

BULLION WEEKLY

A Weekly Report on Gold & Silver

Gold: Weekly Review

Gold lost more than 0.7 percent in the last week as gains in the penultimate week allured many investors to take some money off the table. Though, gold advanced in the beginning of week on speculation that the US may continue with lower interest rates for an extended period of time. The dollar remained weak through the week on lower interest rates, rising deficits and declining retail sales. Obama's "bank tax" also increased concerns over the health and profitability of the nation's financial institutions. However, a significant fall in the US continuing claims, narrowing euro zone trade surplus and improving empire manufacturing index in the US helped the dollar improve and trim its weekly losses. Gold lost \$13 on Friday and closed at \$1,130/oz. Crude oil also fell more than 5 percent on lackluster energy demand due to continue to warm weather.

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)	1139.20	1163.00	1118.50	1130.50	-0.74%	929869	13.04%	255635	-15.92%
	Gold (Apr 10)	1142.00	1166.70	1119.80	1131.80	-0.75%	121524	79.56%	113508	58.43%
MCX (Rs/10 grams)	Gold (Feb 10)	16911.00	17104.00	16655.00	16853.00	-0.28%	217282	-9.50%	15335	-10.97%
	Gold (Apr 10)	17080.00	17160.00	16722.00	16913.00	-0.26%	8932	6.70%	4375	15.01%

MCX gold prices fluctuated in a narrow range of Rs. 16,655 – Rs. 17,104/10 gm and closed 0.28 percent lower at Rs. 16,853/10 gm on Friday. Indian rupee, though, settled the week at break-even but witnessed an appreciation of as much as 1.06 percent during the week. Stronger rupee makes gold cheaper in India.

Commodity Futures Trading Commission (CFTC) Report

Non-commercial holders increased their net long positions by 0.7 percent to 229,342 contracts in the most recent week from 227,767 contracts in the week before. Speculators took nearly 19 percent fresh short positions thinking current prices are higher while added merely 3 percent to their long positions. Commercial holders added 2.30 percent fresh long positions and 1.64 percent short positions. Total long positions and short positions rose 4.31 percent and 4.35 percent, respectively.

CFTC Report - Gold			
Non-Commercial	1/12/2010	1/5/2010	% Change
Long	271260	263008	3.14%
Short	41918	35241	18.95%
Spreading	75955	67958	11.77%
Commercial			
Long	100451	98195	2.30%
Short	382939	376746	1.64%
Total			
Long	447666	429161	4.31%
Short	500812	479945	4.35%

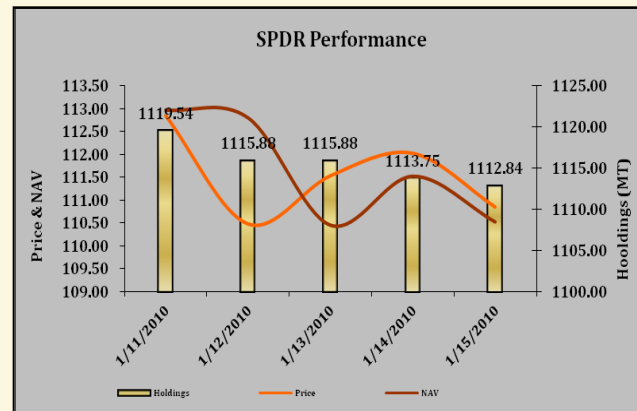
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Investment Demand - SPDR ETF Performance

SPDR Gold Trust, the world's largest ETF backed by bullion, sold 6.7 MT during the last week. SPDR gold trust continues to be the net seller of its gold holdings for the last two weeks.

Holdings in the SPDR ETF were recorded at 1112.84 MT as on Jan 15, according to company website.



