

BULLION WEEKLY

A Weekly Report on Gold & Silver

Gold: Weekly Review

Gold bounced back strongly, after being thrashed out last week. Investors looked more eager to buy this precious metal after prices came-off from their record highs in mid-May. News regarding Spanish central bank taking over a savings bank pointed to weakening banking system and made things worsen in the Euro-zone. Apart from Euro-zone debt worries, political tensions between North and South Korea also supplemented safe-haven buying of bullion. Gold also got a boost from a World Gold Council report forecasting rising demand for the metal on the sovereign risk concerns and physical demand from Asia. Euro's weakness continued to remind lingering debt problems in Europe which helped restore gold's safe haven status. However, China made some effort in order to stop the fall of Euro by saying that it will continue to remain a long-term investor in Europe and is not mulling any sales of Euro-zone bonds. Still, the Euro fell by 2.36% against the dollar. Gold posted more than 3% margins and settled the week higher at \$1212.20/oz. Rising investment demand can also be attributed to a stunning rebound in gold prices this week. Holdings of the SPDR Gold Trust increased by 47.78 MT to 1267.93 MT for the week ended on May 28, 2010.

MCX gold also rose in line with New York gold futures but gains varied due to heavy fluctuations in USD/INR exchange rates. Indian rupee slid as much as 1.75% to 47.7450 during the week which it regained in the later part of the week. Indian rupee later recouped and closed with 1.21% margins at 46.3550 against 46.9244 last week. Gold rose to as high as Rs. 18,648/10 gm- all time high on MCX - during the week. Later, rupee reversal turned around bullion prices and gold futures for immediate delivery on MCX closed 2.37% higher at Rs. 18,428/10 gm on Friday.

Gold's gains this week can be seen through CFTC reports which suggest more than 13.5% short positions being covered during the week ended on May 25, 2010. Nearly 4% long positions were also liquidated. Many investors who were dubious on price outlook took both long and short positions, suggested by a whopping 53.29% increase in spreading positions. Hedgers' participation was minimal. Total long and short positions rose 3.2% and 1.6%, respectively.

CFTC Report - Gold			
Non-Commercial	5/25/2010	5/18/2010	% Change
Long	271184	281985	-3.83%
Short	43493	50315	-13.56%
Spreading	86772	56608	53.29%
Commercial			
Long	167088	170172	-1.81%
Short	435467	449916	-3.21%
Total			
Long	525044	508765	3.20%
Short	565732	556839	1.60%

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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 (Jun 10)	1178.10	1218.50	1176.80	1212.20	3.07%	759064	-21.02%	11356	-95.38%
	Gold (Aug 10)	1178.90	1220.60	1178.60	1215.00	3.15%	572491	336.44%	343246	141.49%
MCX (Rs/10 grams)	Gold (Jun 10)	18020.00	18648.00	17968.00	18428.00	2.37%	183896	-40.96%	9162	-20.68%
	Gold (Aug 10)	18055.00	18692.00	18055.00	18470.00	2.17%	51540	138.91%	12268	148.64%

Major Economic Events during the last week

- **US - Existing home sales** advanced to 5.77M in April, an increase of 7.6% from 5.35M in March. **New home sales** also rose to 504K in April from 439K in the month before.
- **Euro Zone - Industrial production** rose 5.2% in March from an increase of 1.9% earlier.
- **US - Housing price index** gained 0.3% in March against a decline of 0.2% earlier.
- **US - Durable goods orders** increased by 2.9% in April after having dipped earlier.
- **US** revised its **1Q GDP** growth to 3% from earlier release of 3.2%. **Personal consumption** was also revised down to 3.5% from 3.6% earlier.
- **US - Initial jobless claims** fell to 460K from 471K earlier and **continuing claims** also dropped to 4607K from 4625K earlier.
- **US - Personal income** rose 0.4% in April while **spending** saw no growth, meaning consumers preferring saving over spending.

Fundamental Outlook

Markets will witness the most volatile week ahead, as the king of forex markets; payrolls data, are scheduled in the upcoming week. Nonfarm sector may have added a large number of jobs in May and thus, brought down the unemployment rate. Housing and auto sector may also provide rosy picture. Rising factory orders may translate into expanding industrial sector. Others which can limit dollar's gains include; ISM manufacturing and ISM prices paid, albeit may not have severe impacts. Moreover, conditions in the Euro-zone remain vulnerable. Germany, the largest economy of the Euro-zone, may have recorded higher retail sales in April after a decline in the month before. Retail sales in the whole Euro-zone also picked up marginally. **Going by economic data expectations, the dollar is poised to gain further which may weaken bullion prices next week. However, actual data deviating from expectations may turn around the markets. Ongoing European debt worries will also continue to impact bullion prices. Gold may trade in the range of \$1172 - \$1242/oz on Comex and Rs. 17800 - Rs. 18900/10 gm on MCX.**

