

BULLION WEEKLY

A Weekly Report on Gold & Silver

Gold: Weekly Review

Gold remained subdued during the week on account of stronger dollar which rose for the second-straight week. The dollar index rose as much as 1.88 percent to 82.240 and settled the week with 1.1 percent gains with most of the gains provided by basket majors; euro, Yen and pound. The greenback rose to 10-month high against the euro following persistent Greece debt worries and a downgrading of Portugal's debt. However, later EMU partnered with IMF and assured financial aid to Greece which resulted in the dollar to pare down 1.03 percent gains against the euro on Friday. **Gold recovered \$12 on Friday to end the week at \$1,104.30/oz, 0.30 percent down from the previous week.** Apart from currency market fluctuation, news regarding CFTC that intended to impose position limits on metals also created some pressure for metals during the week. However, due to strong public outcry CFTC didn't impose any such limits in its recently-concluded meeting. Rising investment demand also lifted the yellow metal from its lows during the week. **SPDR increased its gold holdings by 9.14 MT to 1124.65 MT for the week ended on Mar 26.**

CFTC reports suggest a mix of long liquidation and short covering where non-commercials reduced their long and short positions by 7.36 percent and 2.89 percent, respectively for the week ended on Mar 23. Net long positions dropped 8.22 percent to 183,872 contracts, second straight weekly decline. On the other hand, commercial holders added more than 13 percent long positions and supported the prices. Total long and short positions were little changed.

| CFTC Report - Gold | | | |
|--------------------|-----------|-----------|----------|
| Non-Commercial | 3/23/2010 | 3/16/2010 | % Change |
| Long | 221472 | 239065 | -7.36% |
| Short | 37600 | 38719 | -2.89% |
| Spreading | 83751 | 80696 | 3.79% |
| Commercial | | | |
| Long | 124504 | 109825 | 13.37% |
| Short | 348327 | 352120 | -1.08% |
| Total | | | |
| Long | 429727 | 429586 | 0.03% |
| Short | 469678 | 471535 | -0.39% |

| 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) | 1108.00 | 1109.80 | 1084.80 | 1104.30 | -0.30% | 800648 | 13.82% | 108480 | -46.76% |
| | Gold (Jun 10) | 1108.20 | 1111.00 | 1086.10 | 1105.40 | -0.31% | 247482 | 118.82% | 226680 | 80.75% |
| MCX (Rs/10 grams) | Gold (Apr 10) | 16508.00 | 16515.00 | 16211.00 | 16390.00 | -0.70% | 207238 | 1.93% | 12032 | -24.86% |
| | Gold (Jun 10) | 16561.00 | 16596.00 | 16295.00 | 16467.00 | -0.77% | 24424 | 130.65% | 7862 | 79.74% |

MCX gold fell more than international gold prices as stronger rupee put additional pressure on domestic gold futures. MCX gold for immediate delivery closed 0.7 percent down at Rs. 16,390/10 gm for the week. Rupee closed 0.56 percent up (Appreciation) at 45.24/USD.

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Major Economic Events during the last week

- **US - Existing home sales** declined by 3,000 units to 5.02 million in February from 5.05 million in the month before.
- **US - New home sales** also fell to a new record low of 308,000 units from 309,000 units, previously. Sales of new homes have been on the declining front since August 2009, except a small increase in October. Lower prices of existing homes due to increasing foreclosures may have been keeping prospective buyers away from the new homes markets.
- **US - Housing price index** showed a softer-than-expected decline. Home values fell 0.6 percent in January against a decline of 0.9 percent expected and 1.6 percent earlier.
- **US - Durable goods orders** increased 0.5 percent in February following a 3.9 percent gain in January due to increasing aircraft orders. Aircraft orders rose nearly 33 percent in February, which resulted in an overall growth in orders of durable goods.
- **US -Initial jobless claims** for the week of Mar 21st dropped to 442,000 from 457,000 a week prior. **Continuing claims** also fell to 4.648 million after the prior week was revised upwards to 4.702 million from 4.579 million.
- **US revised its GDP and personal consumption** numbers downwards to 5.6 percent and 1.6 percent, respectively.
- **Euro Zone - Industrial new orders** fell unexpectedly by 2 percent in January while the same grew by 1 percent in the month before.