Major Economic Events during the week

- **US Trade Deficit** widened to \$36.40 bn in November from \$32.90 bn in the month before. **The federal budget deficit** also increased to \$91.9 bn for December month as compared to \$51.8 bn in November.
- **Euro zone Industrial Production** rose 1 percent in November after the same declined by 0.6 percent in the month before.
- **European Central Bank** kept its benchmark interest rate unchanged at 1 percent.
- **US Advance Retail Sales** unexpectedly fell by 0.3 percent in December against 1.3 percent rise in November.
- **Euro Zone CPI**, inflation measure, rose 0.3 percent in December against 0.1 percent in November.
- **Euro Zone Trade Surplus** narrowed down to €3.9 bn for November month from €6.3 bn in the month before.
- **US CPI**, inflation measure, eased to 0.1 percent in December from 0.4 percent in November.

Outlook

*The US dollar may gain initially on rising TIC flows but could slide later in the week on dicey situations in the nation's housing sector. Manufacturing activities are also likely to cool as suggested by the Philadelphia index, followed by lowering growth in leading indicators. Moreover, euro zone PMI indicators are expected to improve which may drive down the dollar. **On that note, we may see some gains in bullion markets. However, an increase of 19 percent in speculators' short positions last week suggests a different mood of the market. Markets may resort to actual economic data releases for a clear direction.***

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Technical Analysis - Gold

Gold prices could not keep up the positive momentum of the previous week as prices traded lower posting a low of \$1121 and closed at \$1130.1 losing \$12.9 in last week's trading. Market failed to close above 50% retracement level (\$1147) for its recent fall from \$1226-\$1075 levels in last week. Prices are witnessing a support of \$1112-\$1115 levels and a breach below these levels may push prices further lower in the near term. However, sustain above the same may help prices to trade sideways in the short term. A key level to watch out on the higher side would be \$1147 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 0.63 levels suggesting a lower side price correction in the near term.

Outlook

We expect prices to trade lower and test support levels of \$1112-\$1115 levels. However, failing to breach these levels we expect market to bounce back and trade higher for the week.



Exchange	S2	S1	R1	R2
February Gold - Comex	\$1,095	\$1,112 - \$1,115	\$1,130	\$1,148
February Gold - MCX	Rs. 16,600	Rs. 16,740	Rs. 16,940	Rs. 17,100
COMEX Recommendation	Sideways			
Gold-Mini Jan MCX	Sideways			

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Silver: Weekly Review

Comex silver also witnessed some profit booking which resulted in marginal losses in the metal last week. Silver traded in the range of \$18.16 - \$18.93/oz before closing 0.23 percent down at \$18.43/oz on Friday. London Metal Exchange Index closed slightly up by 0.38 percent. MCX silver saw minor gains last week as the metal closed 0.13 percent up at Rs. 28,275/kg.

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)	18.51	18.93	18.16	18.43	-0.23%	145479	-10.54%	80067	-0.14%
	Silver (May 10)	18.68	18.90	18.23	18.45	-0.23%	7006	92.95%	14108	9.00%
MCX (Rs/1kg)	Silver (Mar 10)	28280.00	28590.00	27865.00	28275.00	0.13%	210245	-25.74%	12719	-7.28%
	Silver (May 10)	28468.00	28776.00	28001.00	28466.00	0.18%	5036	-42.13%	1375	7.09%

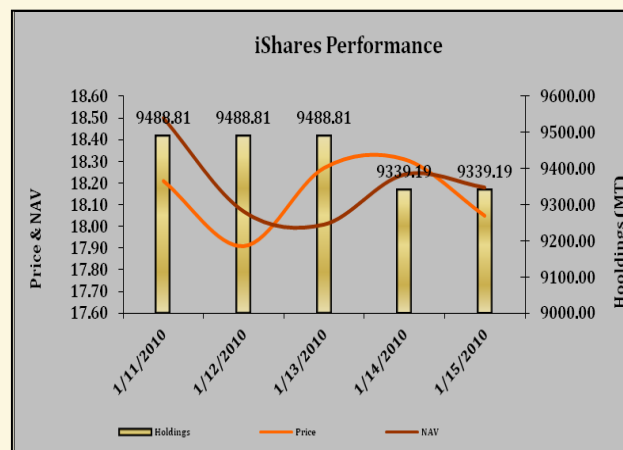
Commodity Futures Trading Commission (CFTC) Report

Non-commercial holders added nearly 10 percent fresh long positions while more than 13 percent short positions were closed (short-covering) for the week ended on Jan 12. An increase in long positions coupled with short covering suggests speculators are bullish on silver prices. On the contrary, commercial holders shorted silver by more than 5 percent.

