

BULLION WEEKLY

A Weekly Report on Gold & Silver

Gold: Weekly Review

Gold gained 3.90 percent for the week ended on Jan 8, the highest in the last two months. Along with this, the bullion also halted its five-week streak of price fall. The week began with some profit booking which pushed prices to as low as \$1,093.80/oz during the week. SPDR ETF sold more than 14 MT of gold during the week. However, gold rose as much as to \$1,141/oz, supported by renewed investors' demand after the metal took a dip of more than 7 percent in the last month. The US dollar also weakened by 0.5 percent against a basket of six major currencies which boosted the demand for gold as an alternative investment. The US dollar fell mainly on more-than-expected job losses in the non-farm sector, data released last week for the month of December.

Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX (USD/troy ounce)	Gold (Feb 10)	1099.00	1141.00	1093.80	1138.90	3.90%	813185	148.94%	316766	0.51%
	Gold (Apr 10)	1101.00	1142.30	1095.40	1140.30	3.89%	63724	267.60%	67041	41.07%
MCX (Rs/10 grams)	Gold (Feb 10)	16716.00	16939.00	16656.00	16874.00	0.84%	237616	73.69%	17347	-4.46%
	Gold (Apr 10)	16721.00	16991.00	16721.00	16933.00	0.83%	8140	33.60%	3838	14.74%

Gains on MCX gold futures were restrained by stronger rupee which appreciated by 1.82 percent during the last week. The most active February month contract fluctuated between Rs. 16,656 – Rs. 16,939/10 gm with finally settling the week with 0.84 percent gains at Rs. 16,874/10 gm. Indian rupee closed at 45.7706.

Commodity Futures Trading Commission (CFTC) Report

Net long positions by non-commercial holders (Speculators) declined 1.18 percent to 227,767 contracts for the week ended on Jan 5 from 230,490 contracts a week earlier. Speculators' short positions increased by more than 6 percent.

However, commercial holders added 3.54 percent to their long positions which limited the fall of gold prices during the same period. Total long positions and short positions rose 2.39 percent and 2.64 percent, respectively.

CFTC Report - Gold			
Non-Commercial	1/5/2010	12/29/2009	% Change
Long	263008	263631	-0.24%
Short	35241	33141	6.34%
Spreading	67958	60672	12.01%
Commercial			
Long	98195	94841	3.54%
Short	376746	373783	0.79%
Total			
Long	429161	419144	2.39%
Short	479945	467596	2.64%

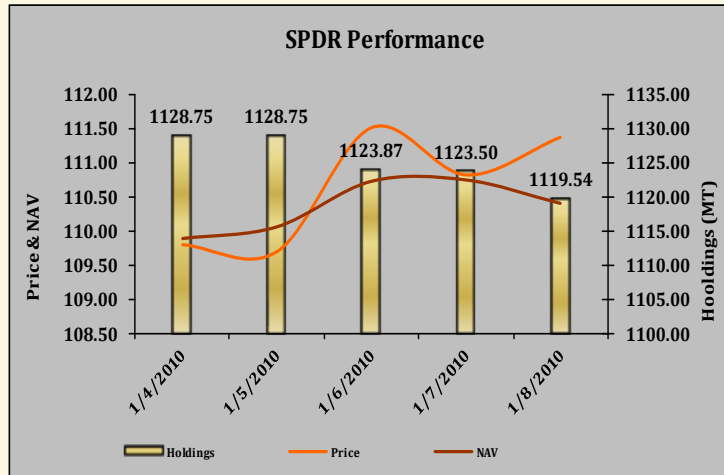
BULLION WEEKLY

A Weekly Report on Gold & Silver

Investment Demand - SPDR ETF Performance

SPDR Gold Trust, the world's largest ETF backed by bullion, sold nearly 14 MT during the last week. Holdings in the SPDR ETF were recorded at 1119.54 MT as on Jan 8, according to company website.

ETF units were last seen trading at 111.37 against the NAV of 110.41, 0.87 percent premium to NAV.



