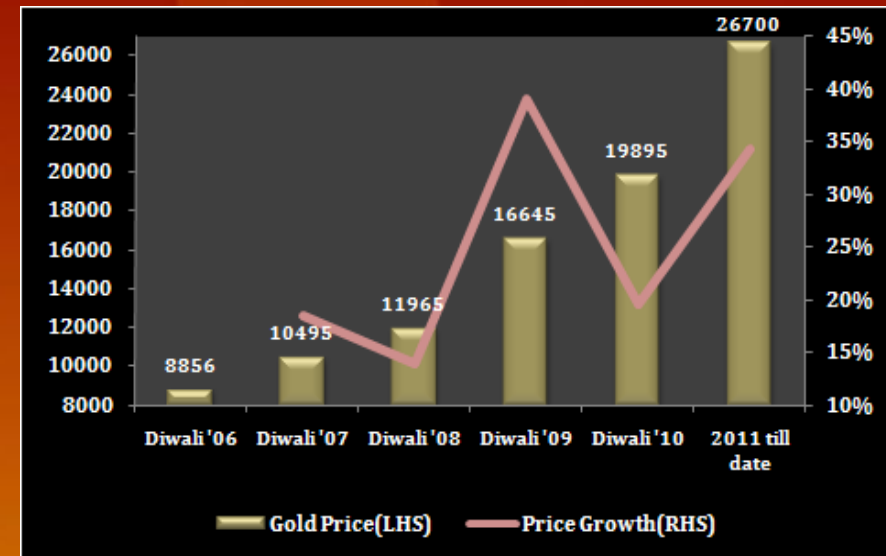


Gold's price performance in every Diwali (Last 5 years):

- Every Diwali for the past five years had seen on an average of 23% price growth.
- This year, from the last Diwali, gold price has already grown by 34.20% (from 19895 to 26700), before which it ticked the all time high of 28744
- This price surge has been facilitated by factors like: US debt, Euro area crisis, dollar depreciation, rising inflation and a negative real rate of interest
- Asian demand is at pick. China's gold purchase jumped 90% YOY with official holdings are also increasing
- Going forward, weak GDP growth, poor manufacturing and industrial activities and the economic structural problems might keep gold prices up



Present Scenario

- Enduring European sovereign debt crisis
- European Central bank opposed to use its balance sheet to boost the government financed 440 billion Euro rescue fund after Moody's threatens them of having a very substantial capacity to support the Euro lenders and sovereign debt markets
- Moody's also indicated interventions of ECB are likely to remain limited unless systematic risk accelerates further
- Dilemma over raising the Euro bail out fund by 2.5 trillion Euros between Germany and France is still hovering

*Shubh
Deepawali*



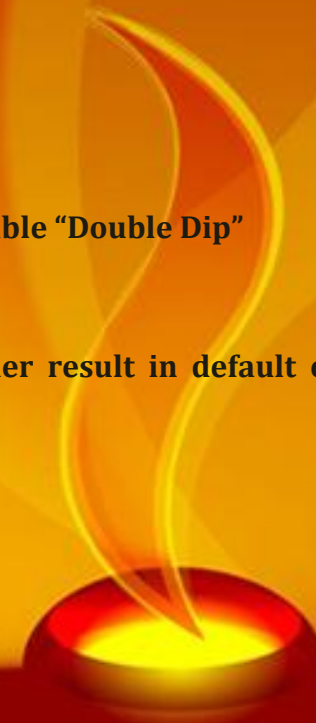
DIWALI BASH

- Split has emerged among European leaders on a rescue plan. Disagreement over the role of European Central Bank also comes where European officials try to find a solution to end the region's crisis
- Report showed that that France and Germany split over whether private sector bond holders should be forced to take a larger hit than the 21% write down
- The crisis management summit excluded a forced restructuring of Greece's debt, sticking with the policy of appealing bondholders to accept voluntary losses. Banks are offered to write down 40% of their Greek debt, while the politicians are demanding a haircut of minimum 50%
- *The European leaders are due to meet to have a scrutiny of two leveraging models. The first one would raise the EFSF capacity by insuring a fraction of countries' funding requirements and the second combines capital from European and non European public and private investors. BIG DAY TO WATCH FOR IS "WEDNESDAY, 26th Oct, 2011"...*
- The federal government's revamped mortgage-refinancing program could allow more than a million borrowers to take advantage of falling interest rates, even if the value of their homes has plummeted. This may provide a modest boost to the spending and some relief to the home owners
- Slowing growth in emerging economies like China

