

BULLION WEEKLY

A Weekly Report on Gold & Silver

Gold: Weekly Review

Gold posted biggest weekly losses since Dec 11, 2009, as the metal became a victim of continued selling pressure across the financial markets. Moreover, gold's recent gains to its record levels also allured many investors to take some money off the table. Gold settled the week 4.21 percent lower at \$1,176.10/oz on Comex. Markets remained in bearish territory for the whole week and a slump was seen in all asset classes. Despite gold remaining the king of turbulent times, it fell due to a general liquidation in the markets. Investors had to liquidate their positions in gold to cover the losses in other markets. However, some bargain hunters continued to buy gold at dips since this precious metal adds a perfect hedge against the debasement of fiat currency. SPDR Gold Trust, the world's largest ETF backed by gold bullion, increased its gold holdings by more than 6 MT to 1220.15 MT last week. Crude oil prices also remained weak and posted more than 2 percent declines for the last week. Equities saw a fall of nearly 4.5 percent, as suggested by the MSCI world index for stocks.

Speculators bet that prices will decline and that led to more than 8 percent addition in their short positions, according to CFTC reports. Net long positions dropped 1.76 percent to 231,670 contracts from 235,825 contracts a week earlier and thus, put pressure on bullion prices. However, dips were seen as buying opportunity for commercial holders long positions advanced 1.11 percent to 170,172 contracts. Total long and short positions showed a change of -0.11 percent and 0.13 percent, respectively.

CFTC Report - Gold			
Non-Commercial	5/18/2010	5/11/2010	% Change
Long	281985	282375	-0.14%
Short	50315	46550	8.09%
Spreading	56608	58622	-3.44%
Commercial			
Long	170172	168306	1.11%
Short	449916	450950	-0.23%
Total			
Long	508765	509303	-0.11%
Short	556839	556122	0.13%

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 (Jun 10)	1232.00	1242.80	1166.00	1176.10	-4.21%	949949	-4.54%	259763	-14.72%
	Gold (Aug 10)	1234.20	1244.30	1168.00	1177.90	-4.20%	129500	24.03%	130655	31.52%
MCX (Rs/10 grams)	Gold (Jun 10)	18195.00	18424.00	17916.00	17988.00	-0.97%	310291	7.24%	11630	-23.87%
	Gold (Aug 10)	18400.00	18500.00	17999.00	18069.00	-0.98%	21361	31.48%	4863	67.98%

Despite huge selling pressure in international bullion markets, domestic gold futures remained well supported by weak rupee which slid as much as 4.41 percent to 47.3350/USD. MCX gold for June delivery took a dip of merely 1 percent and closed down at Rs. 17,988/10 gm on Friday. Weaker rupee put a base under the fall of domestic gold futures.

BULLION WEEKLY

A Weekly Report on Gold & Silver

Major Economic Events during the last week

- **US - Net long term TIC flows** rose to over \$140 billion in March from \$47.1 billion in month before.
- **US - Housing starts** rose to 672K in April from 626K in March.
- **US - Building permits** declined to 606K in April from 680K in the month before.
- **US - Initial jobless claims** unexpectedly rose to 471K from 444K while **continuing claims** declined marginally to 4625K, suggesting inconsistent job market.
- **US - Philadelphia Fed index** improved to 21.4 from 20.2 earlier, showing an increase in manufacturing activities.
- **Germany - GDP** expanded at 0.2 percent in 1Q against the same growth in the previous quarter.

Fundamental Outlook

Last week, markets saw mixed economic data from the US with very few of them actually supported the dollar. Rising jobless claims and declining building permits undermined the dollar's strength. Moreover, recent gains also prompted many investors to sell the dollar. The Euro recovered by 1.72 percent against the dollar after having fallen continuously for the last four weeks. Gold also saw considerable liquidation last week.