CFTC Report - Silver			
Non-Commercial	1/12/2010	1/5/2010	% Change
Long	48703	44312	9.91%
Short	4175	4813	-13.26%
Spreading	23583	22940	2.80%
Commercial			
Long	26124	26098	0.10%
Short	87870	83488	5.25%
Total			
Long	98410	93350	5.42%
Short	115628	111241	3.94%

Investment Demand - iShares Silver Trust Performance

Ishares silver trust sold 149.62 MT of silver during the last week. Holdings in the trust now stand at 9339.19 MT as on Jan 15, according to company website.



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Technical Analysis - Silver

Silver prices after gaining as much as 10% in the previous week traded lower taking a correction as it posted a low of 18.24 and closed at 18.41 in last week's trading. Market is witnessing a support at 18.00 levels and a breach of these levels may push prices to test 17.80 on the lower side. Conversely sustain above the same may help the market to trade higher in the short term.

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 0.60 levels showing potential for prices to trade higher in the short term.

Outlook:

Initially we expect prices to take lower side correction up to \$17.80 levels and bounce back from these levels.



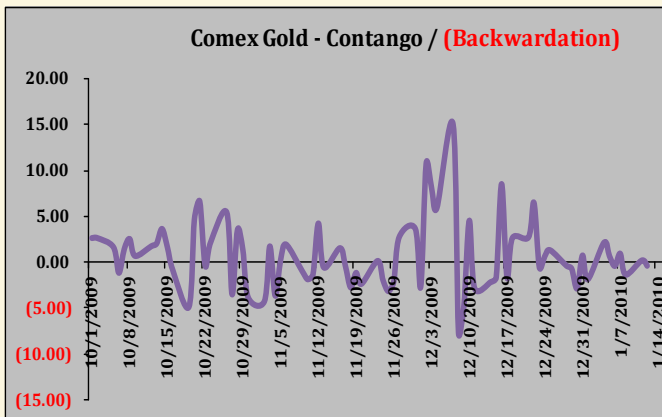
Exchange	S2	S1	R1	R2
March Silver - Comex	\$17.80	\$18.00	\$18.50	\$19.00
March Silver - MCX	Rs. 27,680	Rs. 28,000	Rs. 28,400	Rs. 28,600
COMEX Recommendation	Sideways			
Silver-Mini Mar MCX	Buy in the range 28000-28040 targeting 28400 then 28600 with stop loss below 27680.			

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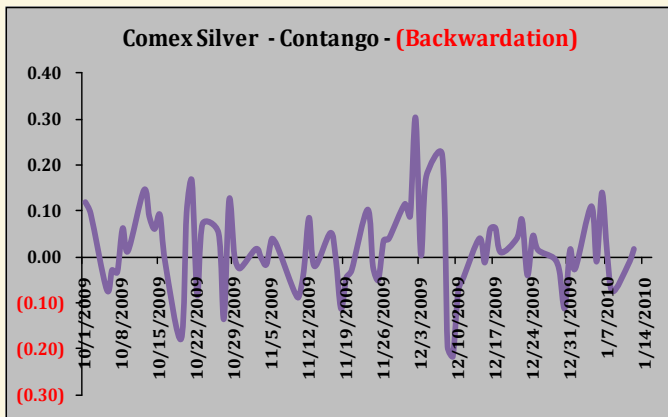
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Basis Charts

Backwardation is a market where spot prices exceed future prices while **Contango** is the opposite condition, where future prices exceed spot prices. We have 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.

