

BULLION WEEKLY

A Weekly Report on Gold & Silver

Gold: Weekly Review

Gold advanced 1.46 percent to close at \$1,135.20/oz last week after having declined 0.29 percent in the week before. Moderating sovereign debt concerns in Greece spurred buying of precious metals as a hedge against currency market fluctuations. Greece taking active measures to cut its burgeoning fiscal deficit underpinned the euro which showed good resistance and lost only 0.04 percent against the dollar. The dollar index gained 0.09 percent because of depreciation in the Japanese yen. During the week, gold rose to nearly 6-1/2-week high of \$1,145.80/oz which led to some profit booking and thus pushed the metal down to close at \$1,135.20/oz. Crude oil prices also soared 2.31 percent to \$81.50/barrel and led gains in gold prices. Investment demand coming from ETFs also supported gold prices. SPDR gold holdings scaled higher to 1116.12 MT, an increase of 9.13 MT during the week. The MSCI world index for stocks was also up by 3.27 percent last week.

CFTC reports suggest that non-commercial traders added 2.86 percent fresh long positions and thus **increased the net long positions by 3.36 percent** to 207,372 contracts from 200,622 contracts earlier. Commercial traders also increased their long positions by more than 4 percent. However, total long positions and short positions increased by 4.06 percent and 5.26 percent, respectively.

CFTC Report - Gold			
Non-Commercial	3/2/2010	2/23/2010	% Change
Long	239765	233106	2.86%
Short	32393	32484	-0.28%
Spreading	72852	67508	7.92%
Commercial			
Long	101700	97536	4.27%
Short	353237	335580	5.26%
Total			
Long	414317	398150	4.06%
Short	458482	435572	5.26%

Price Performance

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)	1119.70	1145.80	1112.10	1135.20	1.46%	769054	-5.21%	282021	3.02%
	Gold (Jun 10)	1120.40	1146.60	1113.50	1136.50	1.46%	54514	111.22%	83835	30.15%
MCX (Rs/10 grams)	Gold (Apr 10)	16812.00	17095.00	16640.00	16907.00	0.70%	196278	-21.57%	14041	4.76%
	Gold (Jun 10)	16892.00	17151.00	16751.00	16985.00	0.71%	6916	-7.12%	1435	14.80%

Gains in MCX gold futures were limited due to significant appreciation in Indian rupee which gained more than 1 percent against the dollar. MCX gold futures closed 0.7 percent higher at Rs. 16,907/10 gm.

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Major Economic Events during the last week

- **Euro Zone – Unemployment rate** fell to 9.9 percent in January from 10 percent prior.
- **US – Personal income and personal spending** grew at 0.1 percent and 0.5 percent, respectively against prior increase of 0.4 percent and 0.2 percent.
- **US – Construction spending** declined 0.6 percent in January after falling by 1.2 percent in the month before.
- **Euro Zone – Retail sales** dropped 0.3 percent after having risen 0.1 percent previously.
- **European Central Bank and Bank of England** kept their benchmark interest rates unchanged at 1 percent and 0.5 percent, respectively.
- **US – Factory Orders** rose 1.7 percent against 1 percent previously.
- **Germany – Factory orders** saw an impressive MoM growth of 4.3 percent in January over the previous month.
- **US – Non farm payrolls** dropped by 36,000 against prior figure of 20,000. **Unemployment rate** stabilized at 9.7 percent in February.

Fundamental Outlook

The dollar lost marginally against the euro last week. However, depreciation in other major currencies helped the dollar index (a basket of six major currencies) close the week slightly higher (0.09 percent). The dollar may remain weak on account of poor economic data expectations. Rising industrial production in the euro zone will help the euro appreciate against the dollar. On the other hand, the US may see a huge rise in its monthly budget deficit which is negative for the dollar. Moreover, retail sales in the US also fell, coupled with rising unsold stocks (inventories). We, at KCTL, expect the dollar to trade lower in this week, considering economic data do not support the dollar and European debt problems will gradually relax. However, actual data will dictate the further direction. **Bullion markets have a fair chance of extending gains on expected weakness in the dollar.**

Gold – Silver Ratio Strategy: Gold – silver ratio stands at 62.23 levels (Gold mini Apr: 16880, Silver mini Apr: 27,127). Silver is expected to rise more than gold in this week and thus the ratio may come down from the current levels. **It is recommended to buy 2 lots of silver mini April contract and sell 1 lot of gold mini April contract. We, at KCTL, expect gold and silver may reach 17050 and 27500 levels, respectively.** As per the given price targets, the ratio can generate nearly 20 percent gains (Rs. 4,500) on an estimated initial margin of Rs. 23,300.

