

# BULLION WEEKLY

A Weekly Report on Gold & Silver

## Gold: Weekly Review

Gold decoupled from stocks in the last few weeks as European debt concerns ensued panic sell-off across the board while gold continued to attract safe-haven buying amidst these issues. Despite Greece getting bail-out package, markets were feared about the possible contagion effects of this debt crisis beyond Greece or possibly Europe. The dollar was also considered as a refuge, in the face of the Euro remaining weak. Though profit booking at higher levels was seen, yet it was a further opportunity for some investors to re-visit the market and buy the metal at the resultant lower levels. The SPDR Gold Trust also said that its holdings rose nearly 30 tonnes to 1188.50 MT for the week ended on May 7, 2010. Rising SPDR gold holdings also point to safe have interest amidst turbulent times of debt concerns in Europe. Major asset classes took a hit while gold bucked the trend. Gold rose despite crude oil prices crashing during the week. Crude oil prices slumped by nearly 13 percent to \$75.11/barrel. Gold prices traded in the range of \$1,156.20 - \$1,214.90/oz during the week and closed 2.52 percent higher at \$1,210.40/oz.

CFTC reports for the week ended on May 4 suggest buying interests from both speculators and hedgers. Non-commercial holders added more than 8 percent long positions along with little over 3 percent short positions. **Net long positions increased by 2.16 percent to 230,547 contracts from 225,668 contracts earlier.** Commercial holders also bought the yellow metal and increased their long positions by nearly 3 percent. Total long and short positions were seen rising by more than 3 percent, each.

CFTC Report - Gold			
Non-Commercial	5/4/2010	4/27/2010	% Change
Long	271511	263472	3.05%
Short	40964	37804	8.36%
Spreading	64110	62744	2.18%
Commercial			
Long	151675	145584	4.18%
Short	423261	411106	2.96%
Total			
Long	487296	471800	3.28%
Short	528335	511654	3.26%

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)	1181.00	1214.90	1156.20	1210.40	2.52%	953268	42.43%	341707	0.78%
	Gold (Jun 10)	1180.90	1216.10	1157.60	1212.20	2.55%	77910	323.75%	51412	24.10%
MCX (Rs/10 grams)	Gold (Apr 10)	17139.00	17995.00	17102.00	17933.00	4.72%	270714	37.34%	16282	6.01%
	Gold (Jun 10)	17236.00	18079.00	17193.00	18019.00	4.71%	13691	130.88%	2435	105.49%

MCX gold for June Delivery gained more than Comex gold futures due to heavy depreciation in Indian Rupee. Moreover, domestic demand ahead of Akshaya Tritiya also kept bullion prices supported. Gold closed 4.72 percent up at Rs. 17,933/10 gm on MCX.

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## Major Economic Events during the last week

- **US - Personal Income and Personal Spending** rose by 0.3 percent and 0.6 percent, respectively.
- **US - ISM manufacturing index** also improved to 60.4 from 59.6 earlier and thus, suggesting an expansion in domestic manufacturing sector.
- **Germany - Retail sales** declined by 2.4 percent in March and thus, put pressure on the Euro.
- **US - Factory Orders** rose unexpectedly 1.3 percent, against 0.6 percent increase earlier.
- **US - Pending home sales** increased by 5.3 percent against 8.2 percent growth earlier.
- **European Central Bank kept the interest rates unchanged at 1 percent.**
- **US - Initial jobless claims** declined to 444,000 from 448,000 earlier and 440,000 expected. **Continuing claims** also fell to 4.593 million from 4.600 million expected.
- **Germany - Industrial production** surged 4 percent against 1.5 percent expected and no growth previously.
- **US -** The most crucial payrolls data came in stronger than expected as the economy generated 290K jobs in April. **Non-farm payroll** rose by 290,000 in April, inclusive of 44,000 jobs occurred in manufacturing sector alone. The **unemployment rate** edged up to 9.9 percent in April.