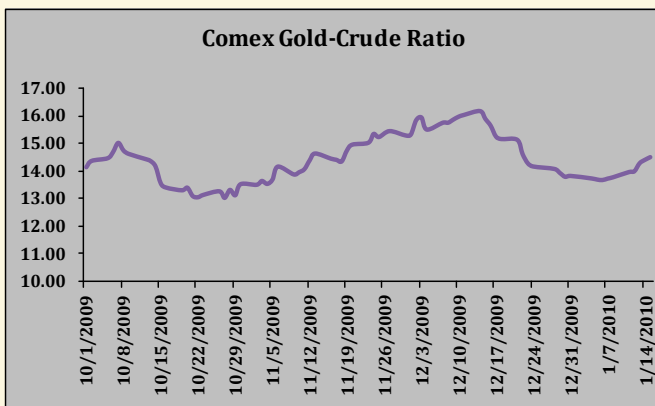


Spot gold closed at \$1,130.93/oz while futures ended at \$1,130.50/oz. **Markets closed in backwardation at 0.43.**

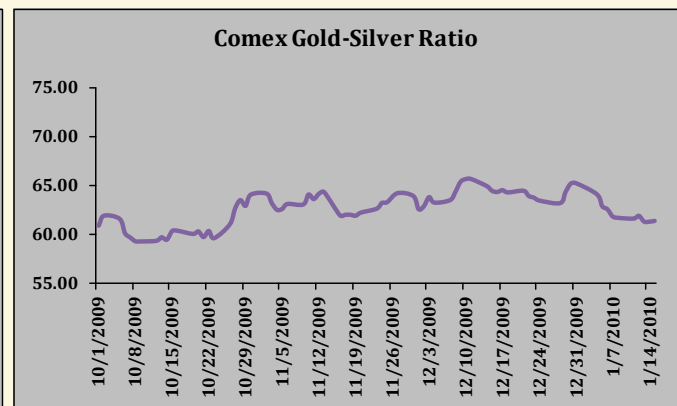


Future prices closed at \$18.43/oz, 2 cents higher than spot prices.

Ratio Charts



The Comex Gold-Crude ratio for the week increased to 14.49 from 13.76 in the previous week. Crude fell more than 5 percent while gold lost merely 0.7 percent last week.

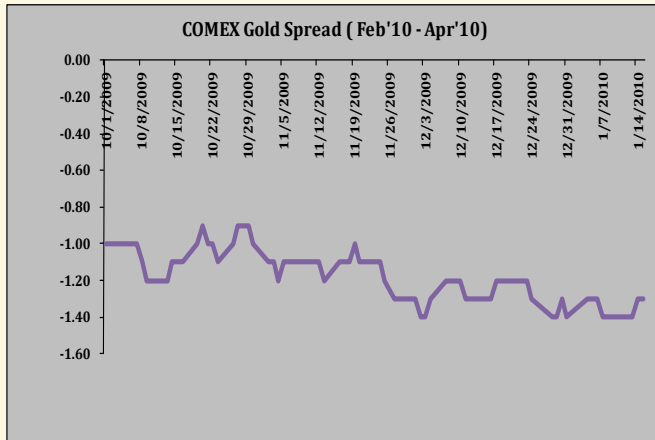


The Comex Gold-Silver ratio moved in a very thin range. The ratio trimmed to 61.35 from 61.66 in the week before.