The upcoming week will have significant economic data from the US with majority of them are expected to have positive impacts on the dollar. The dollar may regain its lost strength against the dollar. Improving sales of existing single family homes and new homes, rising durable goods orders, falling jobless claims and thus, an increase in income and spending levels may help markets find a reason to cheer once again, after having taken severe dips in the bygone week. **Stronger dollar may weaken bullion prices further. Gold is expected to take a correction till \$1,150/oz on Comex and Rs. 17,800/10 gm on MCX.**

BULLION WEEKLY

A Weekly Report on Gold & Silver

Technical Analysis - Gold

Gold prices witnessed a short term trend reversal by loosing 4.21%. Last week, market made a low of \$1166 and finally closed at \$1176. The leading indicator Stochastic (5, 3) weekly have given cross-over at overbought zone suggesting market may trade under bearish pressure for the week. The momentum indicator RSI (14) weekly has descended from 0.68 to 0.58 at overbought zone



implying market may suspend bullish sentiments for the week. As per technical tool, Parabolic SAR (0.02, 2) daily market is trading under bearish pressure below \$1217.6, suggesting sellers may dominate the market for the week. Overall, market is expected to trade sideways with volatile trading sessions.

Exchange	S2	S1	R1	R2
June Gold - Comex	1130 and then 1124	1155	1206	1228 & 1255
June Gold - MCX	17670 and then 17400	17900	18150	18300 & 18400
Gold - June Comex	Sideways			
Gold-June MCX	Sideways			

BULLION WEEKLY

A Weekly Report on Gold & Silver

Silver

Gold's bridesmaid, silver fell more than gold as it tracks base metals and equities also. Silver's industrial demand took a backseat after current debt problems undermined the global economic recovery. Silver posted more than 8 percent losses on Comex and ended lower at \$17.65/oz. This was a result of general sell-off in the financial markets. Base metals also pared down and closed more than 2 percent lower. Equity markets were down by nearly 4.5 percent. Investment demand was not seen amidst such weak markets. Ishares Silver Trust said that it maintained its holdings at 9191.37 tonnes during the week ended on May 21, 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)	19.33	19.45	17.41	17.65	-8.19%	214546	-0.31%	77952	-4.14%
	Silver (Sep 10)	19.35	19.42	17.49	17.68	-8.17%	14311	102.56%	11987	4.45%
MCX (Rs/1kg)	Silver (Jul 10)	29750.00	29999.00	28212.00	28398.00	-4.25%	297039	0.26%	11747	-27.12%
	Silver (Sep 10)	29820.00	30066.00	28350.00	28520.00	-4.16%	7979	-7.54%	990	-25.17%

Fall in MCX silver futures was bit relaxed due to heavy depreciation in Indian rupee which weakened by close to 4 percent. MCX silver futures closed 4.25 percent down at Rs. 28,398/kg.

CFTC reports suggest that non-commercial holders reduced their short positions by 13.5 percent amidst falling prices. Lower levels were also welcomed by speculators and they bought this metal at dips. Their long positions rose nearly 8 percent. Hedgers increased their short positions by 7.5 percent.

Total long positions and short positions rose 2.39 percent and 3.42 percent, respectively.

CFTC Report - Silver			
Non-Commercial	5/18/2010	5/11/2010	% Change
Long	51664	47848	7.98%
Short	8874	10258	-13.49%
Spreading	16890	17939	-5.85%
Commercial			
Long	30235	30697	-1.51%
Short	89453	83215	7.50%
Total			
Long	98789	96484	2.39%
Short	115217	111412	3.42%

BULLION WEEKLY

A Weekly Report on Gold & Silver

Technical Analysis - Silver

Silver prices witnessed a short-term trend reversal by losing 8.19%. Last week, market made a low of \$17.41 and finally closed at \$17.65. As per Fibonacci principles, market is witnessing support at 50% retracement (1462-1980 moves) at \$17.21 level on break and sustain below the same prices may test \$17.08 then \$16.71 levels. The leading indicator Stochastic (5, 3) has given crossover at overbought zone implying bearish pressure may persist for the week.



The momentum indicator RSI (14) have descended from 0.68 to 0.47 signaling market may direct southwards. In daily chart, prices are trading well below 13, 22 & 45 EMA suggesting bearish sentiments for the week. The above analysis implies that market is expected to trade sideways for the week.

