

	Estimate	High	Low	
12/16 Canadian Monthly Survey of Ma	7:30 AM	n/a	n/a	n/a
12/16 CPI	7:30 AM	+ .5	+ .6	+ .4
12/16 Housing Starts	7:30 AM	+5	+10	+5
12/16 Housing Permits	7:30 AM	+2.5	+4.0	+2, 5
12/16 Real Earnings	7:30 AM	n/a	n/a	n/a
12/16 API / EIA Energy Stocks	9:35 AM	n/a	n/a	n/a
12/16 FOMC Meeting Statement	1:15 PM	n/a	n/a	n/a
12/17 Swiss ZEW Investor Sentiment	4:00 AM	n/a	n/a	n/a
12/17 Canadian Consumer Price Index	6:00 AM	n/a	n/a	n/a
12/17 Continuing Jobless Claims	7:30 AM	n/a	n/a	n/a
12/17 Initial Jobless Claims	7:30 AM	n/a	n/a	n/a
12/17 Conference Board Leaders	9:00 AM	n/a	n/a	n/a
12/17 EIA Gas Storage	9:35 AM	n/a	n/a	n/a
12/17 Philadelphia Fed Survey	11:00 AM	n/a	n/a	n/a
12/17 Japan BOJ Meeting		n/a	n/a	n/a
12/18 Canadian Wholesale Trade	7:30 AM	n/a	n/a	n/a
12/18 Commitment of Traders	2:30 PM	n/a	n/a	n/a
12/18 Japan BOJ Rate		n/a	n/a	n/a
12/20 Japan Trade Balance	5:50 PM	n/a	n/a	n/a
12/21 Japan BOJ Report	12:00 AM	n/a	n/a	n/a
12/21 Canadian Retail Trade	7:30 AM	n/a	n/a	n/a
12/21 Chicago Fed National Activity	9:00 AM	n/a	n/a	n/a
12/21 Japan BOJ Report	12:00 AM	n/a	n/a	n/a
12/21 Canadian Retail Trade	7:30 AM	n/a	n/a	n/a
12/21 Chicago Fed National Activity	9:00 AM	n/a	n/a	n/a
12/22 Swiss Trade Balance	1:15 AM	n/a	n/a	n/a
12/22 ICSC Weekly Chain Store Sales	6:45 AM	n/a	n/a	n/a
12/22 GDP (Q3 '09)	7:30 AM	n/a	n/a	n/a
12/22 Existing Home Sales	9:00 AM	n/a	n/a	n/a
12/22 Richmond Fed Manufacturing Su	9:00 AM	n/a	n/a	n/a
12/22 Johnson Redbook Sales		n/a	n/a	n/a
12/23 Canadian GDP (By Industry)	7:30 AM	n/a	n/a	n/a
12/23 PCE Deflator	7:30 AM	n/a	n/a	n/a
12/23 Personal Consumption	7:30 AM	n/a	n/a	n/a
12/23 Personal Income	7:30 AM	n/a	n/a	n/a
12/23 University of Michigan Consum	8:45 AM	n/a	n/a	n/a
12/23 New Home Sales	9:00 AM	n/a	n/a	n/a
12/23 API / EIA Energy Stocks	9:35 AM	n/a	n/a	n/a
12/23 Japan BOJ Minutes	5:50 PM	n/a	n/a	n/a

BONDS COMMENTARY

12/16/09

More pressure from the numbers with any Fed help fleeing at best

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
 BONDS +40

As expected the Treasury market saw pressure off the flow of scheduled data yesterday, as the Industrial Production/Capacity Utilization readings and the PPI were conducive to selling. However, the bearish data was also book ended by weaker than expected Empire State and NAHB readings and that in conjunction with expectations for an "on hold" FOMC Fed Statement later today is probably giving the market a slight lift in the early Wednesday trade. While the blip up in the PPI report probably sparked some inflation concerns, the recent slide in gold and energy prices might be enough to countervail a portion of those inflation concerns. While the market fully expects the Fed to remain on hold, the upside in Treasury prices is likely to be limited by improved