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Technical Analysis - Gold

Gold future prices rendered a bullish trend in the last week and settled higher at \$1135.20. Prices made a weekly high of \$1145.80. Market has closed above the previous week's high suggesting the upside movement is still intact. The crucial support can be seen at \$1131.50 then \$1118 levels. If market sustains above \$1130-1128 may see a continuation of up trend having resistances at \$1145.80 then \$1164.40 levels. Prices are already trading above the short term exponential averages (10, 20 & 50-week EMA) suggesting the up trend may maintain.



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Exchange	S2	S1	R1	R2
April Gold - Comex	\$1,118	\$1,131	\$1,146	\$1,164
April Gold - MCX	Rs. 16,680/700	Rs. 16,780/800	Rs. 17,040	Rs. 17,240
COMEX Recommendation	Buy in the range of \$1128-1130 targeting \$1145 and then \$1160 with stop loss below \$1112			
Gold-Apr MCX	Buy in the range of 16,760-800 targeting 17,050-100 and then 17,250 with stop loss below 16,620 (3 lots)			

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Silver: Weekly Review

Silver maintained its uptrend and rose for the fourth straight week. Silver futures for May delivery ended the week 5.21 percent higher at \$17.38/oz on Comex. Silver saw significant support coming from base metals, gold and equity markets. Base metals' complex on LME rose 4.8 percent while the MSCI world index for stocks also advanced 3.27 percent last week. Ishares Silver Trust reduced its holdings to 9412.43 MT, a change of -64.48 MT from the previous week.

CFTC reports suggest speculators increasing their long positions by 3.45 percent and covering their short positions by more than 26 percent, simultaneously. However, commercial traders went opposite and liquidated their long positions by more than 15 percent. Change in total long and short positions suggest a mixed view in silver prices.

CFTC Report - Silver			
Non-Commercial	3/2/2010	2/23/2010	% Change
Long	36721	35495	3.45%
Short	5663	7679	-26.25%
Spreading	16388	19832	-17.37%
Commercial			
Long	31034	36528	-15.04%
Short	71974	76298	-5.67%
Total			
Long	84143	91855	-8.40%
Short	94025	103809	-9.43%

Price Performance

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 (May 10)	16.53	17.52	16.33	17.38	5.21%	147260	1.71%	65176	5.08%
	Silver (Jul 10)	16.58	17.54	16.37	17.41	5.22%	7298	-34.31%	14047	1.72%
MCX (Rs/1kg)	Silver (May 10)	26165.00	27211.00	25890.00	27035.00	3.53%	234429	232.97%	11278	21.61%
	Silver (Jul 10)	26475.00	27424.00	26102.00	27226.00	3.42%	5673	323.04%	1065	87.17%

Domestic silver futures closed higher at Rs. 27,035/kg, a change of +3.53 percent from the previous month. Upside in domestic silver futures was limited due to appreciation in Indian rupee which gained more than 1 percent last week. Indian rupee closed at 45.6150/USD last week against 46.0850 in the week before.

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Technical Analysis - Silver

May future Silver prices rallied over \$1.18 in the last week and settled at 1738.50 levels. Market has been moving higher with a continuation of weekly higher-highs movement. This pattern suggests an up trend in the commodity. Moreover, in the daily chart prices are trading within a rising up trend and already broken the resistance levels. Technically, the crucial support is seen at



1700 levels. If market sustains above the support levels may see prices again turning higher. The resistances can be seen at 1755-1760, 1782 then 1800 levels.

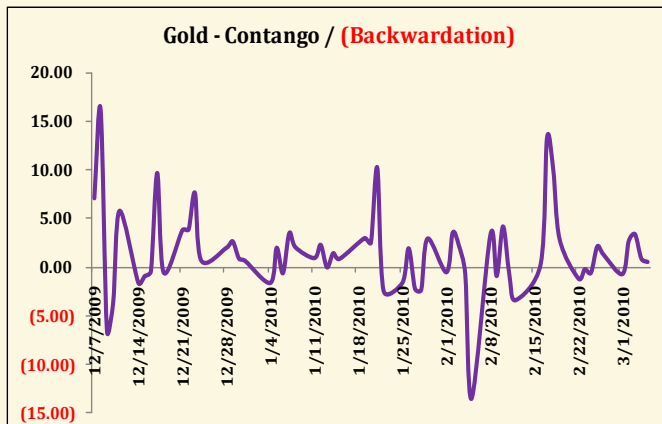
Exchange	S2	S1	R1	R2
May Silver - Comex	\$16.40	\$17.00	\$17.60	\$18.40
May Silver - MCX	Rs. 26,540	Rs. 26,750	Rs. 27,200	Rs. 27,450
COMEX Recommendation	Buy in the range of \$17.10-17.15 targeting \$17.55 and then \$17.80 with stop loss below \$16.70			
Silver-May MCX	Buy in the range of 26,750-850 targeting 27,250 and then 27,500 with stop loss below 26,600			

