

# BULLION WEEKLY

A Weekly Report on Gold & Silver

## Economic Review

The Euro regained some of its lost grounds and rose for the second straight week. The Euro advanced 2.28% to \$1.2388 which further led to a decline of 2.07% in the dollar index. Last week's economic data from the US turned out to be negative for the dollar when housing starts and building permits fell for May month. Jobless claims also rose unexpectedly which showed a steady labor market still can not be expected in the US. Manufacturing activities are also declining, suggested by various regional manufacturing indicators.

## Major Economic Events during the last week

Date Time	Region	Event	Period	Survey	Actual	Prior
06/14/2010 14:30	EC	Euro-Zone Ind. Prod. sa (MoM)	APR	0.50%	<b>0.80%</b>	1.30%
06/15/2010 14:30	EC	Euro-Zone Trade Balance sa	APR	1.5B	<b>1.4B</b>	0.6B
06/15/2010 18:00	US	Import Price Index (MoM)	MAY	-1.30%	<b>-0.60%</b>	0.90%
06/15/2010 18:00	US	Empire Manufacturing	JUN	20	<b>19.57</b>	19.11
06/15/2010 18:30	US	Net Long-term TIC Flows	APR	\$70.0B	<b>\$15B</b>	\$140.5B
06/16/2010 18:00	US	Housing Starts	MAY	648K	<b>593K</b>	672K
06/16/2010 18:00	US	Building Permits	MAY	625K	<b>574K</b>	606K
06/16/2010 18:45	US	Industrial Production	MAY	0.90%	<b>1.20%</b>	0.80%
06/17/2010 18:00	US	Initial Jobless Claims	12-Jun	450K	<b>472K</b>	456K
06/17/2010 18:00	US	Continuing Claims	5-Jun	4500K	<b>4571K</b>	4462K
06/17/2010 19:30	US	Philadelphia Fed.	JUN	20	<b>8</b>	21.4

## Gold: Weekly Review

Comex gold futures advanced 2.28% to close higher at \$1258.30/oz, eighth weekly gains in the last nine weeks. Gold made a new high of \$1263.70/oz during the week, rally driven by weak dollar and concerns of sluggish growth in the US economy. Gold came out of its rangebound trading range in the latter part of the week when negative housing reports and rising jobless claims data spread fears of US economy slowing down as an aftermath of European debt crisis. Gains in the euro suggested some signs of easing debt concerns, as Spain also carried out successful auction of its government bonds. Greece's debt rating was also downgraded to "junk" status which didn't have much negative impacts as bonds were already trading like a junk bond. Overall, gold rose both on safe haven buying and alternative investment demand amid dollar giving grounds. Global equities also rose and closed 3.21% higher, suggested by the benchmark MSCI world index for stocks. The SPDR Gold Trust increased its gold holdings by merely 1.82 MT to 1307.96 MT last week.

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MCX gold prices were subdued by strengthening rupee which gained 1.43% to 46.1744 against the dollar. MCX gold for August delivery added only 0.66% gains to close at Rs. 18,858/10 gm.

The week ended on Jun 15, 2010 saw a moderate rise in speculators' long and short positions. Speculators accumulated long positions by just above 1%. Net long positions advanced 1.25% to 230,251 contracts from 227,398 contracts a week earlier. Rising net long positions suggest that speculators bet on future rise in prices. Hedgers (commercial holders) also added both long and short positions. Total long and short positions advanced 1.19% and 1.55%, respectively.

CFTC Report - Gold			
Non-Commercial	6/15/2010	6/8/2010	% Change
Long	273657	270729	1.08%
Short	43406	43331	0.17%
Spreading	50838	50242	1.19%
Commercial			
Long	178313	175948	1.34%
Short	457257	449525	1.72%
Total			
Long	502808	496919	1.19%
Short	551501	543098	1.55%

## 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 (Aug 10)	1229.30	1263.70	1217.50	1258.30	2.28%	529939	-14.97%	369581	6.85%
	Gold (Oct 10)	1235.50	1265.80	1219.70	1260.30	2.27%	12849	-3.59%	26937	13.61%
MCX (Rs/10 grams)	Gold (Aug 10)	18714.00	18897.00	18460.00	18858.00	0.66%	238648	-15.98%	19369	5.84%
	Gold (Oct 10)	18780.00	18975.00	18543.00	18932.00	0.58%	7830	-26.01%	1637	2.57%