Fundamental Outlook

Gold may lower in the next week, based on data expectations which are likely to strengthen the US dollar. All eyes this week will be on the US non-farm payrolls data, due out on Friday. Apart from this, US factory orders and vehicle sales data will be also be crucial to watch out for. The dollar may gain on account of rising vehicle sales and more jobs being added in both private and government sector. Improving job market boosts consumer spending which subsequently drives the overall economic growth. US consumer confidence measure is also expected to improve. Factory orders are likely to rise, though at lower pace. Manufacturing activities are stirring up, suggested by rising Dallas fed manufacturing index. On the other hand, euro zone unemployment rate is likely to move higher which can support the dollar further. However, improving confidence measures on account of Greek safety net assured by EMU and IMF may provide some support to euro. **Overall, the dollar stands a chance of gaining further after having seen two-straight weekly gains which could lead downward movement in bullion prices.**

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Technical Analysis - Gold

Gold Comex April futures initially traded down and after making a low of 1084.8 levels market took a bounce back and settled(\$1104.3) near to its opening levels(\$1108). Closing of the previous week's candle renders indecisive movements for the coming week. However, market is witnessing stiff resistances at \$1112 then \$1116 levels (trend line) sustain below the same expected to resume



its downtrend. The momentum indicator ADX is trading at 22 levels suggesting better to avoid buying until if its move above 25 levels. On the lower side market is finding a minor support at \$1083 levels on breach and sustained trade below the same likely to push the prices on lower note. We expect prices to trade down if market fails to breach the resistance levels at \$1116 levels.

| Exchange | S2 | S1 | R1 | R2 |
|-----------------------------|-------------------|-------|-------|-------|
| April Gold - Comex | 1083 | 1096 | 1116 | 1124 |
| April Gold - MCX | 16100 | 16240 | 16550 | 16640 |
| COMEX Recommendation | Sideways to lower | | | |
| Gold-Apr MCX | Sideways to lower | | | |

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Silver: Weekly Review

Comex silver futures extended its declines to third straight week and fell more than gold for the week ended on Mar 26. Silver fell as low as to \$16.55/oz and ended 0.74 percent lower at \$16.91/oz due to weak markets sentiments. The dollar rose considerably for the second week and put pressure on precious metals. Base metals remained weak initially but gained in the later part of the week and thus helped silver trim its weekly losses. Base metals' complex on LME closed 0.33 percent up. Silver didn't witness anything significant from investment demand side, as suggested by IShares silver trust, which kept its holdings unchanged at 9278.18 MT. Equity markets are on gradual uptrend and the benchmark index, MSCI world index for stocks, rose for the fourth consecutive week. The index closed 0.22 percent higher during the last week.

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) | 17.01 | 17.15 | 16.55 | 16.91 | -0.74% | 142526 | 10.44% | 61924 | -3.26% |
| | Silver (Jul 10) | 16.93 | 17.17 | 16.59 | 16.93 | -0.73% | 11022 | 122.31% | 19330 | 13.23% |
| MCX (Rs/1kg) | Silver (May 10) | 26540.00 | 26784.00 | 26152.00 | 26462.00 | -0.48% | 244538 | 19.18% | 14557 | 11.45% |
| | Silver (Jul 10) | 26760.00 | 26990.00 | 26360.00 | 26668.00 | -0.47% | 8565 | 54.44% | 1280 | 3.06% |

MCX silver futures fluctuated in the range of Rs. 26,152 – Rs. 26,784/kg on before closing 0.48 percent down at Rs. 26,462/kg.

CFTC reports point to increased short selling by non-commercials for the week ended on Mar 23. Increased short selling by speculators pressurized silver prices in the beginning of the week that ended on Mar 26. Short positions advanced by more than 10 percent while long positions fell 5 percent. On the other hand, commercial holders reduced their short positions by nearly 3 percent. Total long and short positions also dropped, each by more than 1 percent.

