Precious Metals Report-- Saturday, December 14, 2013

Written by Edward Meir Tel: +1-203-656-1143 Email: edward.meir@intlfcstone.com

Abbreviated Commentary: *Written on Saturday, December 14 at 2:00 p.m. US East Coast time). We do not have our usual table that we list above, as we had some technical issues receiving it on Friday.*

Gold prices rallied slightly on Friday, finishing up roughly 1% and reversing half of Thursday's sharp 2.2% decline. There was nothing new behind the bounce, other than what we suspect was a round of light short covering. In other markets, base metals finished with modest gains, and although US stocks finished mixed, they closed the week with their sharpest weekly drop since August. The dollar finished generally higher.

In the physical markets, holdings in the SPDR Gold trust fell by the largest amount in nearly two months on Thursday, down almost 200,000 ounces as of Friday's close. Reuters notes that the SPDR has not seen inflows in more than a month.

In other physical news, Reuters reports that India's exports of gold jewelry fell by almost a third year-on-year in November. Total gold imports fell to 23.5 tons in October, less than half last year's average monthly consumption of 60 tons.

From the CFTC, the agency reported that bullish bets in gold futures and options rose in the prior week, but since the reporting date ended Wednesday, we suspect that some of the incremental longs got trapped in Thursday's sell-off. The CFTC said that speculators in silver futures and options cut their net short position by 722 lots to a net short of 4,664. In platinum, speculators increased net length by 23 to 16,272 contracts and increased palladium length by a slight 42 to a net long of 20,700 lots.

In other US macro news, prior to the Fed policy decision out on Wednesday, we get December Empire manufacturing readings on Monday (expected at 5), followed by Q3 productivity levels (expected at 2.7%), November industrial production (expected at .4%) and November CPI (expected at .1% on the overall rate). September and October housing starts come out Tuesday, while Thursday brings us November existing home sales (expected at 5 million units annualized), the Philadelphia Fed reading (expected at 5) and lastly, the November leading economic indicators (expected at .6%). On Friday, we get the third estimate for third-quarter GDP (expected at 3.6% and unchanged from the last reading).

Trading should be relatively uneventful going into next week, as most markets will thin out ahead of the Fed policy decision. We suspect that the central bank will likely not do anything at its meeting, but will likely use the occasion to telegraph its intentions of an imminent move. This will likely set up a weaker tone in gold heading into year-end, with a good chance that we could take out our 2013 lows in the process.

(See our charts on the next page).

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