## Fundamental Outlook

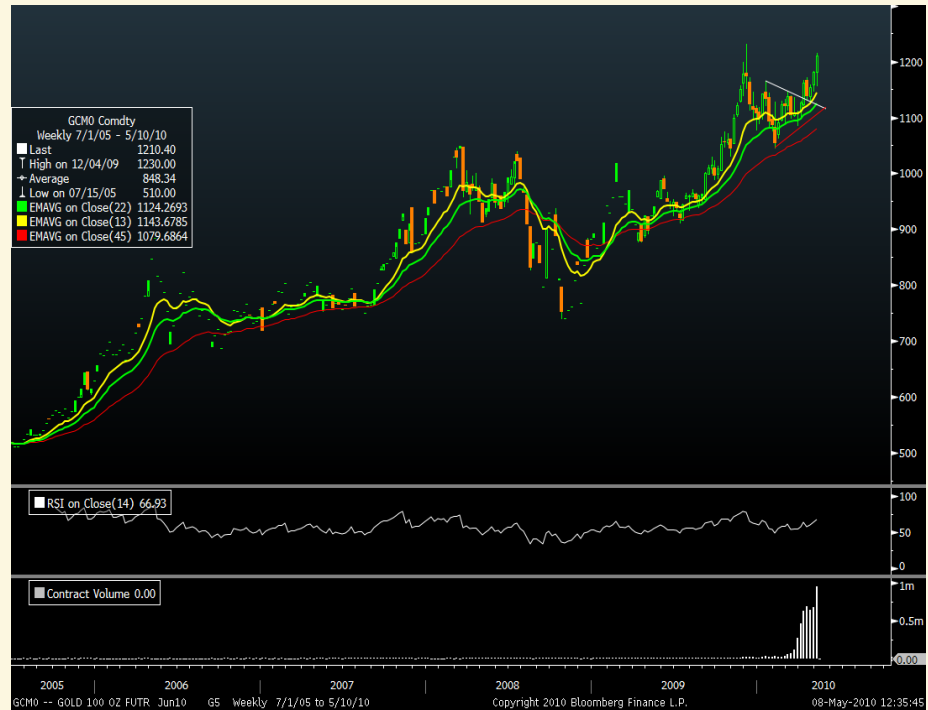
*Economic data, next week, are expected to have mixed impacts on the markets. Euro zone economic data may continue to come in positive, but the effect is nullified due to persisting debt concerns in the 16-member bloc. The euro may recover slightly after having crumpled in the last few weeks. **Recovery in the Euro will be seen positive for gold prices.** The dollar may pare down some of its profits in the coming week. However, a few positive economic data from the US will put a base under the expected fall of the dollar. Moreover, Britain poll results were announced last week which suggests a coalition government in the UK. Since the Pound took a beating owing to elections' results last week, it may now recover in the coming week. The dollar index may trade sideways to tad lower. **Moreover, domestic buying on Indian festival; Akshaya Tritiya, will also keep bullion prices supported. Any further news relating to European debt crisis may result in additional volatility in bullion prices.***

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## Technical Analysis - Gold

Gold prices maintained penultimate week's trend by trading higher gaining 2.52%. Last week, market made a high of \$1214.90/oz and finally settled at \$1210.40/oz. In the last five trading sessions, market has witnessed strong buying with high volume (953268 contracts) suggesting market may trade with strong bullish sentiments for the coming week. In addition, momentum indicator RSI (14) weekly ascended from 0.47 to 0.66 implying bullish



sentiments to persist for coming trading sessions. Prices are trading well above 13, 22 & 45 EMA (\$1143.6, \$1124.2 & \$1079) weekly, signaling bullish outlook for the week. Last week, market settled close to high of the week (\$1214.90) implying market may touch \$1219 and then \$1230 in coming trading sessions. Overall, KCTL's expects sideways to higher trading next week.