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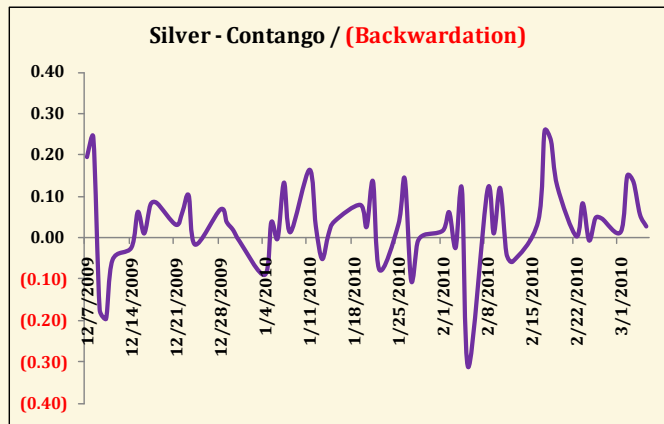
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Basis Charts

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 May 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.

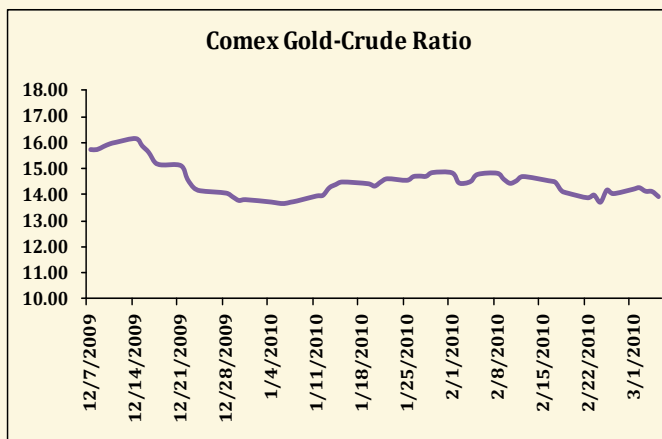


Spot gold closed at \$1,134.65/oz while futures ended at \$1,135.20/oz. **Markets closed in Contango at 0.55.**

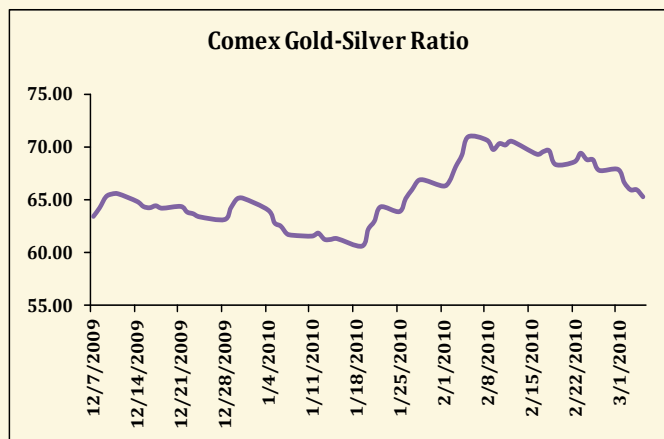


Spot silver closed at \$17.36/oz while Future prices closed at \$17.38/oz, **meaning a Contango of 0.03.**

Ratio Charts



The Comex Gold-Crude ratio for the week dropped to 13.93.

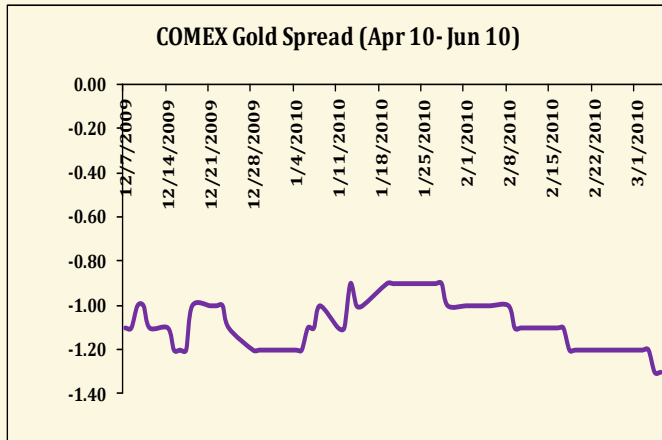


The Comex Gold-Silver ratio fell to 65.31 last week from 67.81 the week before, because of silver rising more than gold.

