11-15-2007

Let me remind those who follow this report that I now record and publish two Mid-Day Video's: One on Gold and Silver along with one on Stock Indices. These are in addition to the in-depth nightly video I record that covers charts and my market opinion on all the major futures markets.

The link to my Mid-Day Videos is below. Be sure to click on the RSS feed to know when a new video is posted. I do my best to record and get these posted by 1:00 P.M. CST.

http://www.iepstein.com/videos_start.aspx

Sideways time…………

Last week I said "there comes a time when markets correct overbought conditions, go through profit taking spells or simply don't have "new information" to keep trends advancing. I think that is where the gold and silver markets are today."

Wow, how accurate did that prove to be? In my opinion, right on the money.

OK, so what now? My expectation is for gold and silver to "chop" around. I still expect new highs later this year. However, I don't expect that in November. As you'll see below, this is the time of month where gold often chops around, breaking and forming a base to work higher from. Silver often goes sideways to lower into the end of November.

Both historically advance into year end.

The US Dollar

Until and unless the US Dollar makes a new contract low, I think it very dangerous to get short the Dollar. Don't get me wrong, I am not bullish the Dollar. Rather, I see a market that has had the "kitchen sink" thrown at it. After a while, markets stop discounting the same bad news. The Dollar just might be in that position. If so, my guess is that the Dollar is about to develop a trading range. In other words it may be leaving its downtrend and begin to trade sideways. If so, than what I expect to witness is the creation of a new trading range, with 75.00 being the low of the range. The high of the range is yet to be determined.

I don't think we've seen the full extent of the Subprime losses. More losses will continue to be uncovered an announced for quite a while. However, you have to begin thinking about this. What if the write offs that some financial institutions are taking prove to be too large? This is exactly what some institutions may end up doing. If so, down the road some portion of the write off that ends up being too large and that part will eventually come back to the institution that wrote it off as income. I envision sometime late next year for this too occur at some institutions, which will enhance their earnings.

However, right now the key is to put things into perspective. The Dollar is not bottomless. Our economy, while still reeling from the Subprime mess is not imploding. Some even think that real estate will bottom out much earlier than 2009 and more Subprime losses will surely be announced.

Underpinning gold has been high energy prices. Energy prices will not go straight up. Gold benefited while crude oil soared. Now that crude oil is correcting, gold has lost that underpin.