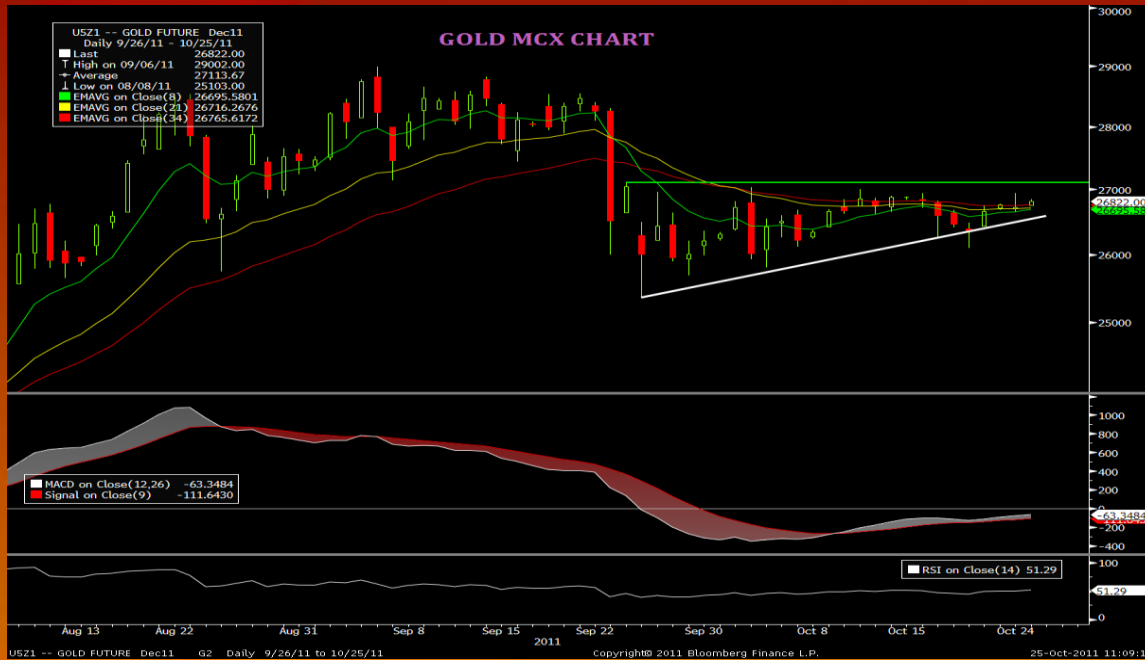
Future state of affairs

- US ultra low interest rate along with accommodative monetary policy might lead to a plausible "Double Dip"
- Fed QE3 might embark upon if inflation eases
- Given the short maturity of Euro national debt, a jump in short-term rates would either result in default or massive austerity
- Opting for printing currency: the headway inflation will ensue even greater austerity

Shubh
Deepawali



DIWALI BASH



GOLD MCX DEC:

Prices trading range bound with slight upward bias. Good Support is seen at 26600 and Resistance is at 27100. Expect prices to test 27100 initially, if prices breaks above 27100 and sustains above this level uptrend would resume. Failing to break above this level would make the prices to trade in a range.

Strategy

Stay long at 26700 with the target of 27100 and above with strict stop loss below 26500

N.B: This view stands for the next 3-4 days only

KCTL suggests the below mentioned avenues to invest in gold:

- MCX Gold (1 kg)
- MCX Gold mini (100 gm)
- MCX Gold Guinea (8 gm)
- MCX Gold Petal (1 gm)
- NSEL E-Gold

*Shubh
Deepawali*

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*Disclaimer: For a detailed disclaimer please go to following URLs:
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