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Technical Analysis - Gold

Gold prices witnessed northward movement by gaining 3.07%. Last week, market made a high of \$1218.5 and finally closed at \$1212.20/oz. As per Fibonacci principles, market is witnessing support at 23.6% retracement (\$1045.1-\$1251 moves) at \$1202.7 level sustain above the same likely to maintain bullish sentiments for the week. On daily charts, prices are trading above 13, 22 & 45 EMA suggesting market



may trade positively for coming trading sessions. The leading indicator, Stochastic (5, 3) is trading at overbought zone implying market may suspend northward movement for the coming trading sessions. Market is witnessing resistance at \$1218.50 on break and sustain above the same likely to test \$1228 then \$1242 levels. Overall, the market is expected to trade sideways for the week.

Exchange	S3	S2	S1	R1	R2	R3
June Gold - Comex (\$/oz)	1172	1191	1202	1218.50	1228	1242
June Gold - MCX (Rs. /10 gm)	17800	17980	18264	18648	18750	18900
Gold - June Comex	Sideways					
Gold-June MCX	Sideways					

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Silver

Silver responded better than gold and rebounded by 4.37% to settle the week at \$18.42/oz. Investors revisited the market place after silver took a severe hit in the penultimate week. Moreover, recovering equity markets and stronger base metals also helped silver bounce back from a recent fall. Base metals also moved in gains and losses with finally closing 0.8% higher. Equity markets also ended higher and posted 0.62% weekly gains. Ishares Silver Trust said that its holdings rose by 27.43 MT to 9218.80 MT during the week ended on May 28, 2010.

MCX silver posted relatively lesser gains due to rupee taking a reversal in the later part of the week. Rupee was initially down heavily which took silver prices to as high as Rs. 29,493/kg. However, rupee erasing its losses brought down silver's prices. Silver closed with 2.8% weekly margins at Rs. 29,228/kg on Friday.

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)	17.66	18.65	17.53	18.42	4.37%	148660	-31.25%	70554	-1.96%
	Silver (Sep 10)	17.67	18.66	17.59	18.46	4.39%	13775	-8.54%	14515	13.35%
MCX (Rs/1kg)	Silver (Jul 10)	28540.00	29493.00	28521.00	29228.00	2.80%	192926	-35.23%	12692	8.79%
	Silver (Sep 10)	28690.00	29585.00	28646.00	29314.00	2.68%	5320	-33.81%	1218	23.53%

CFTC reports suggest huge speculative participation in silver. There were more than 17.5% short positions being covered and nearly 18.5% long positions being liquidated. Close to 27% positions were recorded under spreading category which both long and short positions were added. Hedgers also covered nearly 7% of their short positions while added more than 5% long positions. Total long positions and short positions declined 3.48% and 2.82%, respectively.

CFTC Report - Silver			
Non-Commercial	5/25/2010	5/18/2010	% Change
Long	42146	51664	-18.42%
Short	7314	8874	-17.58%
Spreading	21424	16890	26.84%
Commercial			
Long	31781	30235	5.11%
Short	83230	89453	-6.96%
Total			
Long	95351	98789	-3.48%
Short	111968	115217	-2.82%

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Technical Analysis - Silver

Silver prices witnessed northward movement by gaining 4.36%. Last week, market made a high of \$18.64 and finally closed at \$18.42. As per Fibonacci principles, market is witnessing resistance at 23.6% retracement (\$14.73-\$19.86 moves) at \$18.65 level on break and sustain above the same likely to test \$19.05 then \$19.48 levels. Last eight trading sessions volumes have been declining



indicating that market may witness lackluster movement for coming trading sessions. On daily charts, prices are trading above 13, 22 & 45 EMA suggesting bullish sentiment may continue for the week. The leading indicator, Stochastic (5, 3) daily have ascended close to overbought level suggesting that market may suspend upward movement for the week. Overall, market is expected to trade sideways for the week.

