

BULLION WEEKLY

A Weekly Report on Gold & Silver

Gold: Weekly Review

Gold rose for the fourth straight week amid upbeat market conditions and weaker dollar in the later part of the week. In the beginning of the week, gold tracked gains in the platinum group metals which rose to their highest since August 2008 on strong investment demand and better market sentiments. Slight profit booking at higher price levels was also seen during the week. Gold's inverse relationship with the dollar was also broken when Greece's bankruptcy fears triggered gold's safe haven buying. However, ECB President Trichet later ruled out any such possibilities which gave a boost the markets and pressurized the dollar on weekend. This caused the dollar paring down its early gains and closed 0.10 percent down for the week. Gold rose nearly \$40 during the week. The bullion sustained well above \$1,150/oz levels and closed 3.18 percent higher at \$1,161.90/oz for the week. Moreover, rising investment demand also supported bullion prices. SPDR increased its gold holdings by 11.22 MT to 1140.04 MT for the week.

Strong buying interest by non-commercial holders, suggested by CFTC reports, also boosted gold prices. Non-commercial holders increased their long positions by 15.45 percent which led bullion prices to advance. Higher prices levels also invited short selling when speculators added more than 7.5 percent short positions for the week ended on April 6. **Overall, net long positions increased more than 17 percent to 203,446 contracts from 173,766 contracts a week earlier.** Total long and short positions increased by 6.26 percent and 7.47 percent, respectively.

CFTC Report - Gold			
Non-Commercial	4/6/2010	3/30/2010	% Change
Long	242302	209874	15.45%
Short	38856	36108	7.61%
Spreading	69884	67642	3.31%
Commercial			
Long	126670	135472	-6.50%
Short	371576	343163	8.28%
Total			
Long	438856	412988	6.26%
Short	480316	446913	7.47%

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)	1122.00	1165.80	1120.80	1161.90	3.18%	609031	34.44%	330695	9.89%
	Gold (Jun 10)	1125.00	1166.70	1123.80	1163.10	3.18%	8162	111.51%	34147	6.59%
MCX (Rs/10 grams)	Gold (Apr 10)	16549.00	16868.00	16425.00	16825.00	1.61%	182076	123.03%	13443	-0.78%
	Gold (Jun 10)	16627.00	16956.00	16518.00	16914.00	1.59%	4404	142.24%	969	4.98%

MCX gold for June Delivery settled the week with 1.61 percent gains and closed at Rs. 16,825/10 gm. Heavy appreciation in Indian rupee capped the upside of domestic gold futures.

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Major Economic Events during the last week

- **US - ISM non-manufacturing composite index** improved to 55.4 in March from 53 in the month before.
- **US - Pending home sales** grew unexpectedly at 8.20 percent in February after having declined 7.6 percent in the month before.
- **Euro zone and Germany PMI numbers** for March month improved from their prior levels.
- **Euro zone - Retail sales** fell 0.6 percent in February followed by a 0.2 percent decline in the month before.
- **Germany - Industrial production** remained unchanged after the same rose 0.6 percent previously.
- **US -Initial jobless claims** for the week of Apr 4th increased to 460,000 from 439,000 a week prior. Conversely, **continuing claims** dropped to 4.550 million from 4.662 million in the week before.
- **Germany - Trade balance and current account balance** rose to €12.6 bn and €9.1 bn, respectively.
- **US - Wholesale inventories** were piled up by 0.6 percent against a decline of 0.1 percent previously.

Fundamental Outlook

Markets are likely to stay upbeat after ECB President Trichet discarded any bankruptcy or default on Greece's part. This may help euro to recover further against the dollar. Moreover, **odds of revaluation in Chinese Yuan also look strong which may pressurize the dollar. In that case, gold could scale higher. But, economic data expectations from the US stand positive which may support the dollar and actual data releases may turn around the markets.** The upcoming week will witness a majority of important economic indicators from the US which may add buoyancy to the market. Markets will look forward to few important data releases such as; retail sales, industrial production and housing data. Both retail sales and industrial production are expected to have risen in March. Leading manufacturing indicators like; Empire manufacturing index and Philadelphia fed index are also like to show an improvement in their respective numbers. Net foreign inflow into the US also rose for the month of February month. Further, a slowdown in euro zone industrial production in February may add supplementary gains to the dollar.

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Technical Analysis - Gold

June futures gold prices at COMEX continued its prior weeks' uptrend and witnessed a rally over \$41.00 with settling the week at 1161.90, off the high \$1165.8. Market broke higher, from the last 7 consecutive week's consolidation range suggesting gold prices to remain bullish in the short term. The technical chart pattern suggest an inverse Head & Shoulder as well as a triangle break out pattern in the weekly chart suggesting prices to remain higher.