## Fundamental Outlook

Coming week has few important indicators to be released such as; existing and new home sales, FOMC rate announcement and durable goods orders. Existing home sales may have risen but new home sales fell along with a drop in durable goods orders also. The Fed's rate decision is also pending in the coming week, though rate will most probably remain unchanged at 0.25%. However, the Fed's statements regarding overall economic movements will be worth watching. Moreover, European PMI indicators are showing a drag for June month. **We expect the dollar to rise initially with some declines later in the week, as durable goods orders and new home sales fall. However, the fall in the dollar index may be limited due to continued tensions in the Euro zone and the dollar benefitting from them. Gold is another asset class which may also turn out to be a gainer from European debt crisis. Moreover, weakness in the dollar may also stoke gold's alternative investment demand. Investors will prefer to resort to gold during economic uncertainties.**

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## Technical Analysis - Gold

Gold prices traded higher by gaining 2.28%. Last week, market made a high of \$ 1263.70 and finally settled at \$ 1258.30. Market is witnessing a trend line support at \$ 1239 sustain above the same likely to trade with bullish sentiments for the week. Prices are trading above 13, 22 & 45 EMA daily suggesting bullish view for the week. During past few weeks, market has witnessed northward movement with rising volume suggesting strong bullish sentiments may persist for the week. Last week, market has breached the previous all time high of \$ 1254.50 sustain above the same likely to trade higher. The momentum indicator, RSI (14) daily have ascended from 0.46 to 0.65 suggesting prices have potential for northward movement. Overall, above analysis implies that market is expected to trade sideways to higher for the week.



Exchange	S3	S2	S1	R1	R2	R3
June Gold - Comex (\$/oz)	1198	1213	1240	1265	1277	1289
June Gold - MCX (Rs. /10 gm)	18050	18306	18520	18996	19183	19320
<b>Comex Gold (Aug)</b>	Buy at 1243-1245 targeting 1285 with stop loss below 1213					
<b>MCX Gold (Aug)</b>	Buy at 18680-18720 targeting 19200 with stop loss below 18520					

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## Silver

Silver responded well and posted more than 5% gains for the second straight week on Comex. Comex silver futures for July delivery traded in the range of \$18.20 - \$19.28/oz and settled 5.23% higher at \$19.18/oz. Silver followed gold and outperformed it. Base metals closed almost unchanged as initial rise was offset by profit booking in the later sessions. The benchmark MSCI world index for stocks also gained 3.21% during the week. Ishares silver holdings remained same at 9208.83 MT for the week ended on Jun 18, 2010.

MCX silver futures for July delivery showed a movement of nearly Rs. 1,000 during the last week and traded between Rs. 29,075 - Rs. 30,035/kg. Prices finally settled 2.6% higher at Rs. 29,939/kg. Rupee appreciation of nearly 1.4% limited silver's upside on MCX.

**Silver may continue to track gains in gold next week as well**, as we see some continued downside in the dollar index which further stokes the demand for precious metals. The dollar may fall on falling new home sales and durable goods orders data from the US. However, silver's upside could be varied due to rupee movements.

## 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)	18.25	19.28	18.20	19.18	5.23%	140209	-23.72%	47921	-6.58%
	Silver (Sep 10)	18.33	19.32	18.25	19.23	5.23%	41967	-12.31%	41031	27.12%
MCX (Rs/1kg)	Silver (Jul 10)	29144.00	30035.00	29075.00	29939.00	2.60%	220700	-17.80%	17153	51.02%
	Silver (Sep 10)	29232.00	30106.00	29185.00	30024.00	2.54%	14507	25.42%	4065	125.33%

**CFTC reports** suggest that speculators added both long and short positions. Long positions rose more than 7% while short positions also advanced 8.64%. **Silver's net long positions rose more than 7%, suggesting speculators bet for higher prices in the future.** Commercial holders' long positions increased by 1.39% and short positions by 2.57%. Total long and short positions advanced 8.96% and 6.94%, respectively.