macro economic views toward the economy in the coming FOMC statement. However, before the statement gets a change to impact Treasury prices, the market will have to weather another inflation report in the form of the US CPI. With the CPI throughout the recession showing slightly less inflation than the PPI report, it is possible that this morning's numbers won't have as big of an impact as yesterdays. Therefore, the big focus of the trade is likely to be on the Housing Starts and Permits data, which are expected to show some positive progression. With financial shares seemingly recovering from credit ratings anxieties earlier this week and the US data this morning mostly expected to favor the bear camp, we suspect that the early rally attempt will be reversed and that the prior session's lows will be tested before a slight short covering rally is seen ahead of the 1:15 Fed statement release. Given the prospect of more upbeat dialogue on the economy from the Fed today and even the prospect of a very minor change in the "hold rates down for an extended period of time" statement, we suspect that any rally today will ultimately fail to hold. In looking at the March Bond chart, it is clear that the trade has forged a pattern of lower highs and that gives off the impression of a downward trend in prices ahead. Certainly this market could short cover and it could even flare higher for a couple of trading sessions if the Fed leaves everything unchanged today, but a noted rally now could effectively become the last "hurrah" for the bull camp. About the only consolation to the bull camp is that volume and open interest has declined on the late November and early December slide in prices, but given the fundamental wall of supply facing the trade and the recent flurry of recovery evidence, the scales are simply tilted in the favor of the bear camp. In order to turn the down trend bias around in March bonds, probably requires a rally back above the 100 day moving average up at 118-18, but even that appears to be highly unlikely without something serious from the international credit ratings issue, or a key reversal in the recent pattern of macro economic news flow. In order to turn the down trend around in the March Notes, probably requires a rally back above the 50 day moving average, which today is located up at 117-20.

TODAY'S MARKET IDEAS:

Position traders should consider implementing longer term somewhat out of the money bear put spreads.

NEW RECOMMENDATIONS:

Buy 3 September Bond 110/105 bear put spreads for 40 ticks or better. Use an initial objective of 1-22 ticks on one of the spreads and look to hold the remaining two spreads with an objective of 2-30. Risk the combination to a net loss of \$1,100.

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) 12/16/2009: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The close below the 1st swing support could weigh on the market. The next downside target is now at 116-240. The next area of resistance is around 118-040 and 118-190, while 1st support hits today at 117-070 and below there at 116-240.

10 YR TREASURY NOTES (MAR) 12/16/2009: The major trend has turned down with the cross over back below the 60-day moving average. Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is 116-195. The next area of resistance is around 117-175 and 117-300, while 1st support hits today at 116-285 and below there at 116-195.

STOCKS COMMENTARY

12/16/09

Expect more new highs for the move early & then profit taking late



OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
S&P 500 +540, DOW +35

While US stocks are showing a somewhat positive bias early today and prices remain within striking distance of the 2009 highs, the market appears to lack definitive bullish sentiment. However, the UK Jobless (claimant amount) fell overnight for the first time since early 2008 and that might be taken as a sign of improvement in that troubled economy. Even the Euro zone came out with some positive service sector data overnight and that means the macro economic outlook into the early trade this morning is improved over the prior trading session. It would also seem as if the equity markets saw signs from the Royal Bank of Australia, that interest rates in that country are now back into an acceptable zone and that could mean that the RBA will allow rates to remain on hold at current levels rather than continue the recent pattern of hikes. In looking ahead, the market is expecting more scheduled US data that is likely to foment recovery talk, but ahead of the FOMC statement, it is possible that some traders could fret over the prospect of a change in the US Fed stance because of the data. We suspect that little will change today but it is likely that the Fed's assessment of the economy will improve and that could be a double edged sword to equity prices. In other words, the market will be relieved if the timing of a hike is left open ended, but too much in the way of upbeat talk from the Fed could lead some traders and investors to assume that the Fed is drifting toward a tightening move. We get the sense that the path of least resistance is pointing upward, but we also get the sense that this market probably can't tolerate much in the way of adversity.