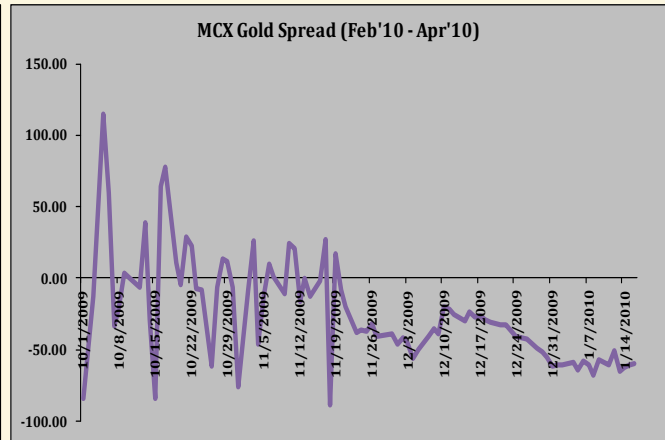
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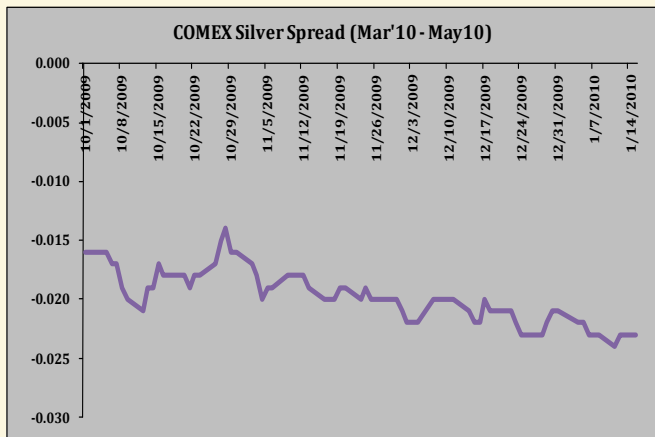
Calendar Spreads: Calendar Spread is the difference between the two futures contracts, far-month-contract and near-month-contract. For gold, we have considered Feb'10 and Apr'10 at both COMEX and MCX while for silver, Mar'10 and May'10 contracts at both COMEX and MCX have been taken into account for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



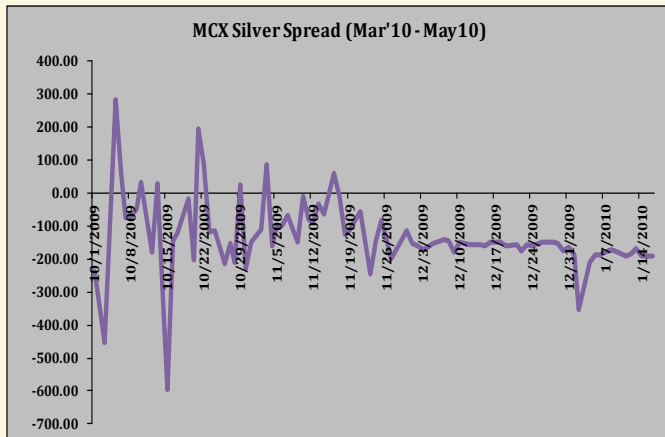
The spread between Gold Feb'10 and Apr'10 contracts closed at -1.30 during the week, meaning far month contract closed \$1.30/oz higher than near month contract.



The spread between MCX Gold Feb'10 and Apr'10 closed at -60.



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 -191 levels.

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Economic Events during this week