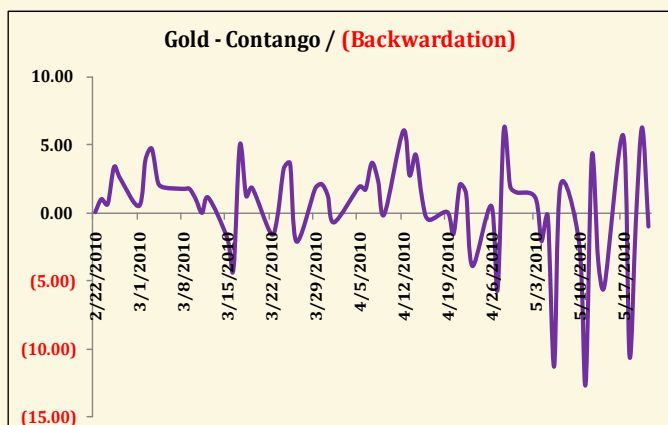
Exchange	S2	S1	R1	R2
Jul Silver - Comex (\$/oz)	17.06 & 16.89	17.39	17.91	18.35 & 18.64
Jul Silver - MCX (Rs. /kg.)	27800 & 27470	28200	28637	28928 & 29400
Silver - Jul Comex	Sideways			
Silver-Jul MCX	Sideways			

BULLION WEEKLY

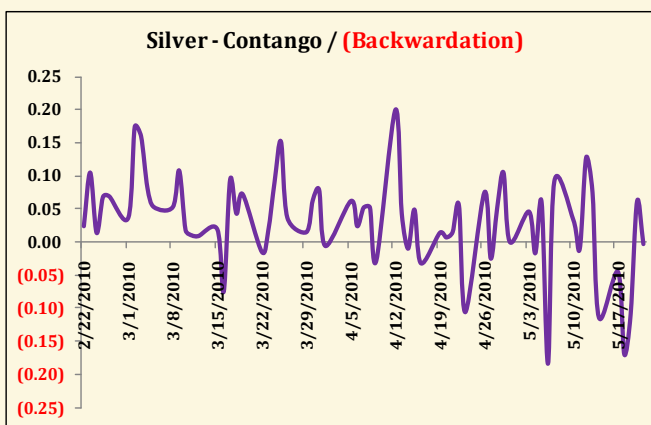
A Weekly Report on Gold & Silver

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.

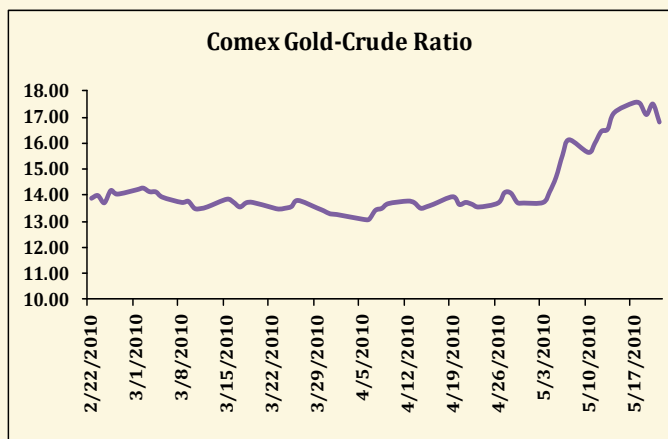


Spot gold closed at \$1,177.10/oz while futures ended at \$1,176.10/oz. **Markets closed in Backwardation at 1.00.**

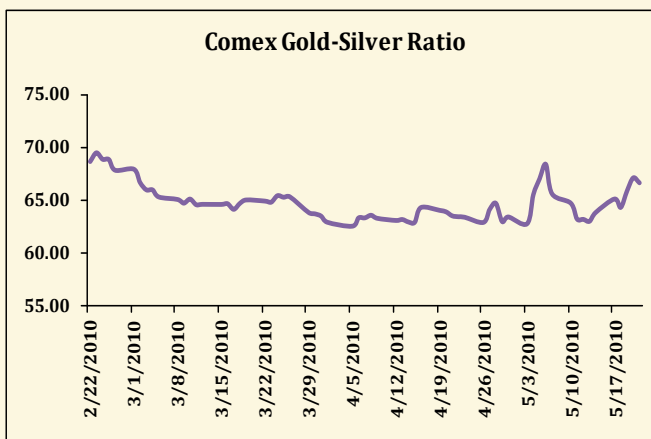


Spot silver closed at \$17.66/oz while futures ended at \$17.65/oz. **Markets closed in Backwardation at 0.00**

Ratio Charts



The Comex Gold-Crude ratio for the week dropped to 16.79 from 17.15 a week earlier. The ratio fell because of gold falling more than crude oil.