Exchange	S2	S1	R1	R2
June Gold - Comex	1182	1197	1219	1230
June Gold - MCX	17400	17704	18165	18366
<b>Gold - June Comex</b>	Sideways to higher			
<b>Gold-June MCX</b>	Sideways to higher			

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## Silver

Silver reversed its penultimate week's gains and closed in line with the fall in broad markets. Continued sell-off, triggered by European debt crisis, led major asset classes down during the last week. Silver closed 1 percent lower at \$18.45/oz on Comex, after having fallen to as low as \$17.08/oz during the week. Silver tracked losses in base metals and equity markets. Base metals' complex on LME closed nearly 8 percent down while equities lost 8.26 percent. Thanks to strong investment demand, silver prices recovered from the week low of \$17.08/oz. Ishares Silver Trust increased its holdings by 174.48 tonnes to 9087.72 tonnes during the week ended on May 7, 2010.

## 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 (Jul 10)	18.69	18.89	17.08	18.45	-1.01%	239793	70.94%	77085	-4.13%
	Silver (Sep 10)	18.60	18.92	17.15	18.48	-0.99%	3561	23.09%	9881	9.07%
MCX (Rs/1kg)	Silver (Jul 10)	28220.00	28980.00	26740.00	28577.00	0.99%	328933	300.41%	12073	-14.31%
	Silver (Sep 10)	28363.00	29120.00	26923.00	28751.00	1.17%	7826	339.17%	918	58.82%

Despite international silver futures having closed lower, MCX silver futures ended the week on positive note because of heavy depreciation in Indian Rupee which weakened by more than 2.5 percent to close at 45.4775/USD. Silver closed 1 percent higher at Rs. 28,577/kg on MCX.

**CFTC reports** suggest that non-commercial holders added 9.27 percent short positions while reduced their long positions by 2.42 percent. On the other hand, Commercial holders (mainly hedgers) went long and increased their long positions by 7.75 percent to 32,069 contracts from 29,762 contracts earlier.

Total long positions fell by marginally 0.48 percent while short positions increased by 0.36 percent.

CFTC Report - Silver			
Non-Commercial	5/4/2010	4/27/2010	% Change
Long	47287	48462	-2.42%
Short	8627	7895	9.27%
Spreading	17812	19410	-8.23%
<b>Commercial</b>			
Long	32069	29762	7.75%
Short	87457	86183	1.48%
<b>Total</b>			
Long	97168	97634	-0.48%
Short	113896	113488	0.36%

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## Technical Analysis – Silver

Silver prices remained highly volatile and traded sideways by closing little over 1% down. Silver, after making a low \$17.08, settled at \$18.45. Market traded in the range of \$17.08-\$18.89 and closed near open price suggesting market may witness sideways volatile movement. Market is trading well above 13, 22 & 45 EMA (17.71, 17.39 & 16.71) suggesting bullish outlook for the week. On daily charts, momentum indicator RSI (14) is trading between 0.42 and 0.66, suggesting sideways



movement for the week. Upside market is witnessing important trend line resistance at \$18.91 on breach and sustain above the same prices may test \$19.10 then \$19.42. KCTL expects market to trade sideways with highly volatile session expected.