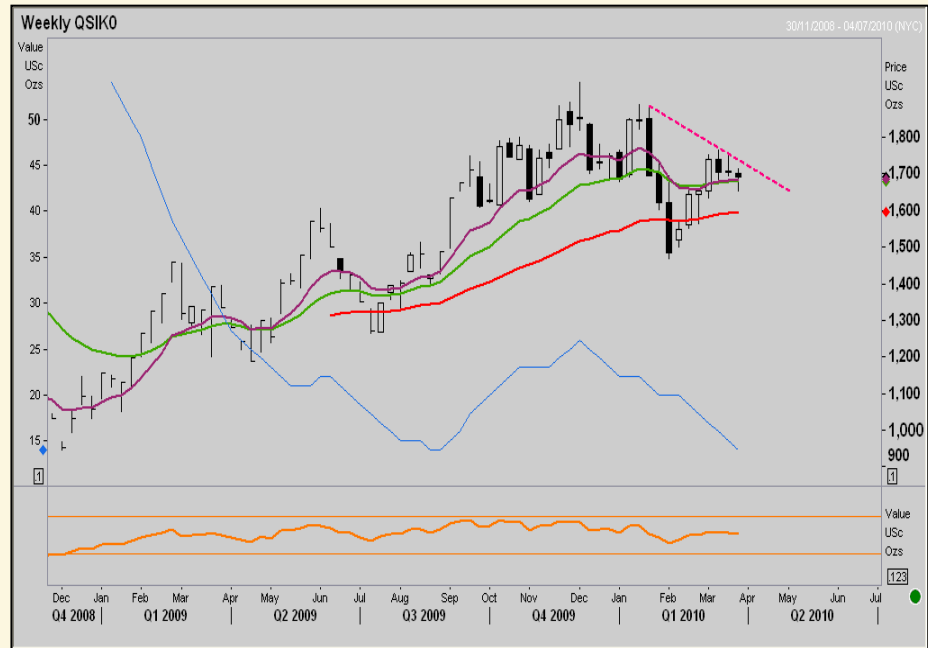
| CFTC Report - Silver | | | |
|----------------------|-----------|-----------|----------|
| Non-Commercial | 3/23/2010 | 3/16/2010 | % Change |
| Long | 38105 | 40126 | -5.04% |
| Short | 5804 | 5270 | 10.13% |
| Spreading | 18465 | 17821 | 3.61% |
| Commercial | | | |
| Long | 29886 | 29779 | 0.36% |
| Short | 75584 | 77787 | -2.83% |
| Total | | | |
| Long | 86456 | 87726 | -1.45% |
| Short | 99853 | 100878 | -1.02% |

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Technical Analysis - Silver

Silver May Comex futures traded sideways to marginally lower by extending the previous weeks trend and after making a low of 1655 it settled at 1690.6 levels. Market is finding a stiff resistance at 1733 levels (trend line) sustain below the same likely to trade sideways to lower for the coming week. Closing above the weekly short term (10, 20) EMA suggesting an



upside bias for the coming week. The momentum indicator ADX is trading at 15 levels and signaling better to avoid buying as of now. Moreover, prices are expected to trade indecisive for the next week. A significant break above 1766 levels may reverse the trend to upside.

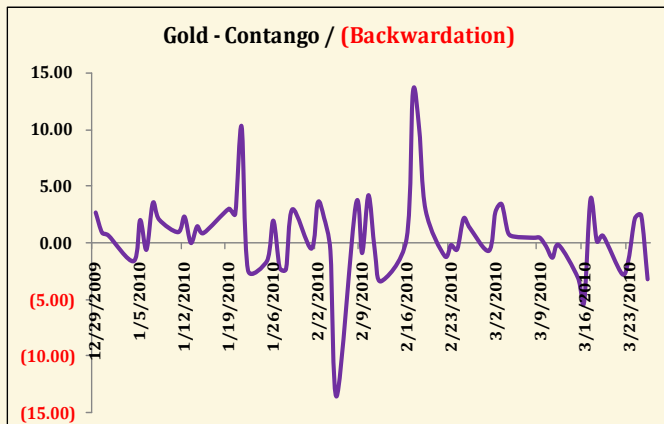
| Exchange | S2 | S1 | R1 | R2 |
|-----------------------------|------------|------------|------------|------------|
| May Silver - Comex | \$16.30 | \$16.60 | \$17.30 | \$17.66 |
| May Silver - MCX | Rs. 25,900 | Rs. 26,240 | Rs. 26,950 | Rs. 27,400 |
| COMEX Recommendation | Sideways | | | |
| Silver-May MCX | Sideways | | | |

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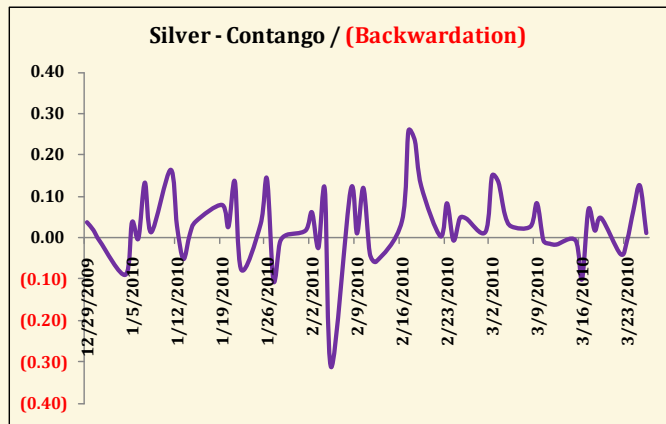
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Basis Charts

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.