S&P 500: Initial resistance in the March S&P is seen at the old high of 1114, with critical pivot point support on the charts seen today at 1100. Up trend channel support is seen at 1092.10 but the early bias is pointing upward, with the odds of a fresh new high for 2009 pretty good in the early morning trade. As in other sectors, we think the market might rally early and then begin some profit taking after the Fed's on hold statement is released.

DOW: The March Mini Dow comes into the trading action today sitting well above the 50 and 100 day moving averages and also well above up trend channel support which is located all the way down at 10,284. Up trend channel resistance in the March Mini Dow isn't seen until the 10,529 level today, with that resistance level rising to 10,535 on Thursday. After the failed attempt at the 10,500 level on Monday, it would not be a positive sign for the March Mini Dow to regain and fall back below the 10,500 level again today on a closing basing. We see gains early but we are not sure that the market can weave its way all the way through the FOMC meeting statement reaction with a definitively up beat view.

NASDAQ: The bulls would like to note that up trend channel resistance in the March Nasdaq isn't seen today until the 1844 level, but a closer in resistance zone is also seen at 1813. Up trend channel support in the March Nasdaq is seen today at 1782.25. The bias is up, but we suspect that morning gains will be forged somewhat easily but holding all the gains through the FOMC statement release and into the close today might be a more difficult undertaking.

TODAY'S MARKET IDEAS:

Favorable numbers and an on hold Fed should favor the bulls early but we are not sure that a new high move will hold into the close today.

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) 12/16/2009: 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's close below the pivot swing number is a mildly negative setup. The near-term

upside objective is at 1115.20. The next area of resistance is around 1109.10 and 1115.20, while 1st support hits today at 1098.70 and below there at 1094.40.

S&P E-MINI (MAR) 12/16/2009: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside objective is at 1115.56. The next area of resistance is around 1109.37 and 1115.56, while 1st support hits today at 1098.63 and below there at 1094.07.

DOW (MAR) 12/16/2009: 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. The market's close below the pivot swing number is a mildly negative setup. The near-term upside target is at 10475. The next area of resistance is around 10434 and 10475, while 1st support hits today at 10368 and below there at 10343.

MINI-DOW (MAR) 12/16/2009: 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 market tilt is slightly negative with the close under the pivot. The near-term upside target is at 10495. The next area of resistance is around 10451 and 10495, while 1st support hits today at 10365 and below there at 10322.

NASDAQ (MAR) 12/16/2009: The market made a new contract high on the rally. Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market could take on a defensive posture with the daily closing price reversal down. The market setup is somewhat negative with the close under the 1st swing support. The near-term upside objective is at 1820.50. The next area of resistance is around 1806.00 and 1820.50, while 1st support hits today at 1784.00 and below there at 1776.50.

MINI-RUSSELL 2000 (MAR) 12/16/2009: 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. The daily closing price reversal down is a negative indicator for prices. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 613.5. The next area of resistance is around 608.6 and 613.5, while 1st support hits today at 601.3 and below there at 598.8.

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										
USAAH0	117-210	32.26	38.64	23.11	14.52	117.98	118.78	120.02	119.23	119.56
TYAAH0	117-070	33.63	40.83	25.09	13.75	117.66	118.09	118.57	117.64	117.53
SPAH0	1103.90	56.48	56.33	65.59	71.41	1103.25	1098.28	1097.55	1082.28	1073.42
EPH0	1104.00	56.65	56.39	71.94	76.73	1103.19	1098.28	1096.24	1081.75	1073.03
TFEH0	605.0	62.95	58.73	82.90	87.47	600.50	597.48	591.32	589.69	592.05
NDAH0	1795.00	54.77	55.42	71.28	74.79	1798.19	1789.14	1784.46	1758.55	1744.91
YMH0	10408	58.95	59.30	73.68	77.15	10400.00	10337.22	10323.50	10102.80	9978.92
DFAH0	10401	59.25	59.55	75.46	78.42	10400.75	10337.56	10328.33	10105.13	9979.22

Calculations based on previous session. Data collected 12/15/2009

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						
USAAH0	Bonds	116-230	117-060	117-210	118-040	118-190
TYAAH0	10 Yr Treasury Notes	116-190	116-280	117-085	117-175	117-300