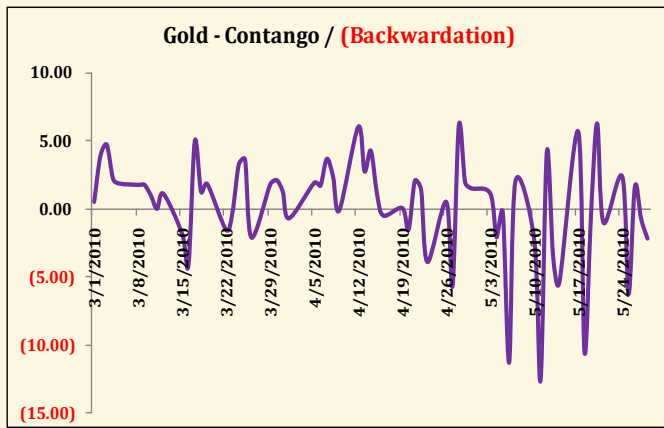
Exchange	S3	S2	S1	R1	R2	R3
Jul Silver - Comex (\$/oz)	17.47	17.75	18.05	18.65	19.05	19.48
Jul Silver - MCX (Rs. /kg.)	28000	28500	28920	29500	29800	30300
Silver - Jul Comex	Sideways					
Silver-Jul MCX	Sideways					

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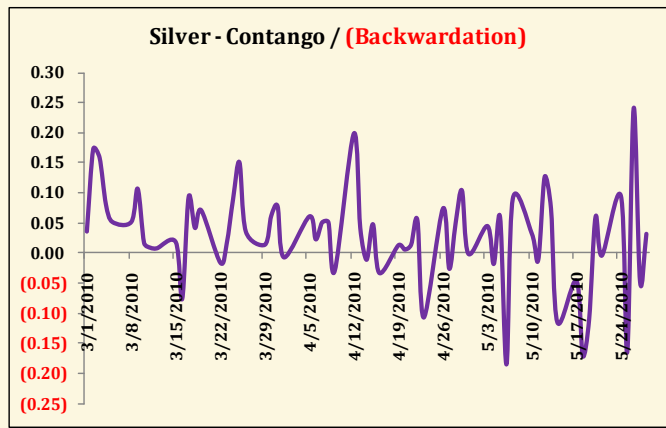
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Basis Charts

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 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.

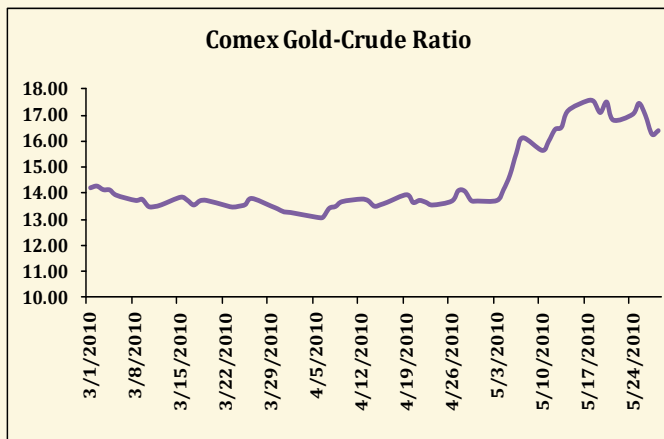


Spot gold closed at \$1214.38/oz while futures ended at \$1212.20/oz. **Markets closed in Backwardation at 2.18.**

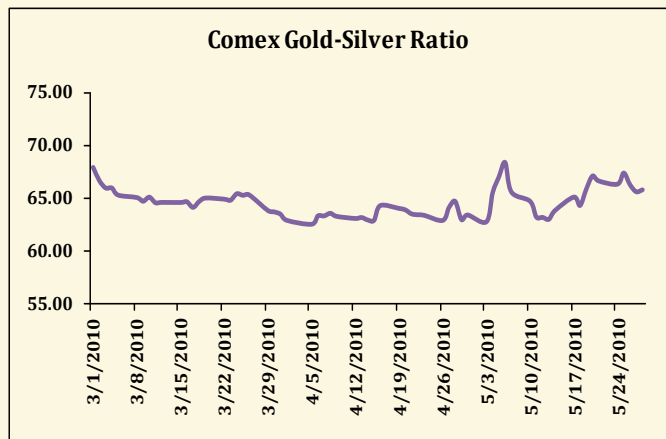


Spot silver closed at \$18.39/oz while futures ended at \$18.42/oz. **Markets closed in Contango 0.03.**

Ratio Charts



The Comex Gold-Crude ratio for the week dropped to 16.39 from 16.79 a week earlier. The ratio fell because of crude rising more than gold.