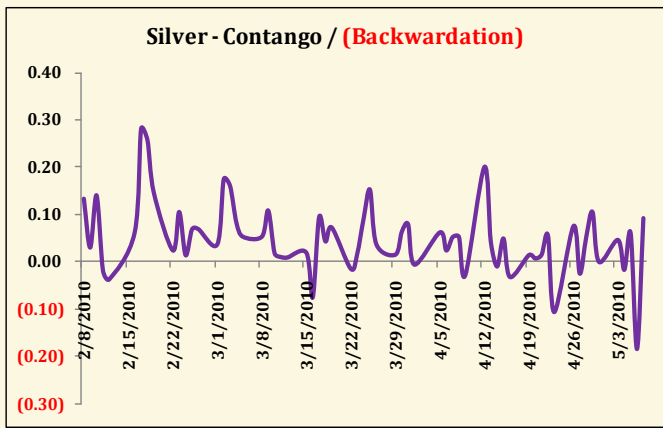
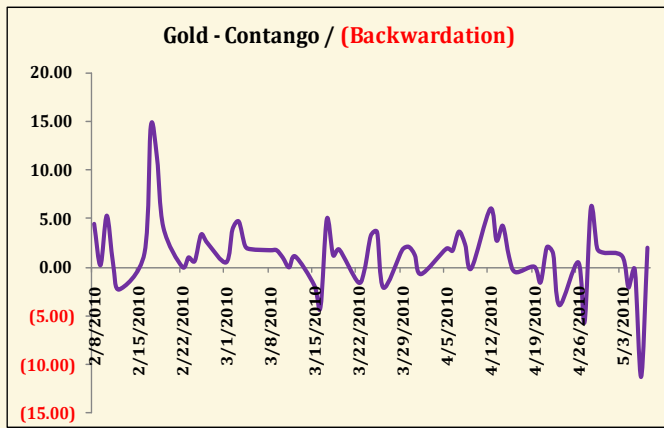
Exchange	S2	S1	R1	R2
Jul Silver - Comex (\$/oz)	17.47	17.89	18.91	19.10
Jul Silver - MCX (Rs. /kg.)	27580	28030	28980	29577
<b>Silver – Jul Comex</b>	Sideways			
<b>Silver-Jul MCX</b>	Sideways			

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## Basis Charts

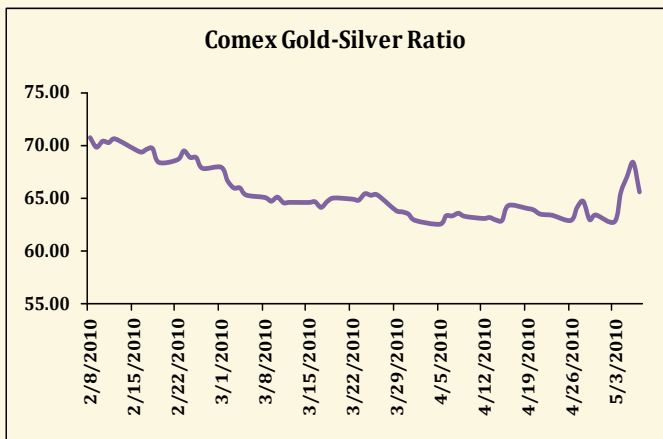
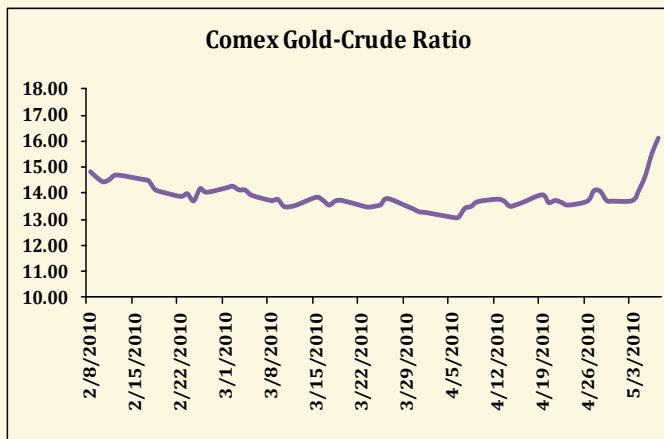
**Backwardation** is a market where spot prices exceed future prices while **Contango** is the opposite condition, where future prices exceed spot prices. We have considered Gold June future contract and Silver May future contract of COMEX. Contango seems to be an obvious condition in the market as future prices tend to be higher because of cost-of-carry involved.



