data. However, we are a little concerned about the payroll result today, because talk that today's number might see some balancing from the holiday period. In fact, some economists are suggesting that technical adjustments to the data today might make the data appear worse than was expected. The trend is up but we would suggest that longs should consider selling out of

the money calls and buying just out of the money puts for temporary protection. In our opinion, the failure to hold April gold prices above \$1,754 could turn the technical tide against the bull camp.

SILVER

SILVER MARKET FUNDAMENTALS: The silver market enters the Friday US trade sitting 23 cents an ounce under this week's highs and in a generally positive track for the week. The silver market appears to be following gold and equity market action this week and like a number of classic physical commodity markets, silver is looking to the US payroll report today for confirmation that the US economy was able to maintain positive motion. However, silver was probably supported in the wake of news that Peru silver production in December declined by just under 4% relative to year ago levels. Some traders are suggesting that bigger than expected declines in US claims and ongoing claims yesterday has fostered somewhat higher expectations for the payroll reading today, but some economists are warning of a possible negative balancing influence in the January numbers from the holiday period. Given the periodic lag in silver prices relative to gold prices, it is possible that the silver bulls might need a stronger payroll reading than the gold market to avoid a profit taking reaction. Comex Silver Stocks were 130.176 million ounces up 1,193,041 ounces. Comex Silver Stocks are now at the highest levels in a year, with silver stocks at the highest levels since 11/14/2008. Silver stocks have increased in 14 of the last 20 days. Critical support in March silver prices is seen this morning at \$33.80 and more significant support is seen down at \$33.45. Given the rate of climb since last week's lows, we have to think that the bear camp has less risk than the bull camp into the US scheduled data today. Those that are long silver, might consider selling some out of the money calls and using that capital to purchase some silver puts for temporary protection.

PLATINUM

Despite some production problems within the South African platinum industry recently, Impala Platinum overnight indicated their EPS would probably come in significantly above year ago figures and that might be seen as a minor negative. However, platinum prices are probably set to take more direction from outside market/big picture macro economic developments than from minor supply and demand developments. In other words, platinum appears to be tracking tightly with equities and risk-on/risk-off issues. In short, the platinum bulls probably need to see a non farm payroll gain above +160,000 to surge into a fresh new high for the move. Near term support in platinum and a possible key pivot point today in the April contract is seen at \$1,628.

TODAY'S MARKET IDEAS:

We have a gut feeling that gold and silver have priced in positive data and it could be difficult to extend the upward bias without a payroll reading in excess of +200,000.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

02/03/12

The bear camp has the edge as economic optimism has been waning

GENERAL: The copper market is showing some bounce this morning but that action is largely the result of a rather noted slide in copper prices in the prior three trading sessions. Apparently some traders were a little discouraged by the dialogue flowing from the US Fed Chief yesterday and that might increase the importance of the US payroll results today. While the world equity trade overnight was able to spin Chinese PMI readings into a positive and the trade also seemed to take a marginal data sweep from the Euro zone and shape it into a positive, the copper market enters the US payroll window sitting roughly 14 cents below the recent highs. Copper was probably partially undermined overnight by news that Shanghai weekly copper stocks posted a noted build of 48,246 tons as that could have fostered concern that Chinese demand for copper has remained soft. However, some traders have attempted to spin that news into a positive by suggesting the build in Shanghai



copper stocks is instead a sign that the Chinese are restocking supplies! Another development that might be holding back copper prices this morning is the news that Peru December copper output managed to rise by almost 6.5% over the prior December tally. Traders need to be on the look out for a boomerang impact today, as the US non farm payroll reading will be followed later on, by Factory orders and an ISM Non Manufacturing reading. LME Copper Stocks overnight declined by -2,575 tons to stand at only 326,625 tons. Shanghai copper stocks rose 48,246 tons to stand at 179,891 tons

MARKET IDEAS:

A pattern of lower highs of late would seem to give the bear camp a technical edge into the payroll results today. Furthermore, with Shanghai copper stocks rising sharply, we have to raise our bar for the level of payroll report gains that might be required to lift copper and other physical commodity prices today. However, as opposed to the precious metals markets, copper prices have declined this week and therefore the downside in copper might be cushioned in the event the report is disappointing. Some economists are concerned that a reversal of holiday hiring and technical population adjustments could make the number today softer than expected. It also seemed as if Bernanke was a little guarded in his dialogue yesterday and that might suggest a soft reading. To throw off a bearish tilt from the week, probably requires a payroll reading closer to +200,000 than to +125,000.

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 (APR) 02/03/2012: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 1778.9. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 1773.2 and 1778.9, while 1st support hits today at 1752.6 and below there at 1737.6.

COMEX SILVER (MAR) 02/03/2012: The crossover up in the daily stochastics is a bullish signal. Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. A positive setup occurred with the close over the 1st swing resistance. The near-term upside target is at 3508.6. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 3480.7 and 3508.6, while 1st support hits today at 3385.3 and below there at 3317.7.

COMEX PLATINUM (APR) 02/03/2012: A bullish signal was given with an upside crossover of the daily stochastics. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. 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 next upside target is 1647.45. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 1640.60 and 1647.45, while 1st support hits today at 1622.20 and below there at 1610.65.

COMEX COPPER (MAR) 02/03/2012: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. The daily closing price reversal down puts the market on the defensive. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is 371.38. Short-term indicators on the defensive. Consider selling an intraday bounce. The next area of resistance is around 382.85 and 388.17, while 1st support hits today at 374.45 and below there at 371.38.

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										
GCAJ2	1762.9	81.02	71.80	93.48	95.68	1746.80	1722.67	1684.51	1663.23	1685.11
SIAH2	3433.0	76.32	69.26	91.52	93.21	3373.15	3331.39	3171.22	3080.75	3143.11
PLAJ2	1631.40	72.71	68.58	92.07	92.86	1615.18	1599.29	1548.82	1498.94	1526.49
CPAH2	378.65	55.57	58.39	81.71	74.20	381.13	383.01	373.66	356.21	352.85

Calculations based on previous session. Data collected 02/02/2012

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						
GCAJ2	COMEX Gold	1737.5	1752.5	1758.2	1773.2	1778.9
SIAH2	COMEX Silver	3317.6	3385.2	3413.1	3480.7	3508.6
PLAJ2	COMEX Platinum	1610.65	1622.20	1629.05	1640.60	1647.45
CPAH2	COMEX Copper	371.37	374.44	379.77	382.85	388.17

Calculations based on previous session. Data collected 02/02/2012

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

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