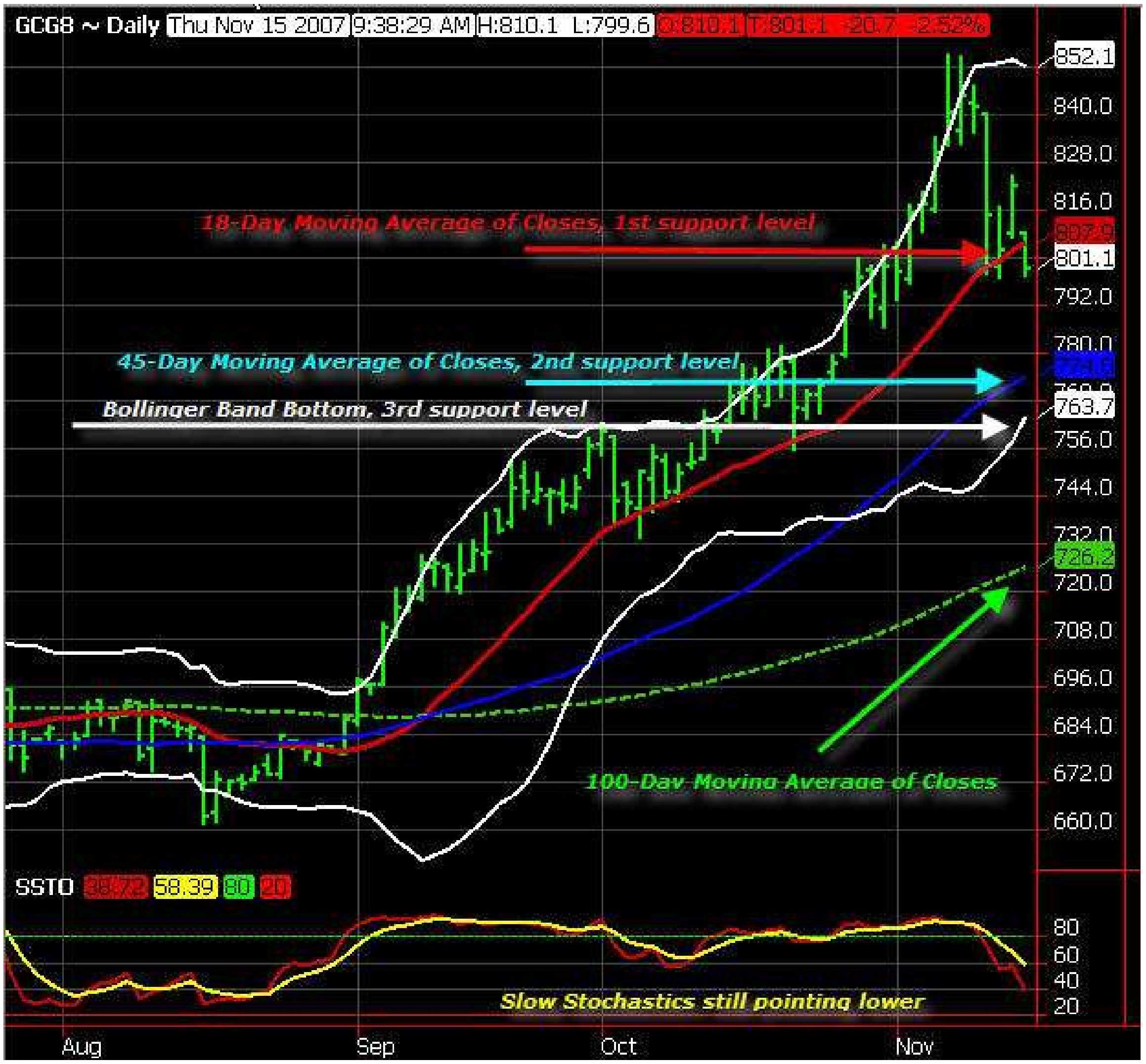
February Gold

I think it very important to study the Seasonal Chart below. It is provided by the Moore Research Center, Inc.

Look at the “yellow area” which represents November. Look at mid month.

Today is November 15th. This is mid-month. Look at the weakest part of the above chart in November. It historically speaking is right upon us.

Now let’s look at a Daily Chart of February Gold, which as of this writing is breaking hard.



In looking at the Seasonal Chart and comparing it to the daily one above, I'm sure you'd agree that prices are breaking lock step with the Seasonal Chart pattern. A battle is now underway to determine where the next level of support develops. As I see it, it can be one of 3 areas. The 18-Day Moving Average of Closes, currently at $808, the 45-Day Moving Average of Closes, currently at $774 or the Bollinger Band Bottom at $763.

It's clear that the short-term trend is down and will remain so until the high of yesterday, November 14th at 824.7 is taken out. Once that occurs, I think the market will be ready to go to new highs.

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Conclusion and Recommendation