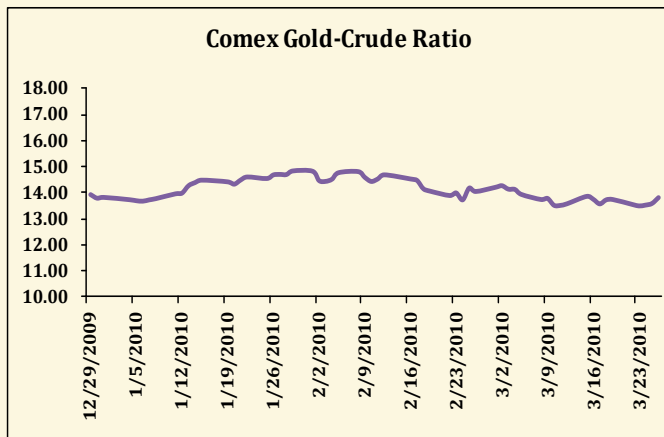


Spot gold closed at \$1,107.50/oz while futures ended at \$1,104.30/oz. Markets closed in backwardation at 3.20.

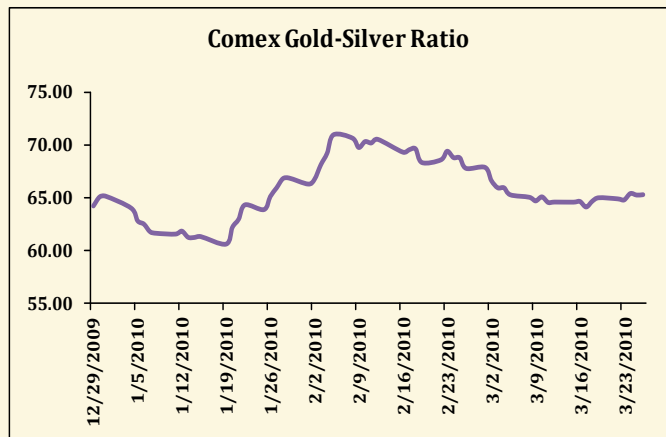


Spot silver closed at \$16.90/oz while futures ended at \$16.91/oz. Markets closed in Contango at 0.01.

Ratio Charts



The Comex Gold-Crude ratio for the week increased to 13.80 from 13.73 a week earlier.

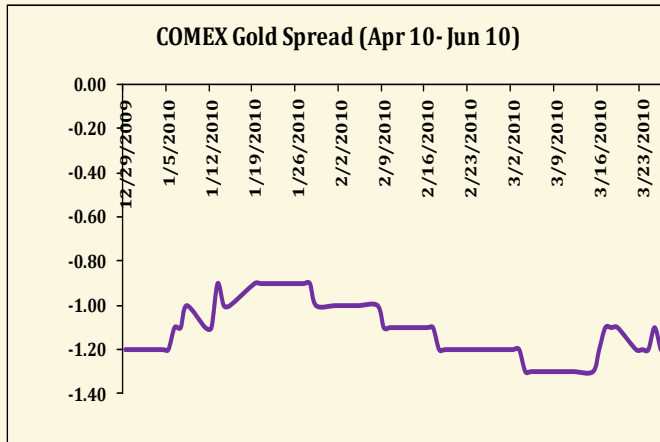


The Comex Gold-Silver ratio increased to 65.32 last week from 65.03 the week before, because silver fell more than gold.