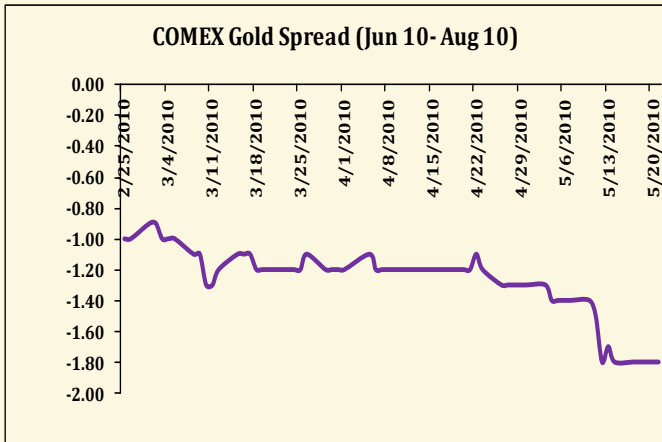


The Comex Gold-Silver ratio increased to 66.63 from 63.86 a week earlier, as silver fell more than gold.

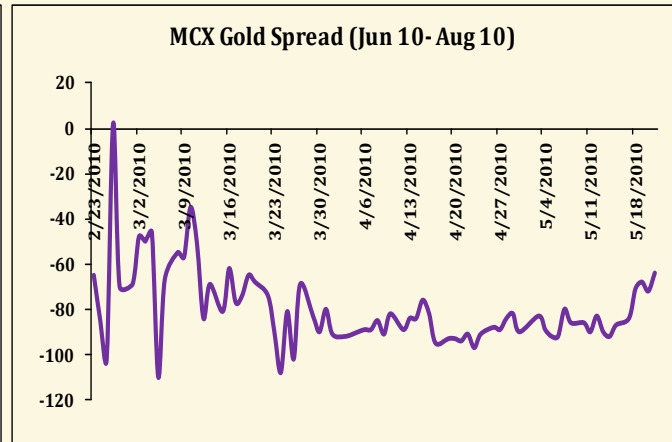
BULLION WEEKLY

A Weekly Report on Gold & Silver

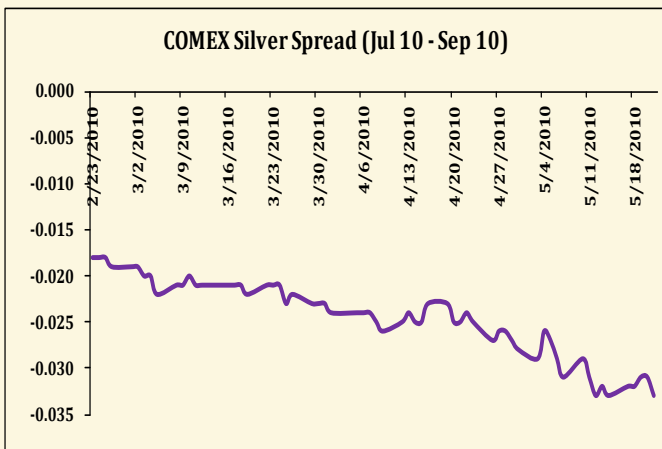
Calendar Spreads: Calendar Spread is the difference between the two futures contracts, far-month-contract and near-month-contract. For gold, we have considered Jun'10 and Aug'10 at both COMEX and MCX while for silver, Jul'10 and Sep'10 contracts at both COMEX and MCX have been taken into account for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



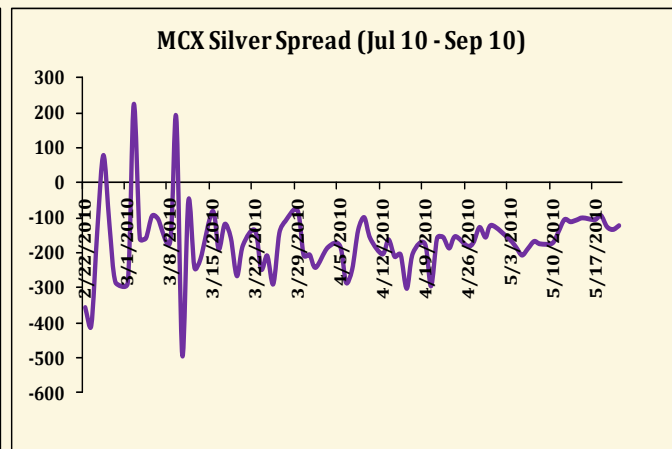
The spread between Gold Jun'10 and Aug'10 contracts closed at -1.80 during the week, meaning far month contract closed higher than near month contract.



The spread between MCX Gold Jun'10 and Aug'10 closed at -83.