Major Economic Events during the week

- **US Construction Spending** declined by 0.60 percent in November month.
- **US Factory Orders** rose 1.10 percent in November as compared to 0.60 percent in the month before.
- **US Pending Home sales** fell by whopping 16 percent in November against a rise of 3.70 percent in the previous month.
- **Total Vehicles Sales** in the US increased to 11.23 million in December from 10.92 million in the month before. This was well supported by rising domestic vehicle sales.
- **Euro Zone Industrial New orders** declined 2.2 percent in October in comparison with 1.5 percent rise in September month.
- **Confidence data** across various segments in the euro zone improved from their previous numbers.
- US saw its **non-farm payrolls** declining by 85,000 in December, more than expected and prior numbers. US **unemployment rate** stood at 10 percent for December month.

Outlook

*Economic data this week will carry mixed impacts on the market as widening deficits still remain a cause of concern for the US government coupled with slower growth in retail sales and industrial production while on the contrary, more than 50,000 people are expected to withdraw their claims towards unemployment benefits (continuing claims). Inflation measure, CPI, in the US may also simmer down which indicates declining purchasing trend. **We expect the US dollar to be pressurized during this week which would be positive factor for bullion markets.***

BULLION WEEKLY

A Weekly Report on Gold & Silver

Technical Analysis - Gold

Gold Prices started the year on a positive note by gaining \$39.90 in sideways to higher trading last week. It posted a high of \$1141 and settled at \$1139.8. Market is facing an immediate resistance levels at \$1144 then \$1148 failing to breach these levels may end up trading sideways in the near term. Conversely sustain above the same may push prices higher to test \$1154 then \$1160 levels in the short term. Moreover, a close above \$1160 levels may change the short term trend to higher side and market may head to test resistance of \$1175-\$1180 levels.

Prices are trading above 10 & 20 week EMA rendering higher side movement in the short term. The momentum indicator RSI (14) is trading at 0.66 levels showing some potential for prices to trade higher in the near term as it is nearing the overbought zone again.



Outlook

We expect prices to trade sideways to higher in the range \$1115-\$1160 for the week. However, a break above \$1144 levels would be crucial for the market to continue its bullish momentum in the near term.

Exchange	S2	S1	R1	R2
February Gold - Comex	\$1,115	\$1,130	\$1,144	\$1,160
February Gold - MCX	Rs. 16,660	Rs. 16,740	Rs. 16,940	Rs. 17,100
COMEX Recommendation	Sideways to higher			
Gold-Mini Jan MCX	Sideways to higher			

BULLION WEEKLY

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Silver: Weekly Review

Among other precious metals, Comex silver took off following gains in gold and base metals. Silver gained 9.65 percent on Comex, the highest in the last four months. London Metal Exchange Index rose 0.95 percent during the last week. MCX silver prices advanced more than 5 percent, lower than their Comex counterparts due to stronger rupee. Indian rupee appreciated by more than 1.8 percent.

Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX (USD/troy ounce)	Silver (Mar 10)	16.94	18.53	16.85	18.47	9.65%	161662	152.53%	80019	2.17%
	Silver (May 10)	17.00	18.53	16.92	18.49	9.65%	3631	19.95%	13018	-4.24%
MCX (Rs/1kg)	Silver (Mar 10)	26821.00	28199.00	26725.00	28189.00	5.05%	279885	103.44%	14122	-18.10%
	Silver (May 10)	27027.00	28379.00	27001.00	28345.00	4.26%	8525	80.04%	1274	-23.39%

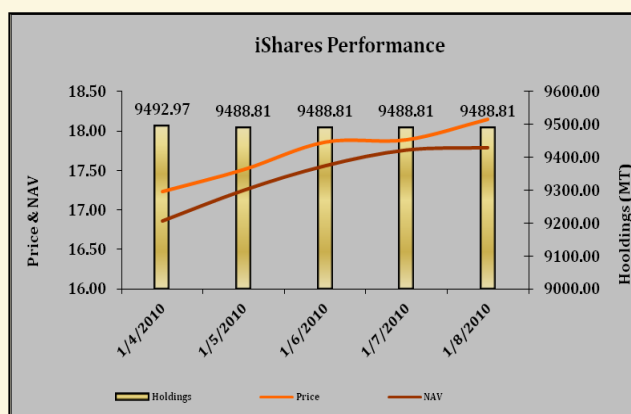
Commodity Futures Trading Commission (CFTC) Report

Speculators increasingly went short and added 52 percent to their short positions. Their long positions grew merely 5.79 percent for the same period. Commercial holders (hedgers) liquidated their long positions by 4.61 percent and covered their short positions by 1.44 percent.