Spot gold closed at \$1,208.40/oz while futures ended at \$1,210.40/oz. **Markets closed in Contango at 2.**

Spot silver closed at \$18.36/oz while futures ended at \$18.45/oz. **Markets closed in Contango at 0.09.**

## Ratio Charts



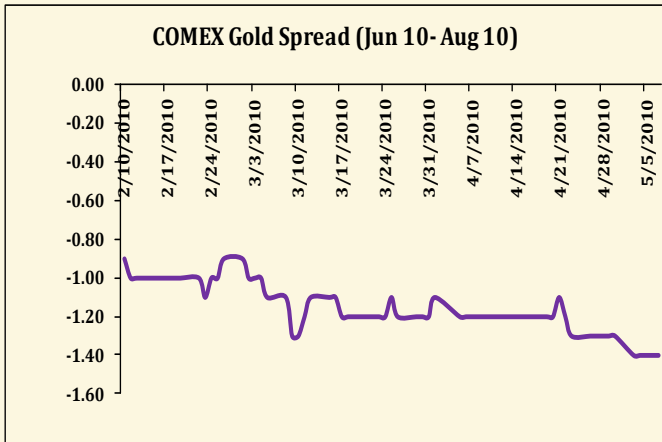
**The Comex Gold-Crude ratio** for the week increased to 16.12 from 13.71 from a week earlier. The ratio declined because of crude oil prices crashing while gold prices rising last week.

**The Comex Gold-Silver ratio** rose to 65.60 from 63.44 a week earlier, attributed to a fall in silver prices while a rise in bullion prices.

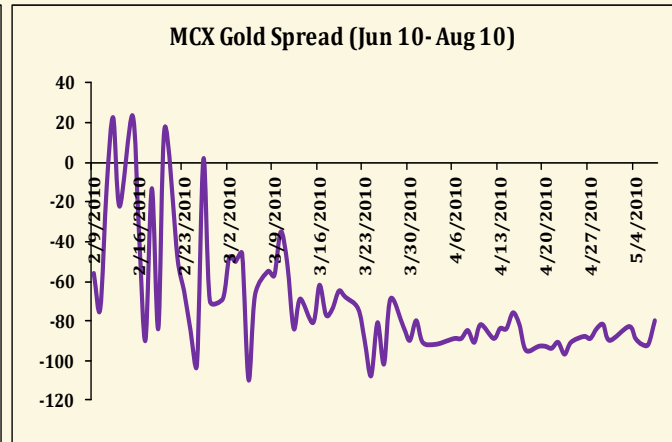
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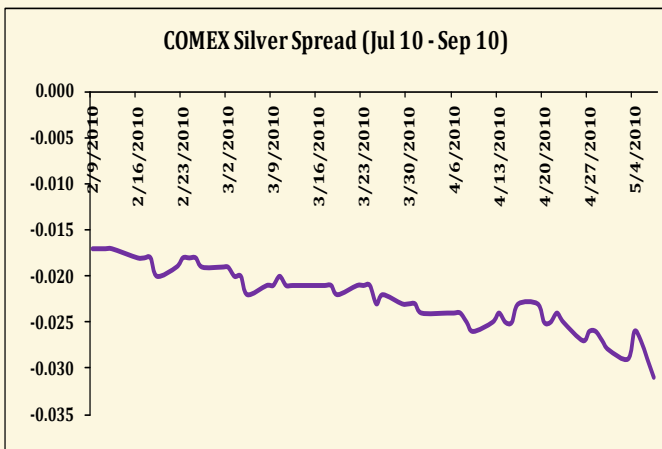
**Calendar Spreads:** Calendar Spread is the difference between the two futures contracts, far-month-contract and near-month-contract. For gold, we have considered Jun'10 and Aug'10 at both COMEX and MCX while for silver, Jul'10 and Sep'10 contracts at both COMEX and MCX have been taken into account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