The spread between Silver Jul'10 and Sep'10 continued to remain thin at -0.033.



The spread between Silver Jul'10 and Sep'10 contracts closed at -122 levels.

BULLION WEEKLY

A Weekly Report on Gold & Silver

Economic Events during this week

Date Time		Event		Survey	Actual	Prior	Revised
23-27 MAY	CH	Leading Index	APR	--	--	104.98	--
05/24/2010	US	Existing Home Sales	APR	5.65M	--	5.35M	--
05/24/2010	US	Existing Home Sales MoM	APR	5.60%	--	6.80%	--
05/25/2010	EC	Industrial New Orders SA (MoM)	MAR	2.50%	--	1.50%	1.90%
05/25/2010 14:30	EC	Industrial New Orders SA (YoY)	MAR	15.00%	--	12.20%	12.50%
05/25/2010 18:30	US	S&P/CS Composite-20 YoY	MAR	2.50%	--	0.60%	--
05/25/2010 18:30	US	S&P/CaseShiller Home Price Ind	MAR	--	--	144	--
05/25/2010 18:30	US	S&P/CS 20 City MoM% SA	MAR	-0.30%	--	-0.10%	--
05/25/2010 18:30	US	S&P/Case-Shiller US HPI	1Q	--	--	136.1	--
05/25/2010 18:30	US	S&P/Case-Shiller US HPI YOY%	1Q	--	--	-2.50%	--
05/25/2010	US	Richmond Fed Manufact. Index	MAY	25	--	30	--
05/25/2010	US	Consumer Confidence	MAY	59	--	57.9	--
05/25/2010	US	House Price Index MoM	MAR	0.00%	--	-0.20%	--
05/25/2010 19:30	US	House Price Purchase Index QoQ	1Q	--	--	-0.10%	--
05/26/2010 16:30	US	MBA Mortgage Applications	21-May	--	--	-1.50%	--
05/26/2010	US	Durable Goods Orders	APR	1.50%	--	-1.30%	-1.20%
05/26/2010 18:00	US	Durables Ex Transportation	APR	0.50%	--	2.80%	3.70%
05/26/2010	US	New Home Sales	APR	425K	--	411K	--
05/26/2010	US	New Home Sales MoM	APR	3.40%	--	26.90%	--
05/27/2010 12:00	IN	Primary Articles WPI YoY	15-May	--	--	16.19%	--
05/27/2010	US	GDP QoQ (Annualized)	1Q S	3.40%	--	3.20%	--
05/27/2010	US	Personal Consumption	1Q S	3.70%	--	3.60%	--
05/27/2010 18:00	US	GDP Price Index	1Q S	0.90%	--	0.90%	--
05/27/2010 18:00	US	Core PCE QoQ	1Q S	0.60%	--	0.60%	--
05/27/2010	US	Initial Jobless Claims	22-May	455K	--	471K	--
05/27/2010	US	Continuing Claims	15-May	4600K	--	4625K	--
05/27/2010	GE	Consumer Price Index (MoM)	MAY P	0.10%	--	-0.10%	--
05/27/2010	GE	CPI - EU Harmonised (MoM)	MAY P	0.10%	--	-0.10%	--
05/27/2010	GE	CPI - EU Harmonised (YoY)	MAY P	1.20%	--	1.00%	--
05/27/2010	GE	Consumer Price Index (YoY)	MAY P	1.20%	--	1.00%	--
05/28/2010 00:30	EC	EC OECD June Economic Outlook	6-Jun				
05/28/2010 11:30	GE	Import Price Index (MoM)	APR	1.50%	--	1.70%	--
05/28/2010 11:30	GE	Import Price Index (YoY)	APR	7.10%	--	5.00%	--
05/28/2010	US	Personal Income	APR	0.40%	--	0.30%	--
05/28/2010	US	Personal Spending	APR	0.30%	--	0.60%	--
05/28/2010 18:00	US	PCE Deflator (YoY)	APR	1.90%	--	2.00%	--
05/28/2010 18:00	US	PCE Core (MoM)	APR	0.10%	--	0.10%	--
05/28/2010 18:00	US	PCE Core (YoY)	APR	1.10%	--	1.30%	--
05/28/2010 19:15	US	Chicago Purchasing Manager	MAY	61.3	--	63.8	--
05/28/2010	US	U. of Michigan Confidence	MAY F	73.4	--	73.3	--

BULLION WEEKLY

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