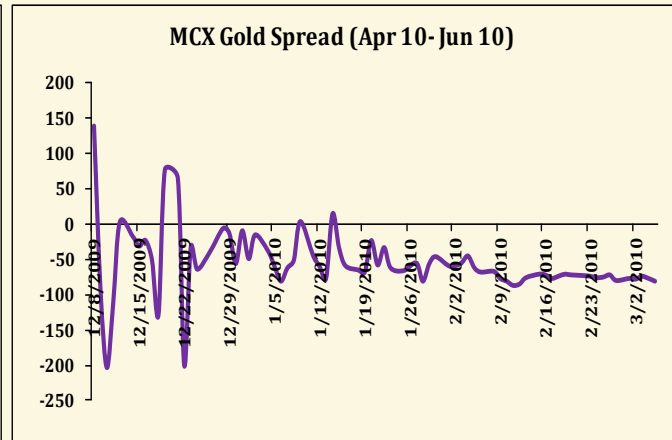
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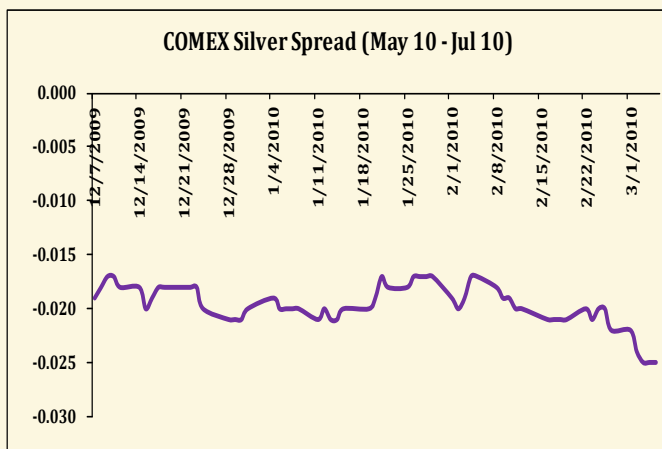
Calendar Spreads: Calendar Spread is the difference between the two futures contracts, far-month-contract and near-month-contract. For gold, we have considered Apr'10 and Jun'10 at both COMEX and MCX while for silver, May'10 and Jul'10 contracts at both COMEX and MCX have been taken into account for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



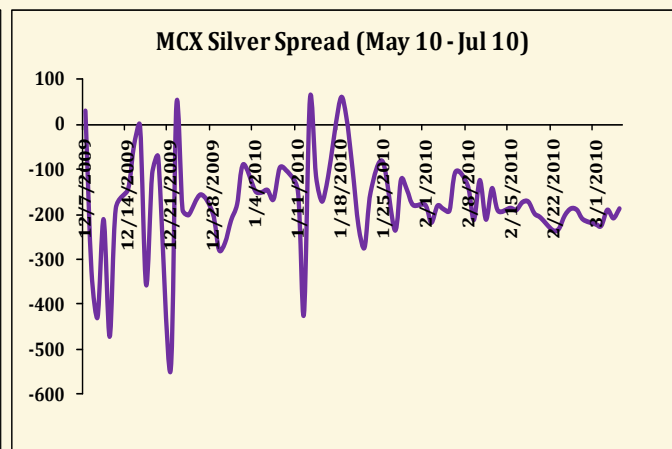
The spread between Gold Apr'10 and Jun'10 contracts closed at -1.30 during the week, meaning far month contract closed higher than near month contract.



The spread between MCX Gold Apr'10 and Jun'10 closed at -77.



The spread between Silver May'10 and Jul'10 continued to remain thin at -0.025.



The spread between Silver May'10 and Jul'10 contracts closed at -188 levels.