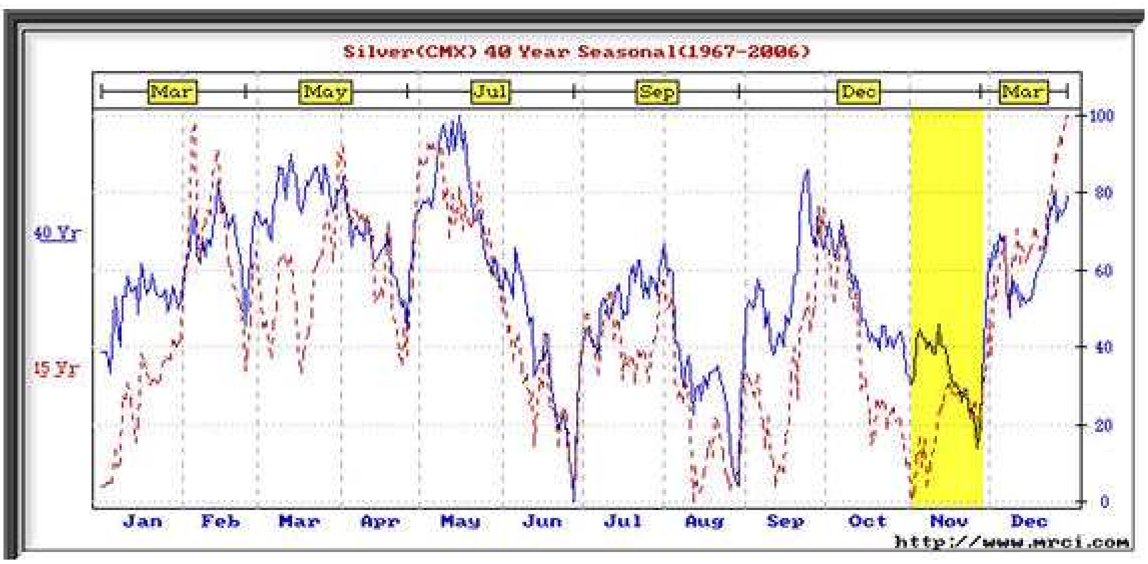
Last week I said, "Ideally, I want you to use breaks to establish Long February Gold Call Spreads. My new recommendation was this; buy the $830-$850 February Call Spread at $900, not including commissions or other fees."

As it turned out, my timing was right on the money. Orders placed at $9.00 with us the night I placed the recommendation were filled at $6.00 because of the overnight break that occurred, as I was writing my report. In the morning after the evening I put out my recommendation options opened sharply lower and better fills were received. Time will tell since my intent is to hold on to this spread into December.

Your total dollar commitment is limited to your cost per spread which is $600 plus whatever commissions and fees you paid. My intent is not to risk the total $600 as there are many days left before expiration.

Silver

Now look at the seasonal chart of silver below provided by Moore Research (MRCI).



As mentioned last week, historically speaking November isn't very kind to silver prices. December often is.

Look at the chart of March Silver below.

Like gold, silver broke down to the 18-Day Moving Average of Closes. What it next does will set the stage for what we do.

If prices break under the most recent low of 14.51, a move down to $14.10 could ensue as the next level of support is the 45-Day Moving Average of Closes, currently at 14.10.

Recommendation

The Long Call March Silver Spread I recommended is the 1525-1600 one.

My recommendation last week was to enter the 15.25.-16.00 March Silver Call Spread at 27-cents. Like gold, silver opened the morning following my putting this recommendation out lower. In the process, those that followed my recommendation were able to put his spread on not at 27, but at 24 cents.

Given the amount of time premium in this spread, unless something dramatic occurs to negatively affect silver, I think you have plenty of “wiggle” room to play with. In any case, should silver fall dramatically in price, your total risk is limited to the price you pay for the spread plus commission and other fees.

To discuss these Gold Call Strategies in more detail, either call your **IECo Representative** or **Mark Pesek**.

Mark can be reached at:

1-800-284-1065

If you wish to e-mail Mark you may do so by writing him at:

mailto:MarkP@iepstein.com

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Exchange	Contract	Clearing Fees	+	Exchange Fees	=	Total Exchange Fees	+	NFA Fees	+	Electronic Routing Fee	+	Commission	=	Total Fees and Commission
CME	Currencies	0.6	+	$1.00	=	$1.60	+	0.02	+	0.15	+	$1.00	=	$2.77

Fully Electronic Metals...Gold, Silver, Copper

Exchange	Contract	Clearing Fees	+	Exchange Fees	=	Total Exchange Fees	+	NFA Fees	+	Electronic Routing Fee	+	Commission	=	Total Fees and Commission
COMEX	GOLD	$1.45	+	0	=	$1.45	+	0.02	+	0.15	+	$1.00	=	$2.61
COMEX	SILVER	$1.45	+	0	=	$1.45	+	0.02	+	0.15	+	$1.00	=	$2.61
COMEX	COPPER	$1.45	+	0	=	$1.45	+	0.02	+	0.15	+	$1.00	=	$2.61
CBOT	GOLD	0.06		$1.00		$1.06		0.02		0.15		$1.00		$2.08
CBOT	SILVER	0.06		$1.00		$1.06		0.02		0.15		$1.00		$2.08

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