

BULLION WEEKLY

A Weekly Report on Gold & Silver

Gold: Weekly Review

Gold witnessed huge volatility last week because of some sudden news appearing in the market place and creating clutter in bullion markets. Gold, however, absorbed these news and ended nearly 3 percent higher at \$1,122.10/oz on Comex, shaking off gains in the dollar index last week. The greenback rose to nearly eight-month high and settled the week with more than 0.5 percent gains against a basket of six major currencies. The euro fell as much as to 1.3444 versus the dollar.

The week commenced with heavy surge in gold prices when investors bought the yellow metal as a hedge against increased risks in European region. European finance ministers didn't mention any rescue plans if Greece continues to be unable to contain its budget deficit. Thereafter, gold's further gains were squeezed by IMF's gold sale news and the Fed also raising its discount rate. Although IMF said it will sell gold in a phased out manner and thus will not lead to any market disruptions, yet markets saw a knee-jerk reaction. Furthermore, the Fed raised its discount rate; rate the Fed charges banks for overnight loans, and lifted the dollar which capped the upside of gold prices. Gold traded in the range of \$1,092 - \$1,128.70/oz on Comex.

Gold prices were also supported by higher crude oil prices which rose more than 7.5 percent to \$79.81/barrel last week. Moreover, investment demand was also seen when SPDR's gold holdings rose by 1.22 MT to 1107.60 MT last week ended on Feb 19.

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 (Apr 10)	1093.70	1128.70	1092.00	1122.10	2.94%	696137	-16.31%	294516	7.84%
	Gold (Jun 10)	1095.40	1129.80	1094.20	1123.30	2.95%	18010	-3.18%	58936	2.61%
MCX (Rs/10 grams)	Gold (Apr 10)	16509.00	16880.00	16473.00	16816.00	1.90%	236733	-2.31%	13833	-1.04%
	Gold (Jun 10)	16579.00	16948.00	16543.00	16889.00	1.90%	6924	-12.66%	1073	0.19%

Gains in domestic gold prices were relatively moderate because of an appreciation in rupee which brings down the parity price of gold in India. Rupee gained as much as 0.79 percent to 46.1350/USD and closed the week at 46.3056, an appreciation of 0.42 percent. MCX gold futures for April month delivery fluctuated between Rs. 16,473 and Rs. 16,880/10 gm before ending 1.90 percent higher at Rs. 16,816/10 gm.

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Commodity Futures Trading Commission (CFTC) Report

Non-commercial holders covered their short positions by more than 13 percent and thus bringing down their total short positions to 35,857 for the week ended Feb 16. Net long positions rose nearly 1 percent to 224,715 contracts. Commercial holders' long positions fell nearly 5 percent to 105,334 contracts and thus suggesting long liquidation. Short covering by speculators supported gold prices during the said period.

CFTC Report - Gold			
Non-Commercial	2/16/2010	2/9/2010	% Change
Long	224715	222775	0.87%
Short	35857	41256	-13.09%
Spreading	68959	70832	-2.64%
Commercial			
Long	105334	110759	-4.90%
Short	325212	324186	0.32%
Total			
Long	399008	404366	-1.33%
Short	430028	436274	-1.43%

Major Economic Events during the last week

- **US - Manufacturing activities** improved in the month of February month as Empire Manufacturing index improved to 24.91 from prior level of 15.92 while Philadelphia fed index rose to 17.4 from 15.2 previously.
- **US - Net Long Term TIC inflows** halved to \$63.3 bn in December from \$126.8 bn in January.
- **US - Housing starts** rose to 591,000 units in January from 557,000 units in the previous month while **building permits** declined to 621,000 units from prior 653,000 units.
- **US - Industrial Production** increased by 0.90 percent in January from 0.60 percent growth seen in the month before.
- **US** cut down its **monthly budget deficit** to \$42.5 bn in Jan'10 from \$63.5 bn previously.
- **US - Initial jobless** claims rose unexpectedly to 473,000 claimants while **continuing claims** also accumulated up to 4,563,000 claimants for their respective period.
- **Euro Zone consumer confidence** fell to -17 from -16 earlier.