SPAHO	S&P 500	1094.40	1098.70	1104.80	1109.10	1115.20
EPHO	S&P E-Mini	1094.06	1098.62	1104.81	1109.37	1115.56
TFEHO	Mini-Russell 2000	598.7	601.3	606.1	608.6	613.5
NDAHO	NASDAQ	1776.50	1784.00	1798.50	1806.00	1820.50
YMH0	Mini-Dow	10321	10364	10408	10451	10495
DFAHO	Dow	10343	10368	10409	10434	10475

Calculations based on previous session. Data collected 12/15/2009

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CURRENCIES COMMENTARY

12/16/09

Expect the Pound to be the leadership currency early today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

US DOLLAR -278, YEN +31, SWISS +35, CA DOLLAR +16

Upcoming International Reports (all times CT)

12/16 UK Employment Situation - Claim Count	3:30 AM
12/16 Euro-zone Consumer Price Index (HICP)	4:00 AM
12/16 Canadian Monthly Survey of Manufacturing	7:30 AM
12/17 UK Retail Sales	3:30 AM
12/17 Swiss ZEW Investor Sentiment	4:00 AM
12/17 Canadian Consumer Price Index	6:00 AM
12/17 Japan BOJ Meeting	
12/18 German Producer Price Index	1:00 AM
12/18 France Business Climate Survey	1:45 AM
12/18 Euro-zone Balance of Payments	3:00 AM
12/18 German IFO Business Climate Index	3:00 AM
12/18 Euro-zone Foreign Trade	4:00 AM
12/18 Canadian Wholesale Trade	7:30 AM
12/18 Japan BOJ Rate	
12/20 Japan Trade Balance	5:50 PM
12/21 Japan BOJ Report	12:00 AM
12/21 Canadian Retail Trade	7:30 AM



DOLLAR: While the Dollar is showing signs of profit taking this morning, that isn't surprising considering the UK and Euro zone economic readings improved overnight and especially since the trade thinks that the US is poised to leave interest rates flat in their statement later today. However, given the slight hint of an end to the easing stance from the US FOMC statement, we would expect the Dollar to gain the bid again. We continue to think that a long term shift is underway and even if the Fed doesn't change its statement today, one gets the sense that a number of markets will simply anticipate a change in the next meeting. In the end, seeing no change at all in the FOMC statement today, might temporarily knock the Dollar down, but we also think the Fed will be more upbeat toward the economy and that could serve to underpin the Dollar against profit taking selling today. Even the US economic report slate looks to support the Dollar this morning, as Housing starts and Permits are expected to rise and the market also expects a modest rise in the US CPI figures. Up trend channel support in the March Dollar Index is seen at 76.89 and we see little in the way of resistance on the charts until the 78.10 level.

EURO: After a series of fresh new lows for the move, the March Euro appears to have secured a measure of technical chart support at the 145.00 level. However, instead of seeing a decline in open interest on the December slide, the Euro actually saw an increase and that would seem to confirm that the trend has shifted down. As mentioned before, there is a gap on the charts down at 143.52 to 143.08 and that could be an eventual target. While a normal retracement of the December slide would allow for a bounce back to 147.47 without damaging the downward track, we doubt that the Euro will see that type of recovery unless the US Fed is lackluster, instead of upbeat on the US economic view. In other words, for the Euro to come back into favor, might require a distinct and widespread view that the US is no closer to ending its aggressive easing stance and that is a real long shot.

YEN: The yen is on the verge of a critical downside breakout. We suspect that the carry trade buying in the Yen was epic in size and therefore even a minor unwinding of that position could have a massive impact on the Yen exchange rate. With the March Yen falling below a critical 50 day moving average yesterday and again overnight, it would seem like some technical systems are starting to turn downward. We see an easy target of 108.47 and perhaps significantly lower if the carry trade begins to unravel in earnest.