The momentum indicator weekly RSI-14 is trading at 0.61 indicating prices to remain higher as the prevailing trend is still bullish. Hence, the immediate resistance can be seen at \$1171.80 levels. Only on break of the same may see prices testing \$1180-1185 levels. However, market might make a small correction before it continues to rise as in the daily chart prices are moving above the 45 degree GANN angle and the daily RSI-14 is trading at 0.70 propose a minor correction can not be ruled out. On the lower side the supports can be seen at \$1153-1155 and then \$1145-1147 levels.

Outlook: We expect gold prices to trade higher for the week ahead and recommend buying on correction.

Exchange	S2	S1	R1	R2
June Gold - Comex	1147	1155	1172	1180
June Gold - MCX	16540	16680	16950	17100
COMEX Recommendation	Buy around \$1153-1155 targeting \$1171.50-1173 then \$1180 with stop loss below 1142			
Gold-June MCX	Buy around 16690-16720 targeting 16870, 16970, and 17000 with stop loss below 16550			

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Silver: Weekly Review

Silver closed more than 2.5 percent higher at \$18.35/oz on Comex while gold rose more than 3 percent. Generally, silver outperforms gold but Greece's debt concerns spurred gold's safe haven buying which resulted in gold rising more than silver. Silver also followed platinum group metals last week. Buoyant stock markets and gains in base metals also supported silver prices. The benchmark MSCI world index or stocks closed 0.87 percent up for the week. Base metals finished the week with more than 1 percent gains. Ishares silver trust sold 38.90 MT on Monday which was the only change during the week. Total silver holdings stood at 9178.27 MT for the 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)	17.85	18.45	17.81	18.35	2.58%	147430	30.62%	60393	-5.97%
	Silver (Jul 10)	17.85	18.47	17.85	18.38	2.58%	23823	106.37%	26984	21.28%
MCX (Rs/1kg)	Silver (May 10)	27450.00	27765.00	27216.00	27744.00	1.18%	185532	24.58%	15471	10.79%
	Silver (Jul 10)	27649.00	27960.00	27425.00	27940.00	1.19%	6851	17.31%	1596	21.93%

MCX silver futures for May delivery fluctuated in the range of Rs. 27,216 – Rs. 27,765/kg on before closing 1.18 percent up at Rs. 27,744/kg. Rupee appreciation limited gains of domestic silver futures.

CFTC reports suggest active market participation by non-commercial holders as they added both long and short positions by more than 13 percent, each. **Net long positions rose 13.77 percent to 37,523 contracts from 32,981 contracts earlier supported silver prices during the week.** Commercial holders reduced their long positions by 4.5 percent while added more than 5 percent to their short positions. Total long and short positions advanced by 4.90 percent and 5.07 percent, respectively.

CFTC Report - Silver			
Non-Commercial	4/6/2010	3/30/2010	% Change
Long	44052	38734	13.73%
Short	6529	5753	13.49%
Spreading	20223	19727	2.51%
Commercial			
Long	29839	31259	-4.54%
Short	81525	77576	5.09%
Total			
Long	94114	89720	4.90%
Short	108277	103056	5.07%

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Technical Analysis - Silver

May futures Silver prices traded substantially higher and after making a high of 1844.50, it closed at 1835.10 levels. Market has been rising for the past two consecutive weeks and now has broken the weekly resistance levels suggesting prices to remain higher in the coming week. The resistances can be seen at 1866 then 1888. Later on, market might see a correction as the prices are almost near overbought zone as the daily RSI-14 is trading at 0.68 levels.



Hence, the major supports can be seen at 1800-1815 range. If market sustains above the support levels may see prices trading higher for the week ahead.

Outlook: We expect Silver prices to continue with its bullish trend and any minor lower correction may strengthen the prevailing bullish trend. We recommend buying on dips for the week.