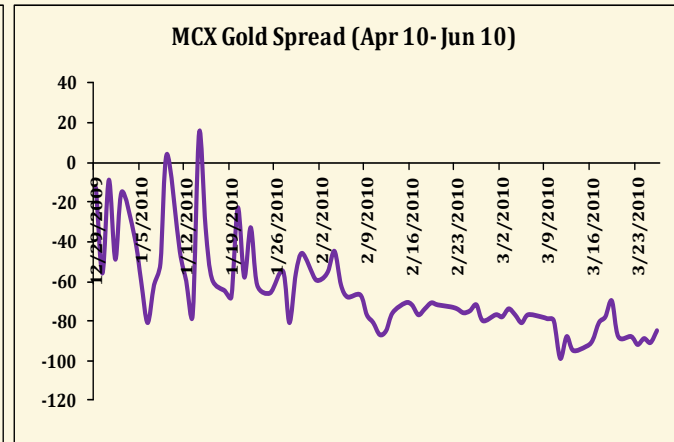
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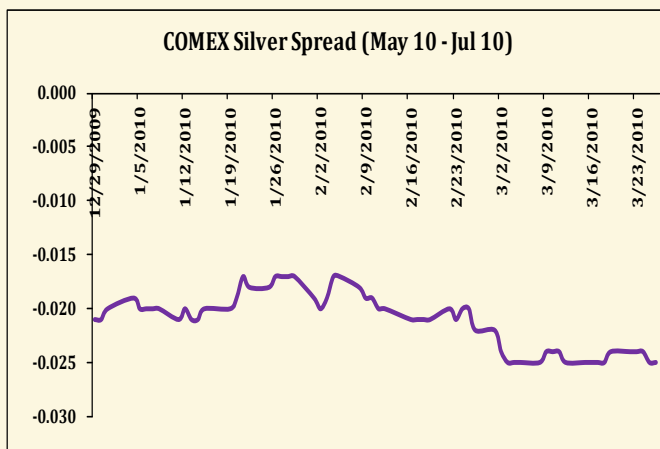
Calendar Spreads: Calendar Spread is the difference between the two futures contracts, far-month-contract and near-month-contract. For gold, we have considered Apr'10 and Jun'10 at both COMEX and MCX while for silver, May'10 and Jul'10 contracts at both COMEX and MCX have been taken into account for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



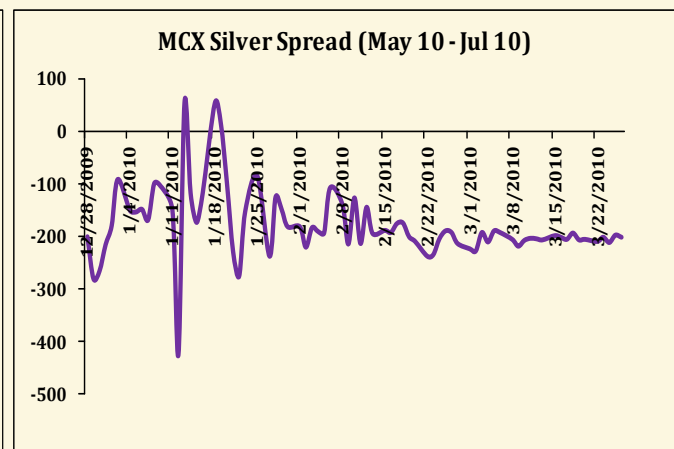
The spread between Gold Apr'10 and Jun'10 contracts closed at -1.10 during the week, meaning far month contract closed higher than near month contract.



The spread between MCX Gold Apr'10 and Jun'10 closed at -82.



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 -200 levels.

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Economic Events during this week