SWISS: Like the Euro, the March Swiss seems to have found some quasi technical chart support at the 96.00 level. However, other than some temporary oversold short term technical considerations, it would seem like big picture fundamentals have turned in the Swiss and a long slow slide in prices is to be expected ahead. In order to turn the downtrend pattern around in the Swiss, might require a rise back above 96.90 and that is an extremely tall order for this market.

POUND: The Pound has shown a slight hook up action on the charts this morning and that might be the result of improved UK claimant readings or it might simply be the result of long profit taking in the US Dollar. In fact, we can't rule out a rally attempt in the Pound in the coming sessions, with the 50 day moving average a possible target up at 164.15. In fact, given all the favorable BOE talk overnight, about the effectiveness of quantitative easing, it is possible that the drag from international credit ratings concerns will be pushed to a back burner and that could give the Pound bulls an additional lift.

CANADIAN DOLLAR: While the Canadian hasn't exactly come alive in the face of a slight Dollar slide overnight, the currency did manage to respect this week's lows and that would seem to leave the up trend pattern in place. A critical up trend channel support line is seen at 93.89 today, but it could take decent Canadian numbers and no change in the FOMC statement today to fully thrust the Canadian back into vogue later today.

TODAY'S MARKET IDEAS:

A temporary setback in the Dollar early on, but expect a recovery in the Greenback late in the trading session.

NEW RECOMMENDATIONS:

*Buy a March Yen 109 put for 160 with an initial objective of 220. Risk the trade to 88.

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) 12/16/2009: 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. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside target is at 78.06. The next area of resistance is around 77.70 and 78.06, while 1st support hits today at 76.86 and below there at 76.37.

EURO (MAR) 12/16/2009: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is now at 143.96. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 146.10 and 147.11, while 1st support hits today at 144.52 and below there at 143.96.

JAPANESE YEN (MAR) 12/16/2009: The major trend has turned down with the cross over back below the 40-day moving average. Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is 110.17. The next area of resistance is around 112.48 and 113.54, while 1st support hits today at 110.80 and

below there at 110.17.

SWISS (MAR) 12/16/2009: Momentum studies are declining, but have fallen to oversold levels. A negative signal for trend short-term was given on a close under the 9-bar moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is 95.23. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 96.72 and 97.42, while 1st support hits today at 95.62 and below there at 95.23.

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										
DXAH0	77.28	67.71	62.02	82.68	88.53	76.85	76.43	75.87	75.99	76.25
JYAH0	111.64	42.85	46.20	35.09	29.50	112.53	112.56	113.27	111.70	111.63
EUAH0	145.31	29.77	36.05	16.57	9.33	146.26	147.35	148.59	148.71	148.21
BPAH0	162.66	38.45	42.18	21.98	19.50	162.61	163.26	164.49	164.64	163.46
CAAH0	94.22	46.31	47.98	50.75	45.88	94.52	94.55	94.61	94.75	94.43
SFAH0	96.17	28.89	35.47	16.19	8.94	96.83	97.63	98.52	98.55	98.19
DAAH0	89.83	44.31	46.79	47.64	45.69	0.90	0.90	0.91	0.91	0.90

Calculations based on previous session. Data collected 12/15/2009

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						
DXAH0	US Dollar	76.36	76.85	77.21	77.70	78.06
JYAH0	Japanese Yen	110.16	110.79	111.85	112.48	113.54
EUAH0	Euro	143.95	144.52	145.53	146.10	147.11
BPAH0	British Pound	161.44	162.08	162.59	163.23	163.74
CAAH0	Canadian Dollar	93.36	93.77	94.26	94.67	95.16
SFAH0	Swiss	95.22	95.62	96.32	96.72	97.42
DAAH0	Australian Dollar	88.67	89.17	89.98	90.48	91.29

Calculations based on previous session. Data collected 12/15/2009

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

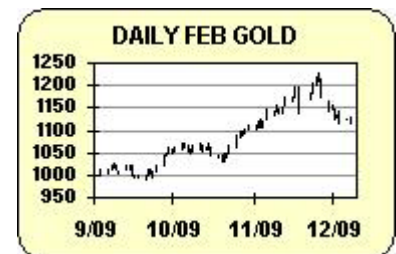
PRECIOUS METALS COMMENTARY

12/16/09

The Fed has to be true to their on hold promise for the bulls to win

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
GOLD +12.60, SILVER +14.50, PLATINUM +4.30**