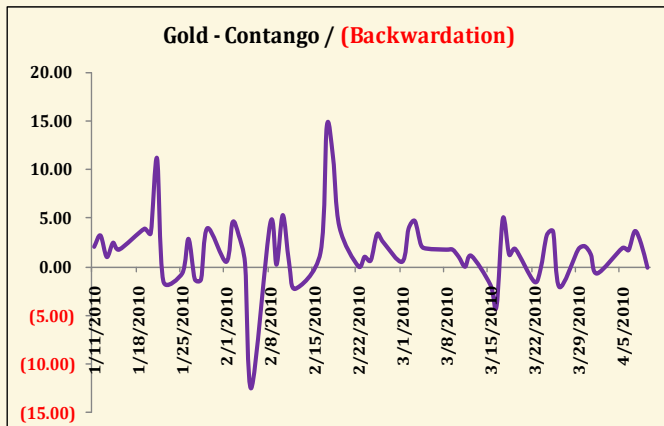
Exchange	S2	S1	R1	R2
May Silver - Comex	\$18.00	\$18.15	\$18.66	\$18.88
May Silver - MCX	Rs. 27,300	Rs. 27,500	Rs. 27,900	Rs. 28,160
COMEX Recommendation	Buy around 18.10-18.20 targeting 18.70 then 18.85 with stop loss below 17.90			
Silver-May MCX	Buy around 27530-27580 targeting 27765 then 28000 with stop loss below 27250			

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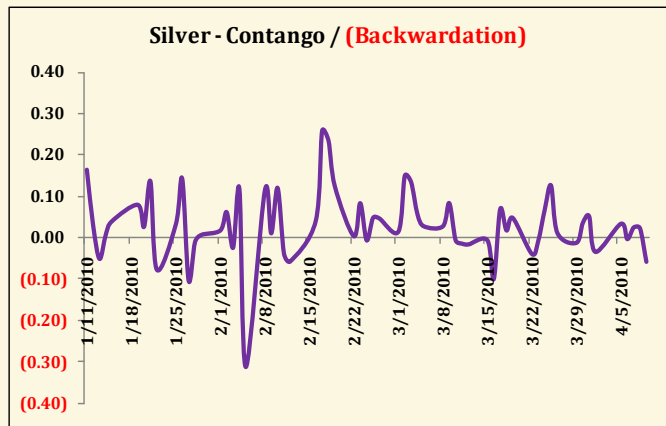
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Basis Charts

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 June 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.

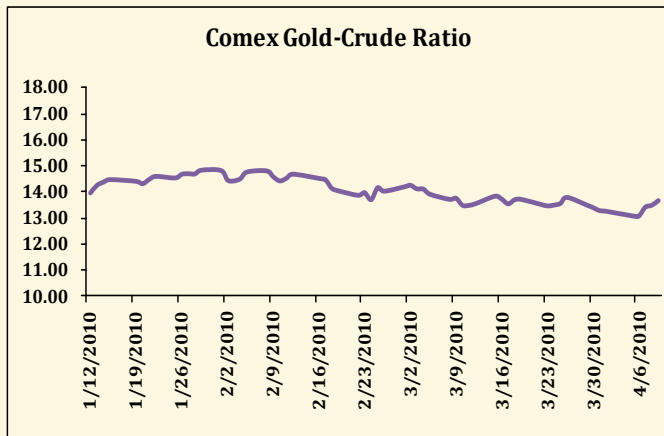


Spot gold closed at \$1,162/oz while futures ended at \$1,161.90/oz. **Markets closed in backwardation at 0.10.**

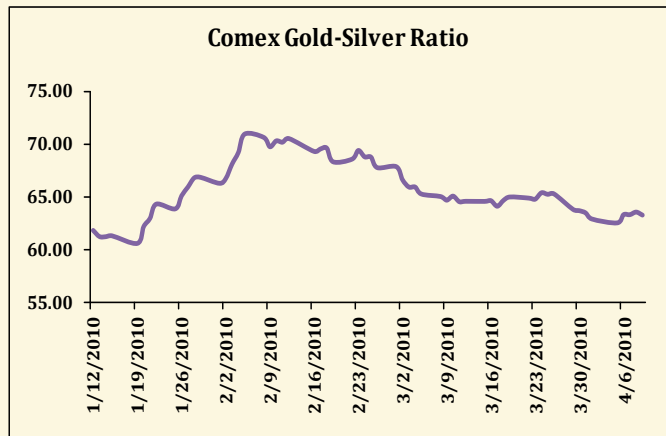


Spot silver closed at \$18.41/oz while futures ended at \$18.35/oz. **Markets closed in Backwardation at 0.06.**

Ratio Charts



The Comex Gold-Crude ratio for the week increased to 13.68 from 13.27 a week earlier.