Fundamental Outlook: *The upcoming week will see a string of data both from the US and euro zone which appear mixed. However, moderate growth in the US housing sector data in the form of new home sales and existing home sales suggest an improvement which may support the US dollar. Another important trigger is durable goods orders which also grew and thus look supportive for the US dollar. Euro zone confidence data are likely to turn stable or slightly positive which may help euro. Bullion's current momentum may be challenged by expected gains in the dollar index. However, actual data and any technical breakouts will confirm the further trend in bullion markets. Gold's important technical breakout level would be \$1,128/oz which will provide further direction.*

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Technical Analysis - Gold

Gold prices continuing the previous week's trend travelled north, after posting a high of \$1128.70 it closed at \$1122.10 in last week's trading. In last week, market was seen struggling to break the week high of \$1128.70 posted in the mid of the week and significant break above the same may fuel the prices further higher in the near term. A key support on the lower side is seen around \$1096-\$1100 levels and sustain above the same may keep the hopes of the bulls alive for further higher side rally.



Market took 38.2% retracement (\$1113) for its fall from \$1229 to \$1044.5 levels and has the potential to take 50% & 61.4% correction in the short term.

Market is trading above 10 & 20 week EMA rendering higher side price movement in the short term. The momentum indicator RSI (14) in weekly charts is trading at 0.58 levels showing higher potential.

Overall, we expect prices to trade sideways to higher and pick up the higher side momentum upon breach of \$1128.70 levels.

Exchange	S2	S1	R1	R2
April Gold - Comex	\$1,088	\$1,096	\$1,142	\$1,160
April Gold - MCX	Rs. 16,640	Rs. 16,720	Rs. 16,900	Rs. 17,140
COMEX Recommendation	Sideways to higher			
Gold-Mini Jan MCX	Buy on break of 16,900 targeting 16,980 then 17,060 with stop loss below 16,820			

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Silver: Weekly Review

Silver futures for March delivery rose for the second week by 6.25 percent and closed at \$16.41/oz on Comex, tracking gains in both gold and base metals. Base metals' complex on LME saw a significant upside of more than 8 percent which extended cues to the white metal also. Rising equity markets also lent some support to silver prices. The MSCI world index for stocks rose nearly 2.5 percent. Ishares silver holdings remained unchanged at 9446.40 MT for the week ended on Feb 19, 2010.

Domestic silver futures rose 4.31 percent to Rs. 25,513/kg last week before fluctuating between Rs. 24,363 and Rs. 25,622/kg last week. Gains in Indian rupee could be attributed to relatively lower gains in MCX silver prices. Indian rupee closed at 46.3065/USD, an appreciation of 0.42 percent from the penultimate week.

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)	15.57	16.51	15.45	16.41	6.25%	167161	-14.74%	37476	-18.43%
	Silver (May 10)	15.60	16.54	15.50	16.44	6.25%	42182	31.70%	40502	26.30%
MCX (Rs/1kg)	Silver (Mar 10)	24485.00	25622.00	24363.00	25513.00	4.31%	276321	-8.25%	13658	-25.09%
	Silver (May 10)	24511.00	25825.00	24511.00	25704.00	4.19%	18318	59.00%	4204	32.37%

Commodity Futures Trading Commission (CFTC) Report

CFTC reports suggest speculators' long positions rising by 6.7 percent and an increase of 1.8 percent in their short positions. More speculators went long in silver for the week ended on Feb 16 and supported silver prices to rise. Total long and short positions increased by 3.18 percent and 1.21 percent, respectively.

CFTC Report - Silver			
Non-Commercial	2/16/2010	2/9/2010	% Change
Long	34615	32438	6.71%
Short	9237	9073	1.81%
Spreading	22395	22446	-0.23%
Commercial			
Long	35553	34830	2.08%
Short	73779	72630	1.58%
Total			
Long	92563	89714	3.18%
Short	105411	104149	1.21%

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Technical Analysis - Silver

Silver prices on Comex took a sharp higher side price correction as this precious metal after opening at \$15.56, posted a high of \$16.51 and ended the week at \$16.32 on a very positive note. Market is facing a stiff resistance at \$17.30 levels, failing to breach these levels we may see prices trading sideways in the near term. A key support on the lower side is seen at \$15.80 levels



and a break of these levels may trigger the bearish trend again in the short term. Market is still trading below 10 & 20 week EMA suggesting a lower side price movement in the short term. However, the momentum indicator RSI (14) in weekly charts is trading at 0.50 levels showing higher potential.

We expect prices to trade sideways to higher and pick up momentum upon breach of \$17.30 levels.