London Gold Fix \$1,134.00 +\$19.00 LME Copper stks 473,275 tons +2,475 tons
GOLD stks 9.691 ml oz +7,043 oz SILVER stks 109.4 ml oz -418,564 oz



OUTSIDE MARKET DEVELOPMENTS: Gold and silver are apparently being cheered by a slightly weaker US Dollar and generally positive global equity market action. The overnight macro economic news was upbeat with favorable economic readings seen from the UK jobs sector and also from the Euro zone service sector. It also seems as if the international credit ratings issue remained mostly unchanged overnight and that is probably a positive to precious metals prices. In looking ahead, the metals market will face US Housing Starts and Permits data early and those readings are expected to depict a further improvement in the US economy. The trade will

also see a US CPI reading, which is expected to show some gains in prices, but the reaction to that report might be muted given the release of the somewhat hot PPI report in the prior trading session. However, the main event of the day will probably be the FOMC statement release, with a number of markets intensely focused on the tone of the Fed's economic outlook and even more intently on any changes to the Fed's intention to leave interest rates at low levels. At least in the early action today, energies and equity prices were supportive of the bull case.

GOLD

GOLD MARKET FUNDAMENTALS: With some Indian bargain hunting buying of gold overnight, the US gold market has managed a rise back above the prior two session's highs in the early action today. The gold bulls are hopeful that the Fed will reiterate the need to leave interest rates low but in the face of a hotter PPI report yesterday, a portion of the trade is skeptical that the Fed will be able to leave inflation expectations completely unchecked today. On the other hand, the bull camp is at least partially emboldened by the gold markets capacity to generally weather the most recent rise in the US Dollar. The bull camp might also be seeing some lift off mostly favorable macro economic news that was released overnight and perhaps the bull camp is also expecting some minor lift off the US scheduled data directly ahead. However, seeing too much strength in the US data this morning, could in turn provide support to the Dollar again and that could diffuse some of the early buying interest in gold. The bulls will suggest that gold is de-linking with the Dollar, but the bear camp will probably need to see gold prices hold up again in the face of more new highs in the Dollar, before that type of view is widely accepted. In the end, the bull camp in gold might need the Fed statement to come and go today without any change in that statement. The bear camp will suggest that minor growth won't be allowed to transition into an inflationary environment, with the Fed standing watch close watch over the US economy. The Fed might have to take it on the chin today, as they might have to let inflationary expectations perk up significantly in order to stand by their intention to leave rates down until the economy is self sustaining. We are already impressed with the gold markets recent capacity to handle bearish Dollar action, but it will still be a difficult road ahead to get just enough growth and not get any near term threats of tightening. Aggressive traders can be long gold, as we suggested around yesterdays lows, but traders should not tolerate any failure at this week's lows.

SILVER

SILVER MARKET FUNDAMENTALS: Like the gold market, March silver has also managed to weather patently bearish Dollar action yesterday and in turn manage to take out the prior two session's highs in the early action today. Certainly silver is being lifted from its classic fundamental standing, in the wake of a string of favorable US economic data point and also because of improving Euro zone and UK data flows. In fact, with the Dollar slightly weaker, equities higher and a host of physical commodities firming overnight that would seem to give silver prices support from a number of fronts. However, like gold, silver would seem to need an unchanged FOMC statement later today to keep the recent selling bias from returning to the forefront. Perhaps a recent pattern of declines in exchange warehouse stocks is providing the silver market with a measure of support, but many traders will suggest that this market isn't that interested in classic supply side developments. With the 50 day moving average looming over the market up at \$17.74 in the March silver contract, that level could be important to the trade today. In the early going today, the silver market looks to garner some support from the scheduled US data flows, as those numbers are expected to foment recovery talk. In the event that the US numbers are much better than expected, that could lift the Dollar and in turn prompt rate hike speculation. Therefore, the bull camp probably doesn't want to much improvement in the numbers. As we suggested yesterday, the silver market handled the upside breakout in the Dollar very impressively and we suspect that the market will be able to forge more gains this morning in the wake of the scheduled data flow. However, make no mistake about it the reaction in silver after the FOMC statement could be a seminal event. While we think silver can get through the event today with a bullish edge, the bulls still have to definitively prove that they can throw off the recent selling bias. A failure to hold \$17.15 today would be extremely damaging technically and perhaps damaging fundamentally.