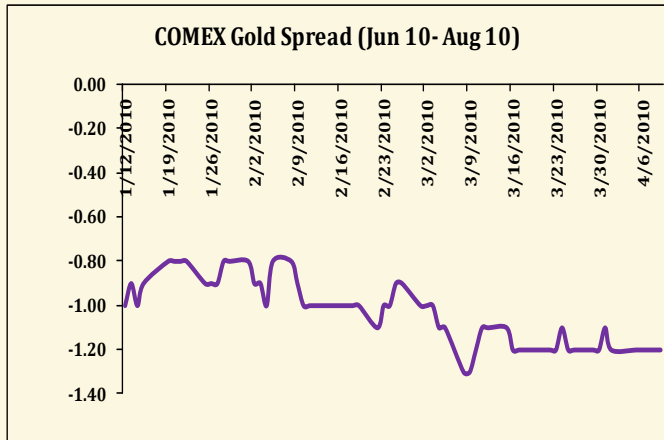


The Comex Gold-Silver ratio advanced to 63.32 from 62.95 the week before, because silver rose lesser than gold.

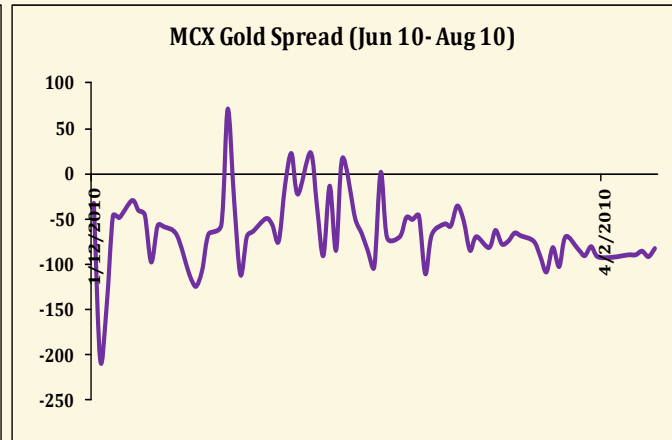
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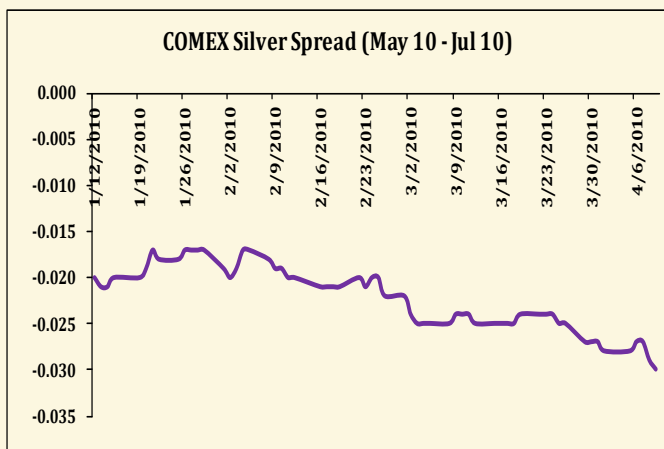
Calendar Spreads: Calendar Spread is the difference between the two futures contracts, far-month-contract and near-month-contract. For gold, we have considered Jun'10 and Aug'10 at both COMEX and MCX while for silver, May'10 and Jul'10 contracts at both COMEX and MCX have been taken into account for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



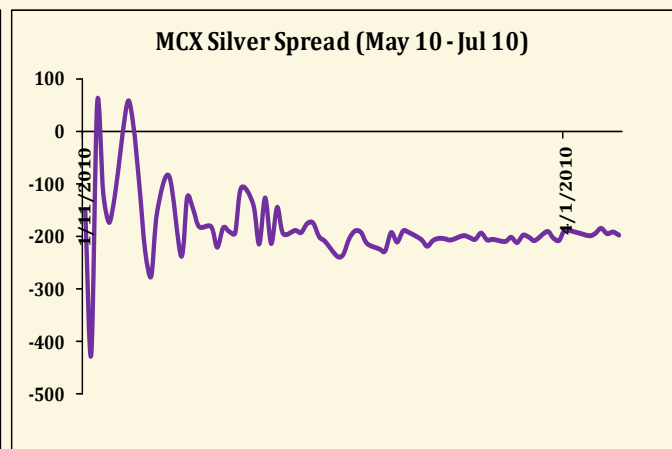
The spread between Gold Jun'10 and Aug'10 contracts closed at -1.20 during the week, meaning far month contract closed higher than near month contract.



The spread between MCX Gold Jun'10 and Aug'10 closed at -89.



The spread between Silver May'10 and Jul'10 continued to remain thin at -0.030.



The spread between Silver May'10 and Jul'10 contracts closed at -196 levels.