CFTC Report - Silver			
Non-Commercial	1/5/2010	12/29/2009	% Change
Long	44312	41886	5.79%
Short	4813	3165	52.07%
Spreading	22940	23665	-3.06%
Commercial			
Long	26098	27360	-4.61%
Short	83488	84710	-1.44%
Total			
Long	93350	92911	0.47%
Short	111241	111540	-0.27%

Investment Demand - iShares Silver Trust Performance

iShares silver trust is an ETF backed by silver and reflects the prices of silver owned by the trust. Holdings in the iShares trust were reduced by 4.16 metric tonnes to 9488.81 MT for the week ended on Jan 8, 2010.



BULLION WEEKLY

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Technical Analysis - Silver

Silver prices gained as much as 10% in last week's trading and ended the first week of New Year on a positive note. It opened at 16.94, traded higher through out the week with some minor corrections on the lower side as it posted a high of 18.52 and closed at 18.47. Market is heading towards the crucial resistance of 19.00 levels and a breach of these levels would push prices to test the recent swing high of 19.50 levels in the short term. An initial correction up to 17.80 levels may not be ruled out.

Prices are trading above 10 & 20 week EMA rendering higher side price movement in the short term. The momentum indicator RSI (14) is trading at 0.63 levels showing potential for prices to trade higher in the short term.

Outlook:

We expect prices to trade higher for the week and pick up higher side momentum upon breach of 19.00 levels.



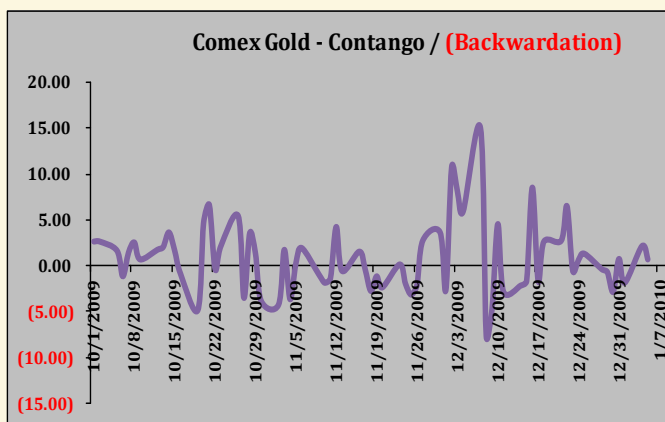
Exchange	S2	S1	R1	R2
March Silver - Comex	\$17.80	\$18.10	\$19.00	\$19.50
March Silver - MCX	Rs. 27,600	Rs. 27,900	Rs. 28,400	Rs. 28,600
COMEX Recommendation	Sideways to higher			
Silver-Mini Mar MCX	Buy 2 lots at present level and 3 rd lot at 27840-900 targeting 28600 then 28800 with stop loss below 27600			

BULLION WEEKLY

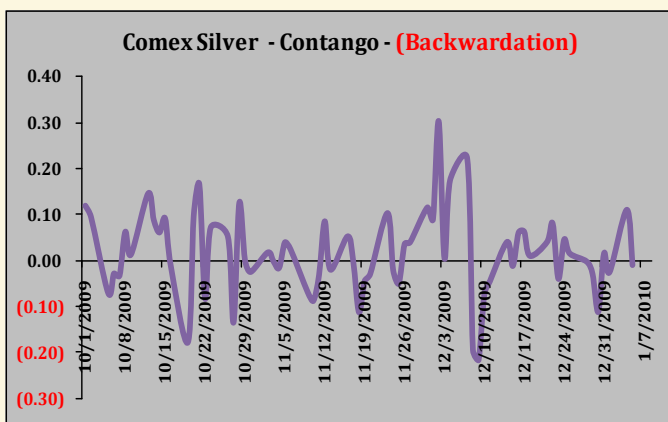
A Weekly Report on Gold & Silver

Basis Charts

Backwardation is a market where spot prices exceed future prices while **Contango** is the opposite condition, where future prices exceed spot prices. We have, here, considered Gold February future contract and Silver March future contract of COMEX. Contango seems to be an obvious condition in the market as future prices tend to be higher because of cost-of-carry involved.