PLATINUM

The platinum market has managed another new high for the move overnight and we suspect that the January contract will be able to post even more gains in the wake of the US numbers this morning. With the platinum market respecting a pattern of higher highs this week and a major brokerage firm overnight predicting a rather large deficit forecast for 2010, the market is getting both technical and fundamental support into the opening today. The trend is up but the January contract probably needs to hold above \$1,439 to avoid a reversal.

TODAY'S MARKET IDEAS:

Today could be an extremely critical junction for the metals trade. In fact, the bulls need a definitive on hold stance from the Fed to return to bull market status.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

12/16/09

The bulls have the early edge but can they maintain the edge all day

GENERAL: Despite a couple bearish 2010 surplus predictions in the overnight trade, the copper market has managed another new high for the move. At least into the FOMC statement release, we suspect that March copper is capable of a rise back above the \$3.20 level, as a weaker Dollar, better economic news and a higher equity market leaves the bulls in control. At least for the time being, we suspect that fears of surplus supply next year will be discounted, but seeing March copper prices above \$3.24 ahead the Fed statement release might require a full on hold statement from the Fed. As in many other physical commodity markets, a full on hold statement means that the Fed doesn't throw in any caveats with respect to rate hike timing. At least for the first half of the trade today, the trend looks to remain up, but we would suggest that longs tighten trailing stops throughout the trading session.



TODAY'S MARKET IDEAS:

The bulls have the early edge but we would suggest that longs banks profits on a run to \$3.24 especially if that run is seen before the FOMC statement release.

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 (FEB) 12/16/2009: Momentum studies are declining, but have fallen to oversold levels. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 1105.4. The next area of resistance is around 1134.6 and 1141.3, while 1st support hits today at 1116.7 and below there at 1105.4.

COMEX SILVER (MAR) 12/16/2009: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's short-term trend is negative as the close remains below the 9-day moving average. The close over the pivot swing is a somewhat positive setup. The next downside target is 1699.8. The next area of resistance is around 1762.0 and 1775.7, while 1st support hits today at 1724.0 and below there at 1699.8.

COMEX PLATINUM (JAN) 12/16/2009: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. 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 downside target is 1422.55. The next area of resistance is around 1462.50 and 1471.75, while 1st support hits today at 1437.90 and below there at 1422.55.

COMEX COPPER (MAR) 12/16/2009: The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. Declining momentum studies in the neutral zone will tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal down is a negative indicator for prices. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 308.55. The next area of resistance is around 317.09 and 319.75, while 1st support hits today at 311.50 and below there at 308.55.

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										
GCAG0	1125.7	39.58	46.42	25.34	15.35	1123.90	1145.74	1160.92	1111.72	1088.88
SIAH0	1743.0	39.21	43.58	24.56	17.59	1726.20	1778.26	1824.15	1775.08	1753.32
PLAF0	1450.20	53.80	54.83	35.46	32.52	1436.10	1442.44	1453.27	1400.76	1379.23
CPAH0	314.30	49.13	52.84	55.84	49.99	313.28	316.79	316.92	306.09	299.40

Calculations based on previous session. Data collected 12/15/2009

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						
GCAG0	COMEX Gold	1105.3	1116.6	1123.3	1134.6	1141.3
SIAH0	COMEX Silver	1699.7	1724.0	1737.7	1762.0	1775.7
PLAF0	COMEX Platinum	1422.55	1437.90	1447.15	1462.50	1471.75
CPAH0	COMEX Copper	308.54	311.49	314.14	317.09	319.75

Calculations based on previous session. Data collected 12/15/2009

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

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