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Economic Events during this week

Date Time		Event		Survey	Actual	Prior	Revised
04/12/2010	IN	Industrial Production YoY	FEB	16.00%	--	16.70%	--
04/12/2010 23:30	US	Monthly Budget Statement	MAR	-\$62.0B	--	-\$191.6B	--
04/13/2010 11:30	GE	Consumer Price Index (MoM)	MAR F	0.50%	--	0.50%	--
04/13/2010 11:30	GE	Consumer Price Index (YoY)	MAR F	1.10%	--	1.10%	--
04/13/2010 11:30	GE	Wholesale Price Index (MoM)	MAR	0.50%	--	0.10%	--
04/13/2010 11:30	GE	Wholesale price Index (YoY)	MAR	3.60%	--	2.10%	--
04/13/2010 18:00	US	Trade Balance	FEB	-\$38.5B	--	-\$37.3B	--
04/13/2010 18:00	US	Import Price Index (MoM)	MAR	1.00%	--	-0.30%	--
04/13/2010 18:00	US	Import Price Index (YoY)	MAR	11.70%	--	11.20%	--
04/14/2010 12:00	IN	Monthly Wholesale Prices YoY%	MAR	10.40%	--	9.89%	--
04/14/2010 14:30	EC	Euro-Zone Ind. Prod. sa (MoM)	FEB	0.10%	--	1.70%	1.50%
04/14/2010 14:30	EC	Euro-Zone Ind. Prod. wda (YoY)	FEB	2.80%	--	1.40%	1.20%
04/14/2010 18:00	US	Consumer Price Index (MoM)	MAR	0.10%	--	0.00%	--
04/14/2010 18:00	US	Advance Retail Sales	MAR	1.20%	--	0.30%	--
04/14/2010 18:00	US	Retail Sales Less Autos	MAR	0.50%	--	0.80%	--
04/14/2010 18:00	US	Retail Sales Ex Auto & Gas	MAR	0.60%	--	0.90%	--
04/14/2010 19:30	US	Business Inventories	FEB	0.40%	--	0.00%	--
04/14/2010 23:30	US	Fed's Beige Book	14-Apr				
04/15/2010 07:30	CH	Real GDP YoY	1Q	11.70%	--	10.70%	--
04/15/2010 07:30	CH	Producer Price Index (YoY)	MAR	6.40%	--	5.40%	--
04/15/2010 07:30	CH	Consumer Price Index (YoY)	MAR	2.60%	--	2.70%	--
04/15/2010 07:30	CH	Retail Sales (YoY)	MAR	18.00%	--	22.10%	--
04/15/2010 07:30	CH	Industrial Production (YoY)	MAR	18.20%	--	12.80%	--
04/15/2010 18:00	US	Initial Jobless Claims	11-Apr	440K	--	460K	--
04/15/2010 18:00	US	Continuing Claims	4-Apr	4600K	--	4550K	--
04/15/2010 18:00	US	Empire Manufacturing	APR	24	--	22.86	--
04/15/2010 18:30	US	Net Long-term TIC Flows	FEB	\$48.0B	--	\$19.1B	--
04/15/2010 18:30	US	Total Net TIC Flows	FEB	--	--	-\$33.4B	--
04/15/2010 18:45	US	Industrial Production	MAR	0.70%	--	0.10%	--
04/15/2010 18:45	US	Capacity Utilization	MAR	73.30%	--	72.70%	--
04/15/2010 19:30	US	Philadelphia Fed.	APR	20	--	18.9	--
04/16/2010 14:30	EC	Euro-Zone CPI (MoM)	MAR	0.90%	--	0.30%	--
04/16/2010 14:30	EC	Euro-Zone CPI (YoY)	MAR	1.50%	--	1.50%	--
04/16/2010 14:30	EC	Euro-Zone CPI - Core (YoY)	MAR	0.90%	--	0.80%	--
04/16/2010 14:30	EC	Euro-Zone Trade Balance	FEB	-0.5B	--	-8.9B	-8.9B
04/16/2010 14:30	EC	Euro-Zone Trade Balance sa	FEB	3.0B	--	1.8B	--
04/16/2010 18:00	US	Housing Starts	MAR	610K	--	575K	--
04/16/2010 18:00	US	Housing Starts MOM%	MAR	6.10%	--	-5.90%	--
04/16/2010 18:00	US	Building Permits	MAR	627K	--	612K	637K
04/16/2010 18:00	US	Building Permits MOM%	MAR	-1.60%	--	-1.60%	2.40%
04/16/2010 19:25	US	U. of Michigan Confidence	APR P	75	--	73.6	--

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