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Economic Events during this week

Date Time		Event		Survey	Actual	Prior	Revised
03/08/2010 15:00	EC	Sentix Investor Confidence	MAR	-8.8	--	-8.2	--
03/08/2010 16:30	GE	Industrial Production MoM (sa)	JAN	1.00%	--	-2.60%	--
03/08/2010 16:30	GE	Industrial Prod. YoY (nsa wda)	JAN	0.90%	--	-7.10%	--
03/10/2010 03:30	US	ABC Consumer Confidence	8-Mar	-48	--	-49	--
10-12 MAR	CH	China NDRC Housing Prices	FEB	9.4	--	9.5	--
10-15 MAR	CH	Money Supply - M0 (YoY)	FEB	--	--	-0.80%	--
10-15 MAR	CH	Money Supply - M1 (YoY)	FEB	--	--	39.00%	--
10-15 MAR	CH	Money Supply - M2 (YoY)	FEB	25.00%	--	26.00%	--
10-15 MAR	CH	New Yuan Loans	FEB	600.0B	--	1390.0B	--
03/10/2010 10:30	CH	Trade Balance (USD)	FEB	\$7.15B	--	\$14.17B	--
03/10/2010 10:30	CH	Exports YoY%	FEB	38.30%	--	21.00%	--
03/10/2010 10:30	CH	Imports YoY%	FEB	38.00%	--	85.50%	--
03/10/2010 12:30	GE	Trade Balance	JAN	14.5B	--	13.5B	--
03/10/2010 12:30	GE	Current Account (EURO)	JAN	15.0B	--	20.6B	--
03/10/2010 12:30	GE	Imports SA (MoM)	JAN	1.20%	--	4.50%	5.00%
03/10/2010 12:30	GE	Exports SA (MoM)	JAN	0.50%	--	3.00%	3.30%
03/10/2010 12:30	GE	Consumer Price Index (MoM)	FEB F	0.20%	--	0.20%	--
03/10/2010 12:30	GE	Consumer Price Index (YoY)	FEB F	0.40%	--	0.40%	--
03/10/2010 17:30	US	MBA Mortgage Applications	6-Mar	--	--	14.60%	--
03/10/2010 17:30	US	Bloomberg Global Confidence	MAR	--	--	54.89	--
03/10/2010 20:30	US	Wholesale Inventories	JAN	0.20%	--	-0.80%	--
03/11/2010 00:30	US	Monthly Budget Statement	FEB	-\$210.0B	--	-\$42.6B	--
03/11/2010 07:30	CH	Producer Price Index (YoY)	FEB	5.10%	--	4.30%	--
03/11/2010 07:30	CH	Purchasing Price Index (YoY)	FEB	8.50%	--	5.50%	--
03/11/2010 07:30	CH	Consumer Price Index (YoY)	FEB	2.50%	--	1.50%	--
03/11/2010 07:30	CH	Retail Sales (YoY)	FEB	18.10%	--	--	--
03/11/2010 07:30	CH	Retail Sales YTD YoY	FEB	18.70%	--	--	--
03/11/2010 07:30	CH	Industrial Production (YoY)	FEB	19.00%	--	--	--
03/11/2010 07:30	CH	Industrial Production YTD YoY	FEB	19.50%	--	--	--
03/11/2010 12:00	IN	Primary Articles WPI YoY	27-Feb	--	--	15.00%	--
03/11/2010 12:00	IN	Fuel Power Light WPI YoY	27-Feb	--	--	9.59%	--
03/11/2010 15:30	EC	ECB Publishes Mar. Monthly Report	11-Mar				
03/11/2010 19:00	US	Trade Balance	JAN	-\$41.0B	--	-\$40.2B	--
03/11/2010 19:00	US	Initial Jobless Claims	7-Mar	460K	--	469K	--
03/11/2010 19:00	US	Continuing Claims	28-Feb	4495K	--	4500K	--
03/12/2010	IN	Industrial Production YoY	JAN	--	--	16.80%	--
03/12/2010 12:30	GE	Wholesale Price Index (MoM)	FEB	0.30%	--	1.30%	--
03/12/2010 12:30	GE	Wholesale price Index (YoY)	FEB	2.30%	--	1.90%	--
03/12/2010 16:30	EC	Euro-Zone Ind. Prod. sa (MoM)	JAN	0.70%	--	-1.70%	-1.60%
03/12/2010 16:30	EC	Euro-Zone Ind. Prod. wda (YoY)	JAN	-1.60%	--	-5.00%	-4.80%
03/12/2010 19:00	US	Advance Retail Sales	FEB	-0.20%	--	0.50%	--
03/12/2010 19:00	US	Retail Sales Less Autos	FEB	0.00%	--	0.60%	--
03/12/2010 19:00	US	Retail Sales Ex Auto & Gas	FEB	0.30%	--	0.60%	--
03/12/2010 20:25	US	U. of Michigan Confidence	MAR P	73.8	--	73.6	--
03/12/2010 20:30	US	Business Inventories	JAN	0.20%	--	-0.20%	--
03/06/2010 01:30	US	Consumer Credit	JAN	-\$4.5B	--	-\$1.7B	--

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