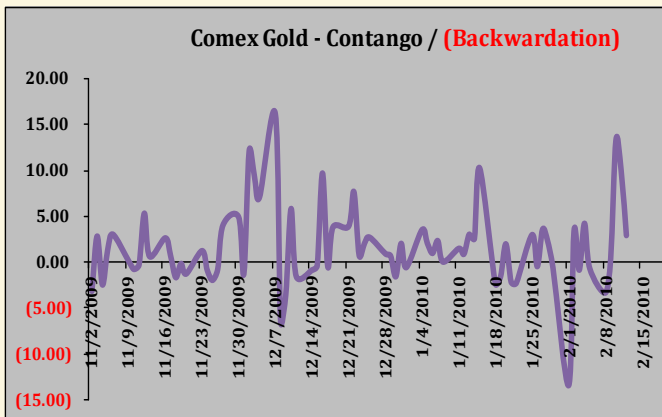
Exchange	S2	S1	R1	R2
March Silver - Comex	\$15.00	\$15.80	\$17.30	\$17.80
March Silver - MCX	Rs. 24,800	Rs. 25,400	Rs. 25,720	Rs. 26,000
COMEX Recommendation	Sideways to higher			
Silver-Mini Mar MCX	Buy at 25,400-420 targeting 25,720 then 26,000 with stop loss below 25,240			

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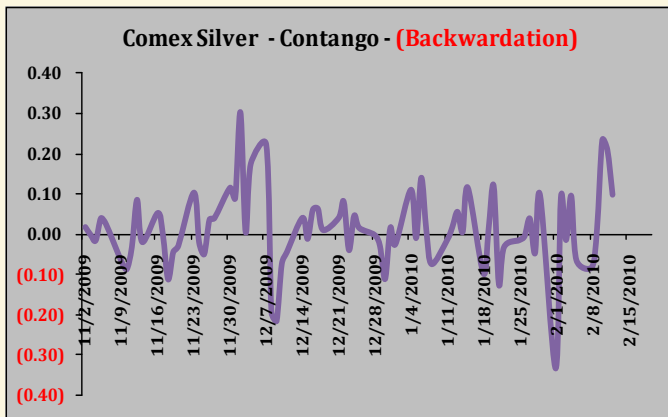
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Basis Charts

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 April 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.

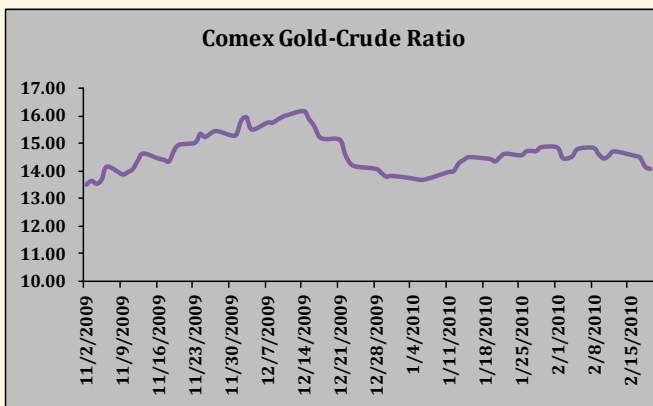


Spot gold closed at \$1,119.20/oz while futures ended at \$1,122.10/oz. **Markets closed in Contango at 2.90.**

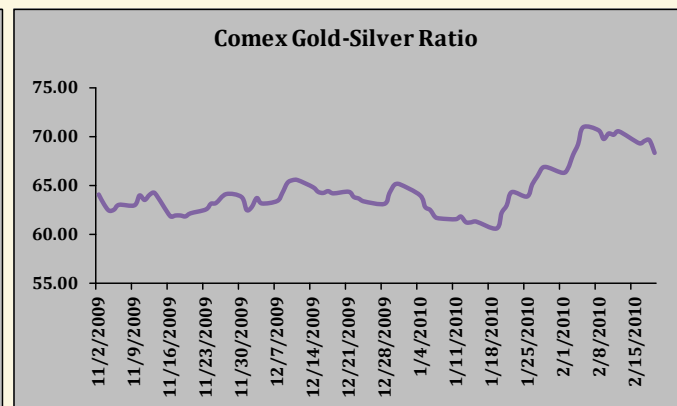


Spot silver closed at \$16.32/oz while Future prices closed at \$16.41/oz, **meaning a Contango of 0.09.**

Ratio Charts



The Comex Gold-Crude ratio for the week fell to 14.06 from 14.70 in the previous week because of crude oil rising more than gold.