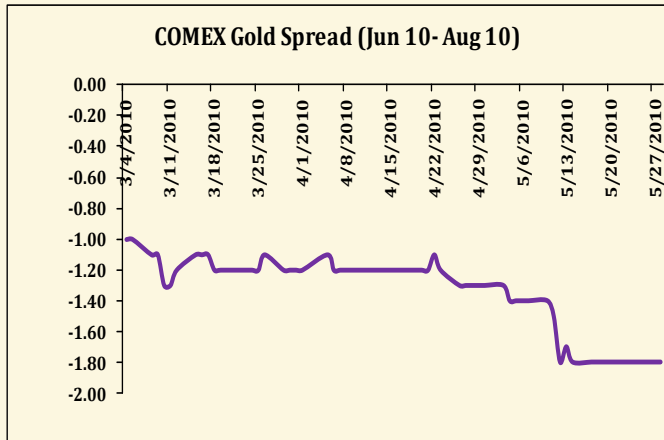


The Comex Gold-Silver ratio increased to 68.80 from 66.63 a week earlier, as silver rose more than gold.

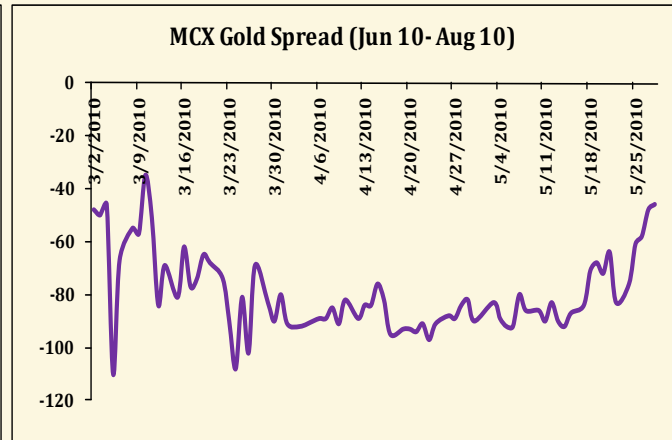
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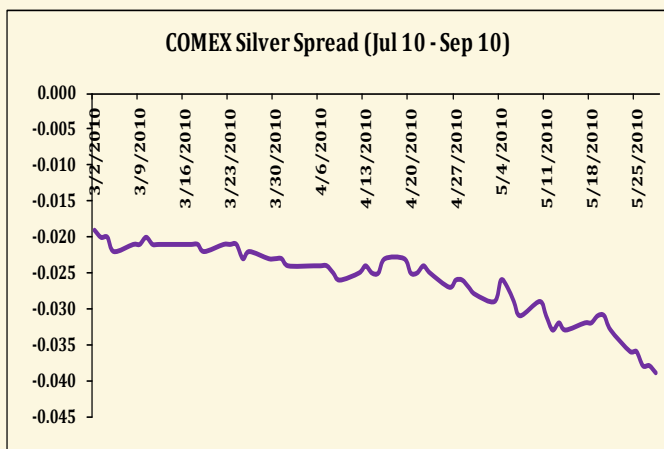
Calendar Spreads: Calendar Spread is the difference between the two futures contracts, far-month-contract and near-month-contract. For gold, we have considered Jun'10 and Aug'10 at both COMEX and MCX while for silver, Jul'10 and Sep'10 contracts at both COMEX and MCX have been taken into account for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



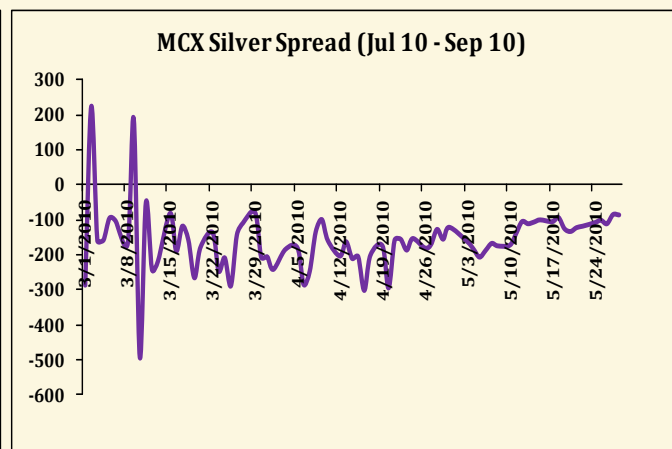
The spread between Gold Jun'10 and Aug'10 contracts closed at -2.80 during the week, meaning far month contract closed higher than near month contract.



The spread between MCX Gold Jun'10 and Aug'10 closed at -42.



The spread between Silver Jul'10 and Sep'10 continued to remain thin at -0.039.



The spread between Silver Jul'10 and Sep'10 contracts closed at -86 levels.