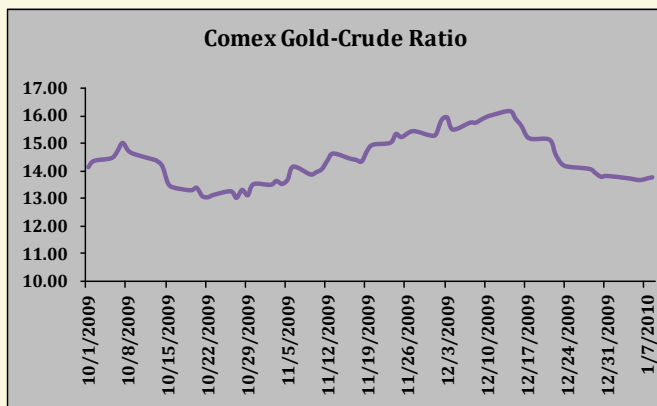


Spot gold closed at \$1,138.25/oz while futures ended at \$1,138.90/oz. **Markets closed at 0.65.**

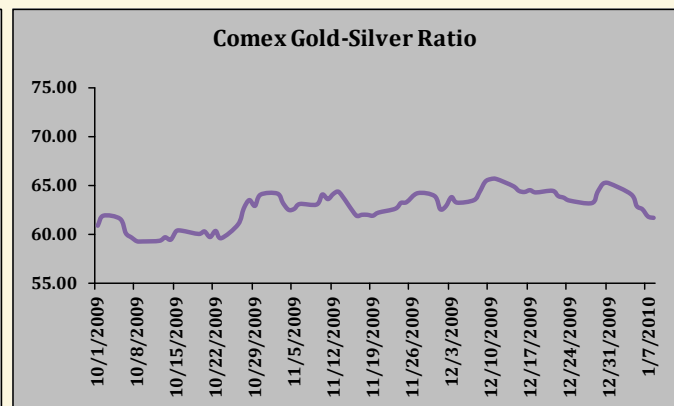


Both spot and future prices closed nearly at the same levels of \$18.48/oz.

Ratio Charts



The Comex Gold-Crude ratio for the week dropped further to 13.76 from 13.81 in the previous week.

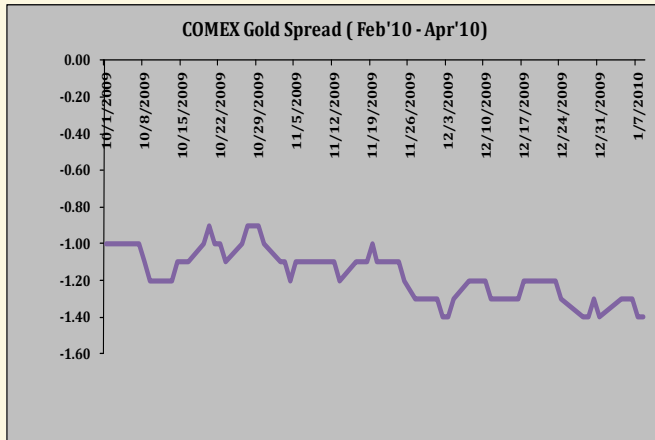


The Comex Gold-Silver ratio fell drastically to 61.66 from the previous week's 65.16, mainly because of silver gaining more than 9 percent against gold's gains of 4 percent.