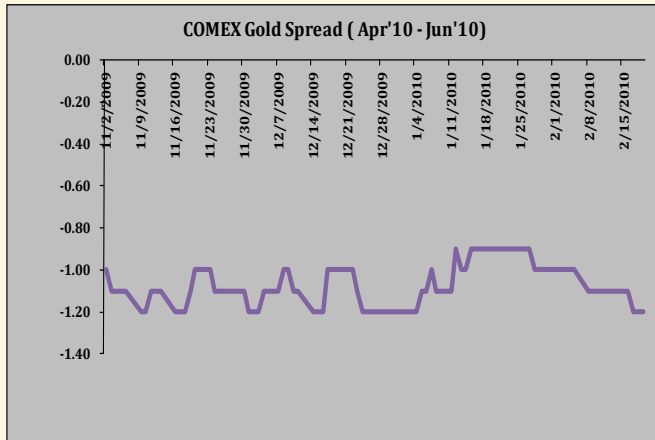


The Comex Gold-Silver ratio fell to 68.37 last week from 70.56 the week before, because of silver rising more than gold.

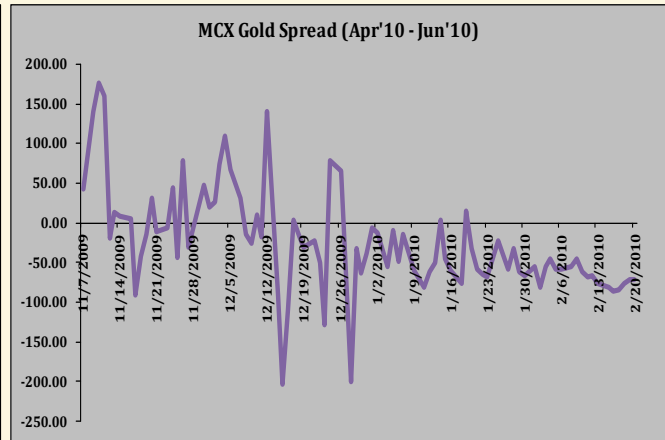
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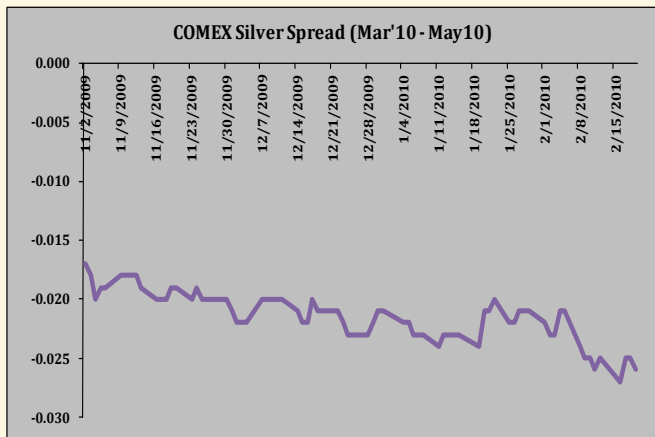
Calendar Spreads: Calendar Spread is the difference between the two futures contracts, far-month-contract and near-month-contract. For gold, we have considered Apr'10 and Jun'10 at both COMEX and MCX while for silver, Mar'10 and May'10 contracts at both COMEX and MCX have been taken into account for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



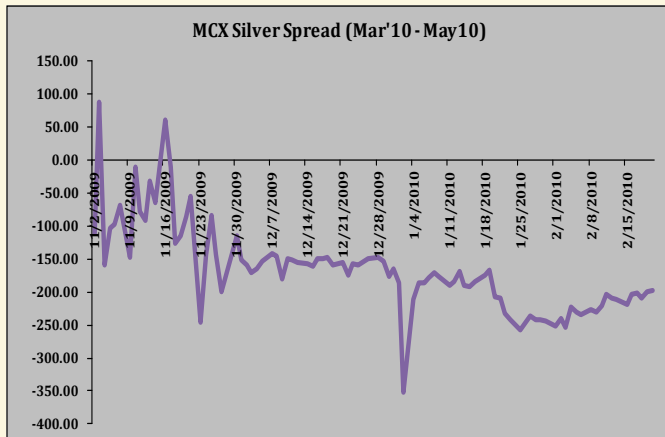
The spread between Gold Feb'10 and Apr'10 contracts closed at -1.20 during the week, meaning far month contract closed higher than near month contract.



The spread between MCX Gold Feb'10 and Apr'10 closed at -68.



The spread between Silver Mar'10 and May'10 continued to remain thin at -0.026.



The spread between Silver Mar'10 and May'10 contracts closed at -198 levels.