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Economic Events during this week

Date Time		Event		Survey	Actual	Prior	Revised
05/31/2010	IN	Qtrly GDP YoY%	1Q	8.60%	--	6.00%	--
05/31/2010	EC	Euro-Zone Indust. Confidence	MAY	-7	--	-7	--
05/31/2010	EC	Euro-Zone Consumer Confidence	MAY F	-18	--	-18	--
05/31/2010	EC	Euro-Zone Economic Confidence	MAY	100.6	--	100.6	--
05/31/2010	EC	Euro-Zone CPI Estimate (YoY)	MAY	1.70%	--	1.50%	--
05/31/2010	EC	Euro-zone Services Confidence	MAY	6	--	5	--
06/01/2010	GE	Retail Sales (MoM)	APR	1.00%	--	-2.40%	-1.60%
06/01/2010 11:30	GE	Retail Sales (YoY)	APR	-0.70%	--	2.70%	--
06/01/2010	GE	Unemployment Change (000's)	MAY	-18K	--	-68K	--
06/01/2010	GE	Unemployment Rate (s.a)	MAY	7.80%	--	7.80%	--
06/01/2010	GE	PMI Manufacturing	MAY F	58.3	--	58.3	--
06/01/2010	EC	PMI Manufacturing	MAY F	55.9	--	55.9	--
06/01/2010	IN	Exports YoY%	APR	--	--	54.00%	--
06/01/2010	IN	Imports YoY%	APR	--	--	67.10%	--
06/01/2010	EC	Euro-Zone Unemployment Rate	APR	10.00%	--	10.00%	--
06/01/2010	US	ISM Manufacturing	MAY	59	--	60.4	--
06/01/2010	US	ISM Prices Paid	MAY	72	--	78	--
06/01/2010	US	Construction Spending MoM	APR	0.10%	--	0.20%	--
06/01/2010	US	Dallas Fed Manf. Activity	MAY	18.60%	--	21.10%	--
06/02/2010	EC	Euro-Zone PPI (MoM)	APR	0.70%	--	0.60%	--
06/02/2010 14:30	EC	Euro-Zone PPI (YoY)	APR	2.60%	--	0.90%	--
06/02/2010	US	Pending Home Sales MoM	APR	5.00%	--	5.30%	--
06/02/2010 19:30	US	Pending Home Sales YoY	APR	21.00%	--	23.50%	--
06/03/2010	US	Domestic Vehicle Sales	MAY	8.90M	--	8.78M	--
06/03/2010	US	Total Vehicle Sales	MAY	11.40M	--	11.21M	--
06/03/2010 12:00	IN	Primary Articles WPI YoY	22-May	--	--	15.90%	--
06/03/2010	GE	PMI Services	MAY F	53.7	--	53.7	--
06/03/2010	EC	PMI Services	MAY F	56	--	56	--
06/03/2010	EC	PMI Composite	MAY F	56.2	--	56.2	--
06/03/2010	EC	Euro-Zone Retail Sales (YoY)	APR	-0.10%	--	-0.10%	0.00%
06/03/2010	EC	Euro-Zone Retail Sales (MoM)	APR	0.10%	--	0.00%	0.00%
06/03/2010 17:45	US	ADP Employment Change	MAY	65K	--	32K	--
06/03/2010 18:00	US	Nonfarm Productivity	1Q F	3.40%	--	3.60%	--
06/03/2010 18:00	US	Unit Labor Costs	1Q F	-1.50%	--	-1.60%	--
06/03/2010	US	Initial Jobless Claims	29-May	453K	--	460K	--
06/03/2010	US	Continuing Claims	22-May	4610K	--	4607K	--
06/03/2010	US	Factory Orders	APR	1.70%	--	1.30%	1.10%
06/03/2010	US	ISM Non-Manf. Composite	MAY	55.7	--	55.4	--
06/04/2010	EC	Euro-Zone GDP s.a. (QoQ)	1Q P	0.20%	--	0.20%	--
06/04/2010 14:30	EC	Euro-Zone GDP s.a. (YoY)	1Q P	0.50%	--	0.50%	--
06/04/2010	US	Change in Nonfarm Payrolls	MAY	508K	--	290K	--
06/04/2010	US	Change in Private Payrolls	MAY	180K	--	231K	--
06/04/2010	US	Change in Manufact. Payrolls	MAY	35K	--	44K	--
06/04/2010	US	Unemployment Rate	MAY	9.80%	--	9.90%	--
06/04/2010 18:00	US	Avg Hourly Earning MOM All Emp	MAY	0.10%	--	0.00%	--
06/04/2010 18:00	US	Avg Hourly Earning YOY All Emp	MAY	1.60%	--	1.60%	--
06/04/2010 18:00	US	Avg Weekly Hours All Employees	MAY	34.1	--	34.1	--

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