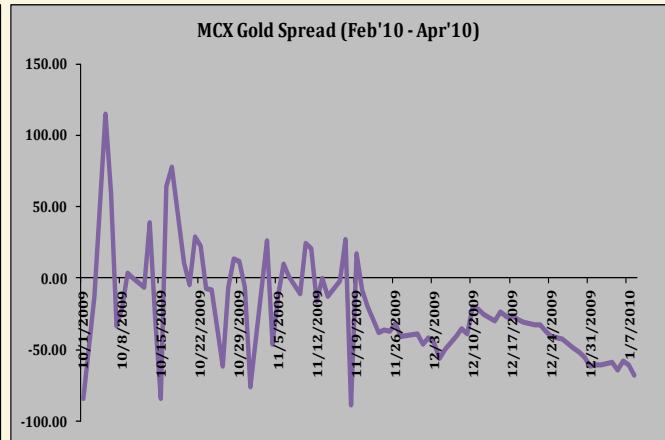
BULLION WEEKLY

A Weekly Report on Gold & Silver

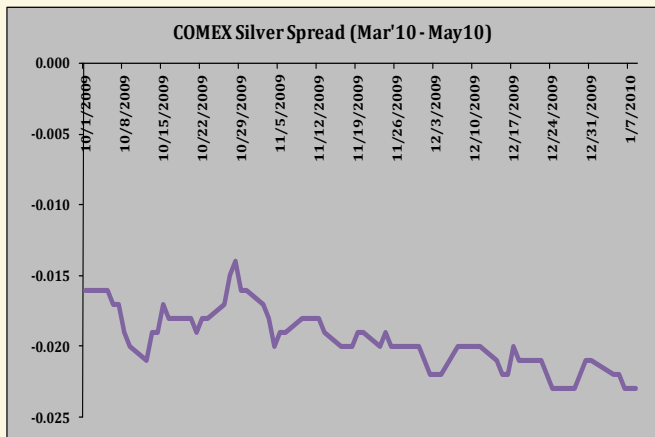
Calendar Spreads: Calendar Spread is the difference between the two futures contracts, far-month-contract and near-month-contract. For gold, we have considered Feb'10 and Apr'10 at both COMEX and MCX while for silver, Mar'10 and May'10 contracts at both COMEX and MCX have been taken into account for calculating calendar spreads.



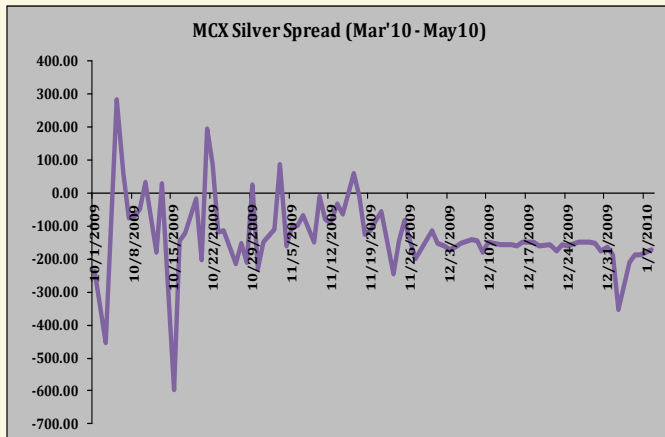
The spread between Gold Feb'10 and Apr'10 contracts closed at -1.40 during the week, meaning far month contract continuously traded \$1.40/oz higher than near month contract.



The spread between Gold Feb'10 and Apr'10 closed at -59, meaning far month contract is trading higher than near month contract.



The spread between Silver Mar'10 and May'10 continued to remain thin at -0.023.



The spread between Silver Mar'10 and May'10 contracts closed at -171 levels.