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Economic Events during this week

Date Time		Event		Survey	Actual	Prior	Revised
02/22/2010 19:00	US	Chicago Fed Nat Activity Index	JAN	-0.19	--	-0.61	--
02/22/2010 21:00	US	Dallas Fed Manf. Activity	FEB	10.00%	--	8.30%	--
02/23/2010 20:30	US	Richmond Fed Manufact. Index	FEB	1	--	-2	--
02/23/2010 20:30	US	Consumer Confidence	FEB	55	--	55.9	--
02/24/2010 03:30	US	ABC Consumer Confidence	22-Feb	--	--	-49	--
02/24/2010 12:30	GE	GDP s.a. (QoQ)	4Q F	0.00%	--	0.00%	--
02/24/2010 12:30	GE	GDP wda (YoY)	4Q F	-2.40%	--	-2.40%	--
02/24/2010 12:30	GE	GDP nsa (YoY)	4Q F	-1.70%	--	-1.70%	--
02/24/2010 15:30	EC	Industrial New Orders SA (MoM)	DEC	-1.00%	--	1.60%	2.70%
02/24/2010 15:30	EC	Industrial New Orders SA (YoY)	DEC	7.60%	--	-1.50%	-0.50%
02/24/2010 17:30	US	MBA Mortgage Applications	20-Feb	--	--	-2.10%	--
02/24/2010 20:30	US	New Home Sales	JAN	355K	--	342K	--
02/24/2010 20:30	US	New Home Sales MoM	JAN	3.80%	--	-7.60%	--
02/25/2010 14:25	GE	Unemployment Change (000's)	FEB	16K	--	6K	--
02/25/2010 14:25	GE	Unemployment Rate (s.a)	FEB	8.20%	--	8.20%	--
02/25/2010 14:30	EC	Euro-Zone M3 s.a. (YoY)	JAN	0.00%	--	-0.20%	--
02/25/2010 14:30	EC	Euro-Zone M3 s.a. 3 mth ave.	JAN	-0.10%	--	-0.10%	--
02/25/2010 15:30	EC	Business Climate Indicator	FEB	-1.05	--	-1.12	--
02/25/2010 15:30	EC	Euro-Zone Indust. Confidence	FEB	-13	--	-14	--
02/25/2010 15:30	EC	Euro-Zone Consumer Confidence	FEB F	-17	--	-17	--
02/25/2010 15:30	EC	Euro-Zone Economic Confidence	FEB	96.4	--	95.7	--
02/25/2010 15:30	EC	Euro-zone Services Confidence	FEB	-1	--	-1	--
02/25/2010 19:00	US	Durable Goods Orders	JAN	1.50%	--	0.30%	1.00%
02/25/2010 19:00	US	Durables Ex Transportation	JAN	0.90%	--	0.90%	1.40%
02/25/2010 19:00	US	Initial Jobless Claims	21-Feb	458K	--	473K	--
02/25/2010 19:00	US	Continuing Claims	14-Feb	4570K	--	4563K	--
02/25/2010 20:30	US	House Price Index MoM	DEC	0.40%	--	0.70%	--
02/25/2010 20:30	US	House Price Purchase Index QoQ	4Q	--	--	--	--
02/26/2010	IN	Qtrly GDP YoY%	4Q	7.50%	--	7.90%	--
02/26/2010	IN	India Union Budget FY11	26-Feb				
02/26/2010 15:30	EC	Euro-Zone CPI (MoM)	JAN	-0.70%	--	0.30%	--
02/26/2010 15:30	EC	Euro-Zone CPI (YoY)	JAN	1.00%	--	0.90%	--
02/26/2010 15:30	EC	Euro-Zone CPI - Core (YoY)	JAN	1.00%	--	1.10%	--
02/26/2010 19:00	US	GDP QoQ (Annualized)	4Q S	5.70%	--	5.70%	--
02/26/2010 19:00	US	Personal Consumption	4Q S	2.00%	--	2.00%	--
02/26/2010 19:00	US	GDP Price Index	4Q S	0.60%	--	0.60%	--
02/26/2010 19:00	US	Core PCE QoQ	4Q S	1.40%	--	1.40%	--
02/26/2010	GE	Consumer Price Index (MoM)	FEB P	0.50%	--	-0.60%	--
02/26/2010	GE	Consumer Price Index (YoY)	FEB P	0.70%	--	0.80%	--
02/26/2010 20:15	US	Chicago Purchasing Manager	FEB	59	--	61.5	--
02/26/2010 20:25	US	U. of Michigan Confidence	FEB F	74	--	73.7	--
02/26/2010 20:30	US	Existing Home Sales	JAN	5.50M	--	5.45M	--
02/26/2010 20:30	US	Existing Home Sales MoM	JAN	0.90%	--	-16.70%	--

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