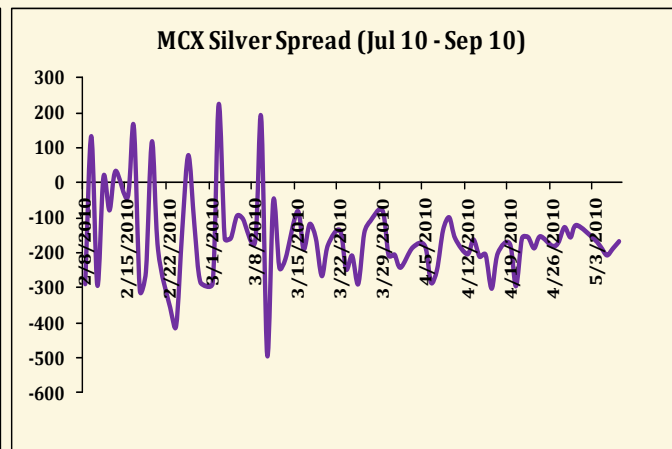
*The spread between Gold Jun'10 and Aug'10 contracts closed at -1.80 during the week, meaning far month contract closed higher than near month contract.*



*The spread between MCX Gold Jun'10 and Aug'10 closed at -86.*



*The spread between Silver May'10 and Jul'10 continued to remain thin at -0.031.*



*The spread between Silver May'10 and Jul'10 contracts closed at -167 levels.*

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## Economic Events during this week