BULLION WEEKLY

A Weekly Report on Gold & Silver

Economic Events during this week

Date Time		Event		Survey	Actual	Prior
11-14 JAN	CH	New Yuan Loans	DEC	310.0B	--	294.8B
11-14 JAN	CH	Money Supply - M0 (YoY)	DEC	--	--	15.00%
11-14 JAN	CH	Money Supply - M1 (YoY)	DEC	--	--	34.60%
11-14 JAN	CH	Money Supply - M2 (YoY)	DEC	28.00%	--	29.70%
01/12/2010	IN	Industrial Production YoY	NOV	10.60%	--	10.30%
12-14 JAN	CH	Foreign Exchange Reserves	DEC	\$2,420.00	--	\$2,273.00
01/12/2010 19:00	US	Trade Balance	NOV	-\$34.6B	--	-\$32.9B
01/12/2010 20:30	US	IBD/TIPP Economic Optimism	JAN	--	--	46.8
01/13/2010 03:30	US	ABC Consumer Confidence	11-Jan	--	--	-41
01/13/2010 13:45	GE	Budget (Maastricht) (% of GDP)	31-Dec	-3.50%	--	0.00%
01/13/2010 13:45	GE	GDP (Annual Growth Rate)	31-Dec	-4.80%	--	1.30%
01/13/2010 17:30	US	MBA Mortgage Applications	9-Jan	--	--	0.50%
01/14/2010 00:30	US	Monthly Budget Statement	DEC	-\$92.0B	--	-\$51.8B
01/14/2010 00:30	US	Fed's Beige Book	14-Jan			
01/14/2010	IN	Monthly Wholesale Prices YoY%	DEC	7.30%	--	4.78%
01/14/2010 12:30	GE	Consumer Price Index (MoM)	DEC F	0.70%	--	0.70%
01/14/2010 12:30	GE	Consumer Price Index (YoY)	DEC F	0.80%	--	0.80%
01/14/2010 15:30	EC	Euro-Zone Ind. Prod. sa (MoM)	NOV	0.50%	--	-0.60%
01/14/2010 15:30	EC	Euro-Zone Ind. Prod. wda (YoY)	NOV	-8.40%	--	-11.10%
01/14/2010 18:15	EC	ECB Announces Interest Rates	14-Jan	1.00%	--	1.00%
01/14/2010 19:00	US	Import Price Index (MoM)	DEC	0.00%	--	1.70%
01/14/2010 19:00	US	Import Price Index (YoY)	DEC	8.60%	--	3.70%
01/14/2010 19:00	US	Advance Retail Sales	DEC	0.50%	--	1.30%
01/14/2010 19:00	US	Retail Sales Less Autos	DEC	0.30%	--	1.20%
01/14/2010 19:00	US	Retail Sales Ex Auto & Gas	DEC	0.40%	--	0.60%
01/14/2010 19:00	US	Initial Jobless Claims	10-Jan	435K	--	434K
01/14/2010 19:00	US	Continuing Claims	3-Jan	4750K	--	4802K
01/14/2010 20:30	US	Business Inventories	NOV	0.20%	--	0.20%
01/15/2010 12:30	EC	EU 25 New Car Registrations	DEC	--	--	26.90%
01/15/2010 12:30	GE	Wholesale Price Index (MoM)	DEC	0.50%	--	0.70%
01/15/2010 12:30	GE	Wholesale price Index (YoY)	DEC	0.50%	--	-3.20%
01/15/2010 15:30	EC	Euro-Zone CPI (MoM)	DEC	0.30%	--	0.10%
01/15/2010 15:30	EC	Euro-Zone CPI (YoY)	DEC	0.90%	--	0.50%
01/15/2010 15:30	EC	Euro-Zone CPI - Core (YoY)	DEC	1.00%	--	1.00%
01/15/2010 15:30	EC	Euro-Zone Trade Balance	NOV	7.0B	--	8.8B
01/15/2010 15:30	EC	Euro-Zone Trade Balance sa	NOV	5.0B	--	6.3B
01/15/2010 19:00	US	Consumer Price Index (MoM)	DEC	0.20%	--	0.40%
01/15/2010 19:00	US	CPI Ex Food & Energy (MoM)	DEC	0.10%	--	0.00%
01/15/2010 19:00	US	Consumer Price Index (YoY)	DEC	2.80%	--	1.80%
01/15/2010 19:00	US	CPI Ex Food & Energy (YoY)	DEC	1.80%	--	1.70%
01/15/2010 19:00	US	CPI Core Index SA	DEC	--	--	220.527
01/15/2010 19:00	US	Consumer Price Index NSA	DEC	215.92	--	216.33
01/15/2010 19:00	US	Empire Manufacturing	JAN	12	--	2.55
01/15/2010 19:45	US	Industrial Production	DEC	0.60%	--	0.80%
01/15/2010 19:45	US	Capacity Utilization	DEC	71.70%	--	71.30%
01/15/2010 20:25	US	U. of Michigan Confidence	JAN P	74	--	72.5

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