| Date Time | | Event | | Survey | Actual | Prior | Revised |
|------------------|----|--------------------------------|--------|--------|--------|-----------|---------|
| 03/29/2010 14:30 | EC | Euro-Zone Indust. Confidence | MAR | -11 | -- | -13 | -- |
| 03/29/2010 14:30 | EC | Euro-Zone Consumer Confidence | MAR F | -17 | -- | -17 | -- |
| 03/29/2010 14:30 | EC | Euro-Zone Economic Confidence | MAR | 97.1 | -- | 95.9 | -- |
| 03/29/2010 14:30 | EC | Euro-zone Services Confidence | MAR | 2 | -- | 1 | -- |
| 03/29/2010 18:00 | US | Personal Income | FEB | 0.10% | -- | 0.10% | -- |
| 03/29/2010 18:00 | US | Personal Spending | FEB | 0.30% | -- | 0.50% | -- |
| 03/29/2010 | GE | Consumer Price Index (MoM) | MAR P | 0.30% | -- | 0.40% | -- |
| 03/29/2010 | GE | Consumer Price Index (YoY) | MAR P | 0.90% | -- | 0.60% | -- |
| 03/29/2010 20:00 | US | Dallas Fed Manf. Activity | MAR | 5.20% | -- | -0.10% | -- |
| 03/30/2010 11:30 | GE | Import Price Index (MoM) | FEB | 0.40% | -- | 1.70% | -- |
| 03/30/2010 11:30 | GE | Import Price Index (YoY) | FEB | 2.00% | -- | 1.40% | -- |
| 03/30/2010 18:30 | US | S&P/CaseShiller Home Price Ind | JAN | 145 | -- | 145.9 | -- |
| 03/30/2010 18:30 | US | S&P/CS Composite-20 YoY | JAN | -0.60% | -- | -3.10% | -- |
| 03/30/2010 18:30 | US | S&P/CS 20 City MoM% SA | JAN | -0.20% | -- | 0.32% | -- |
| 03/30/2010 19:30 | US | Consumer Confidence | MAR | 50 | -- | 46 | -- |
| 03/31/2010 02:30 | US | ABC Consumer Confidence | 29-Mar | -- | -- | -44 | -- |
| 03/31/2010 13:25 | GE | Unemployment Change (000's) | MAR | 7K | -- | 7K | -- |
| 03/31/2010 13:25 | GE | Unemployment Rate (s.a) | MAR | 8.20% | -- | 8.20% | -- |
| 03/31/2010 14:30 | EC | Euro-Zone Unemployment Rate | FEB | 10.00% | -- | 9.90% | -- |
| 03/31/2010 14:30 | EC | Euro-Zone CPI Estimate (YoY) | MAR | 1.10% | -- | 0.90% | -- |
| 03/31/2010 17:00 | IN | Current Account Balance | 4Q | -- | -- | -\$12.63B | -- |
| 03/31/2010 17:45 | US | ADP Employment Change | MAR | 40K | -- | -20K | -- |
| 03/31/2010 19:30 | US | Factory Orders | FEB | 0.50% | -- | 1.70% | -- |
| 04/01/2010 11:30 | GE | Retail Sales (MoM) | FEB | 0.00% | -- | 0.00% | -0.50% |
| 04/01/2010 11:30 | GE | Retail Sales (YoY) | FEB | -0.40% | -- | -3.40% | -- |
| 04/01/2010 13:25 | GE | PMI Manufacturing | MAR F | 59.6 | -- | 59.6 | -- |
| 04/01/2010 13:30 | EC | PMI Manufacturing | MAR F | 56.3 | -- | 56.3 | -- |
| 04/01/2010 | IN | Exports YoY% | FEB | -- | -- | 11.50% | -- |
| 04/01/2010 | IN | Imports YoY% | FEB | -- | -- | 35.50% | -- |
| 04/01/2010 | IN | Exports YoY% | FEB | -- | -- | -- | -- |
| 04/01/2010 17:00 | US | Challenger Job Cuts YoY | MAR | -- | -- | -77.40% | -- |
| 04/01/2010 18:00 | US | Initial Jobless Claims | 28-Mar | 440K | -- | 442K | -- |
| 04/01/2010 18:00 | US | Continuing Claims | 21-Mar | 4600K | -- | 4648K | -- |
| 04/01/2010 19:30 | US | ISM Manufacturing | MAR | 57 | -- | 56.5 | -- |
| 04/01/2010 19:30 | US | ISM Prices Paid | MAR | 67 | -- | 67 | -- |
| 04/01/2010 19:30 | US | Construction Spending MoM | FEB | -1.00% | -- | -0.60% | -- |
| 04/02/2010 02:30 | US | Domestic Vehicle Sales | MAR | 9.00M | -- | 7.91M | -- |
| 04/02/2010 02:30 | US | Total Vehicle Sales | MAR | 12.00M | -- | 10.36M | -- |
| 04/02/2010 18:00 | US | Change in Nonfarm Payrolls | MAR | 190K | -- | -36K | -- |
| 04/02/2010 18:00 | US | Unemployment Rate | MAR | 9.70% | -- | 9.70% | -- |
| 04/02/2010 18:00 | US | Change in Manufact. Payrolls | MAR | 15K | -- | 1K | -- |
| 04/02/2010 18:00 | US | Avg Hourly Earning MOM All Emp | MAR | 0.20% | -- | 0.10% | -- |
| 04/02/2010 18:00 | US | Avg Hourly Earning YOY All Emp | MAR | 1.90% | -- | 1.90% | -- |
| 04/02/2010 18:00 | US | Avg Weekly Hours All Employees | MAR | 33.9 | -- | 33.8 | -- |

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