Date Time		Event		Survey	Actual	Prior	Revised
10-12 MAY	CH	China NDRC Housing Prices	APR	11.6	--	11.7	--
10-14 MAY	CH	Money Supply - M0 (YoY)	APR	--	--	15.80%	--
10-14 MAY	CH	Money Supply - M1 (YoY)	APR	28.70%	--	29.90%	--
10-14 MAY	CH	Money Supply - M2 (YoY)	APR	22.00%	--	22.50%	--
10-14 MAY	CH	New Yuan Loans	APR	585.0B	--	510.7B	--
05/10/2010 09:30	CH	Trade Balance (USD)	APR	-\$0.55B	--	-\$7.24B	--
05/10/2010 09:30	CH	Exports YoY%	APR	28.90%	--	24.30%	--
05/10/2010 09:30	CH	Imports YoY%	APR	51.50%	--	66.00%	--
05/10/2010 10:30	IN	India Local Car Sales	APR	--	--	155600	--
<b>05/10/2010 11:30</b>	<b>GE</b>	<b>Trade Balance</b>	<b>MAR</b>	<b>14.0B</b>	--	<b>12.6B</b>	--
05/10/2010 11:30	GE	Imports SA (MoM)	MAR	0.50%	--	0.20%	--
<b>05/10/2010 11:30</b>	<b>GE</b>	<b>Current Account (EURO)</b>	<b>MAR</b>	<b>13.5B</b>	--	<b>9.1B</b>	--
05/10/2010 11:30	GE	Exports SA (MoM)	MAR	3.00%	--	5.10%	--
05/11/2010 07:30	CH	Producer Price Index (YoY)	APR	6.50%	--	5.90%	--
05/11/2010 07:30	CH	Consumer Price Index (YoY)	APR	2.70%	--	2.40%	--
05/11/2010 07:30	CH	Retail Sales (YoY)	APR	18.20%	--	18.00%	--
05/11/2010 07:30	CH	Industrial Production (YoY)	APR	18.50%	--	18.10%	--
<b>05/11/2010 11:30</b>	<b>GE</b>	<b>Consumer Price Index (MoM)</b>	<b>APR F</b>	<b>-0.10%</b>	--	<b>-0.10%</b>	--
05/11/2010 11:30	GE	Consumer Price Index (YoY)	APR F	1.00%	--	1.00%	--
<b>05/11/2010 11:30</b>	<b>GE</b>	<b>Wholesale Price Index (MoM)</b>	<b>APR</b>	<b>0.90%</b>	--	<b>1.30%</b>	--
05/11/2010 11:30	GE	Wholesale price Index (YoY)	APR	5.20%	--	4.30%	--
<b>05/11/2010 19:30</b>	<b>US</b>	<b>Wholesale Inventories</b>	<b>MAR</b>	<b>0.50%</b>	--	<b>0.60%</b>	--
05/12/2010 02:30	US	ABC Consumer Confidence	9-May	--	--	-47	--
<b>05/12/2010 11:30</b>	<b>GE</b>	<b>GDP s.a. (QOQ)</b>	<b>1Q P</b>	<b>0.00%</b>	--	<b>0.00%</b>	--
05/12/2010 11:30	GE	GDP wda (YoY)	1Q P	1.20%	--	-2.40%	--
05/12/2010 11:30	GE	GDP nsa (YoY)	1Q P	1.20%	--	-1.70%	--
05/12/2010	IN	Industrial Production YoY	MAR	15.10%	--	15.10%	--
<b>05/12/2010 14:30</b>	<b>EC</b>	<b>Euro-Zone Ind. Prod. sa (MoM)</b>	<b>MAR</b>	<b>1.00%</b>	--	<b>0.90%</b>	<b>0.70%</b>
05/12/2010 14:30	EC	Euro-Zone Ind. Prod. wda (YoY)	MAR	6.50%	--	4.10%	4.00%
<b>05/12/2010 14:30</b>	<b>EC</b>	<b>Euro-Zone GDP s.a. (QoQ)</b>	<b>1Q A</b>	<b>0.10%</b>	--	<b>0.00%</b>	--
05/12/2010 14:30	EC	Euro-Zone GDP s.a. (YoY)	1Q A	0.40%	--	-2.20%	--
<b>05/12/2010 18:00</b>	<b>US</b>	<b>Trade Balance</b>	<b>MAR</b>	<b>-\$40.0B</b>	--	<b>-\$39.7B</b>	--
<b>05/12/2010 23:30</b>	<b>US</b>	<b>Monthly Budget Statement</b>	<b>APR</b>	<b>-\$20.0B</b>	--	<b>-\$20.9B</b>	--
05/13/2010 13:30	EC	ECB Publishes May Monthly Report	13-May				
<b>05/13/2010 18:00</b>	<b>US</b>	<b>Import Price Index (MoM)</b>	<b>APR</b>	<b>0.80%</b>	--	<b>0.70%</b>	--
05/13/2010 18:00	US	Import Price Index (YoY)	APR	11.30%	--	11.40%	--
<b>05/13/2010 18:00</b>	<b>US</b>	<b>Initial Jobless Claims</b>	<b>8-May</b>	<b>440K</b>	--	<b>444K</b>	--
<b>05/13/2010 18:00</b>	<b>US</b>	<b>Continuing Claims</b>	<b>1-May</b>	<b>4590K</b>	--	<b>4594K</b>	--
05/14/2010 12:00	IN	Monthly Wholesale Prices YoY%	APR	9.50%	--	9.90%	--
<b>05/14/2010 18:00</b>	<b>US</b>	<b>Advance Retail Sales</b>	<b>APR</b>	<b>0.20%</b>	--	<b>1.60%</b>	<b>1.90%</b>
05/14/2010 18:00	US	Retail Sales Less Autos	APR	0.40%	--	0.60%	0.90%
05/14/2010 18:00	US	Retail Sales Ex Auto & Gas	APR	0.40%	--	0.70%	0.70%
<b>05/14/2010 18:45</b>	<b>US</b>	<b>Industrial Production</b>	<b>APR</b>	<b>0.60%</b>	--	<b>0.10%</b>	--
<b>05/14/2010 18:45</b>	<b>US</b>	<b>Capacity Utilization</b>	<b>APR</b>	<b>73.70%</b>	--	<b>73.20%</b>	--
<b>05/14/2010 19:25</b>	<b>US</b>	<b>U. of Michigan Confidence</b>	<b>MAY P</b>	<b>73.5</b>	--	<b>72.2</b>	--
<b>05/14/2010 19:30</b>	<b>US</b>	<b>Business Inventories</b>	<b>MAR</b>	<b>0.40%</b>	--	<b>0.50%</b>	--

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