Date Time		Event		Survey	Actual	Prior	Revised
01/19/2010 15:30	EC	Construction Output SA MoM	NOV	--	--	-0.60%	--
01/19/2010 15:30	EC	Construction Output WDA YoY	NOV	--	--	-7.70%	--
01/19/2010 15:30	EC	ZEW Survey (Econ. Sentiment)	JAN	48	--	48	--
01/19/2010 15:30	GE	ZEW Survey (Econ. Sentiment)	JAN	50	--	50.4	--
01/19/2010 15:30	GE	Zew Survey (Current Situation)	JAN	-56.2	--	-60.6	--
01/19/2010 19:30	US	Net Long-term TIC Flows	NOV	\$27.5B	--	\$20.7B	--
01/19/2010 19:30	US	Total Net TIC Flows	NOV	--	--	-\$13.9B	--
01/19/2010 23:30	US	NAHB Housing Market Index	JAN	17	--	16	--
01/20/2010 03:30	US	ABC Consumer Confidence	18-Jan	-42	--	-47	--
01/20/2010 12:30	GE	Producer Prices (MoM)	DEC	0.20%	--	0.10%	--
01/20/2010 12:30	GE	Producer Prices (YoY)	DEC	-5.10%	--	-5.90%	--
01/20/2010 17:30	US	MBA Mortgage Applications	16-Jan	--	--	14.30%	--
01/20/2010 19:00	US	Producer Price Index (MoM)	DEC	0.00%	--	1.80%	--
01/20/2010 19:00	US	PPI Ex Food & Energy (MoM)	DEC	0.10%	--	0.50%	--
01/20/2010 19:00	US	Producer Price Index (YoY)	DEC	4.50%	--	2.40%	--
01/20/2010 19:00	US	PPI Ex Food & Energy (YoY)	DEC	1.00%	--	1.20%	--
01/20/2010 19:00	US	Housing Starts	DEC	575K	--	574K	--
01/20/2010 19:00	US	Building Permits	DEC	580K	--	584K	589K
01/21/2010 07:30	CH	Real GDP YoY	4Q	10.50%	--	8.90%	--
01/21/2010 07:30	CH	Producer Price Index (YoY)	DEC	0.70%	--	-2.10%	--
01/21/2010 07:30	CH	Purchasing Price Index (YoY)	DEC	0.50%	--	-3.60%	--
01/21/2010 07:30	CH	Consumer Price Index (YoY)	DEC	1.40%	--	0.60%	--
01/21/2010 07:30	CH	Retail Sales (YoY)	DEC	16.30%	--	15.80%	--
01/21/2010 07:30	CH	Retail Sales YTD YoY	DEC	15.40%	--	15.30%	--
01/21/2010 07:30	CH	Industrial Production (YoY)	DEC	19.60%	--	19.20%	--
01/21/2010 07:30	CH	Fixed Assets Inv Urban YTD YoY	DEC	31.50%	--	32.10%	--
01/21/2010 07:30	CH	Industrial Production YTD YoY	DEC	11.40%	--	10.30%	--
01/21/2010 12:00	IN	Primary Articles WPI YoY	9-Jan	--	--	--	--
01/21/2010 12:00	IN	Fuel Power Light WPI YoY	9-Jan	--	--	--	--
01/21/2010 14:00	GE	PMI Manufacturing	JAN A	52.9	--	52.7	--
01/21/2010 14:00	GE	PMI Services	JAN A	53	--	52.7	--
01/21/2010 14:30	EC	ECB Publishes Jan. Monthly Report	21-Jan				
01/21/2010 14:30	EC	PMI Services	JAN A	53.8	--	53.6	--
01/21/2010 14:30	EC	PMI Manufacturing	JAN A	51.9	--	51.6	--
01/21/2010 14:30	EC	PMI Composite	JAN A	54.4	--	54.2	--
01/21/2010 19:00	US	Initial Jobless Claims	17-Jan	440K	--	444K	--
01/21/2010 19:00	US	Continuing Claims	10-Jan	4600K	--	4596K	--
01/21/2010 19:30	US	RPX Composite 28dy YoY	NOV	--	--	-7.46%	--
01/21/2010 19:30	US	RPX Composite 28dy Index	20-Nov	--	--	193.43	--
01/21/2010 20:30	US	Philadelphia Fed.	JAN	19.4	--	20.4	22.5
01/21/2010 20:30	US	Leading Indicators	DEC	0.70%	--	0.90%	--
01/22/2010 15:30	EC	Industrial New Orders SA (MoM)	NOV	0.50%	--	-2.20%	-2.10%
01/22/2010 15:30	EC	Industrial New Orders SA (YoY)	NOV	-7.10%	--	-14.50%	-14.40%

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