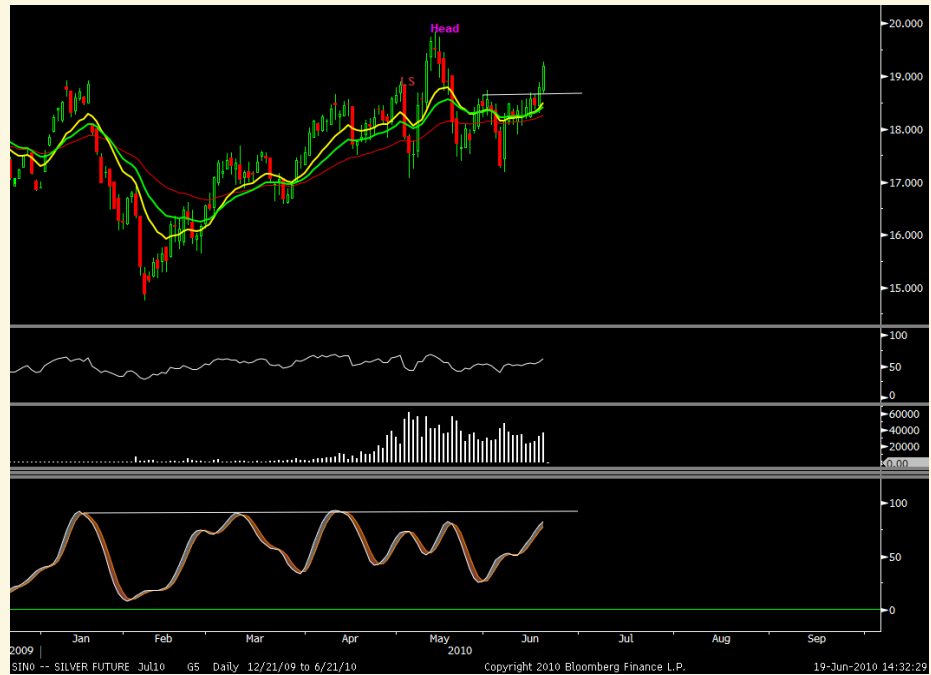
CFTC Report - Silver			
Non-Commercial	6/15/2010	6/8/2010	% Change
Long	43464	40478	7.38%
Short	5948	5475	8.64%
Spreading	27733	22511	23.20%
Commercial			
Long	34328	33856	1.39%
Short	88109	85900	2.57%
Total			
Long	105525	96845	8.96%
Short	121790	113886	6.94%

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## Technical Analysis - Silver

Silver prices traded higher by gaining 5.2%. Last week, market made a high of \$19.28/oz and finally settled at \$19.18/oz. Market has broken crucial resistance at \$18.68 sustain above the same likely to trade higher for the week. Prices are trading above 13, 22 & 45 EMA daily suggesting bullish view for the week. The momentum indicator, RSI (14) daily have ascended from 0.38 to 0.60 suggesting prices have potential for northward movement. The leading indicator, Stochastic (5, 3) is trading at overbought zone suggesting that market may halt upside movement for short-term. Overall, above analysis implies that market is expected to trade sideways to higher.



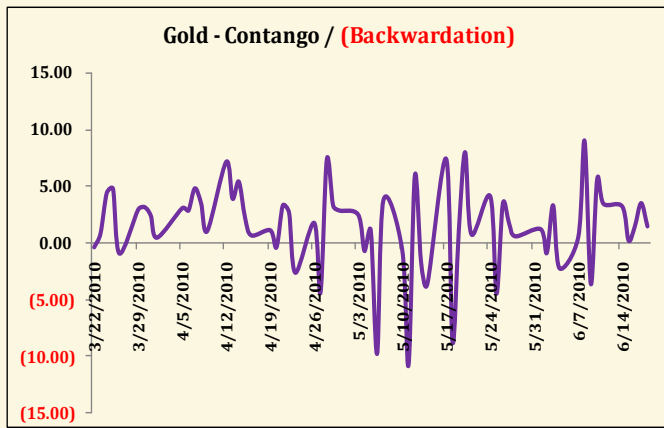
Exchange	S3	S2	S1	R1	R2	R3
Jul Silver - Comex (\$/oz)	17.44	18.12	18.68	19.48	19.83	20.09
Jul Silver - MCX (Rs. /kg.)	28232	29075	26264	30172	30420	30735
<b>Silver - Jul Comex</b>	Buy at \$18.80/90 TP \$19.40 then \$19.80 SL \$18.30					
<b>Silver-Jul MCX</b>	Buy at 29550 TP 30200 then 30500 SL 29000					

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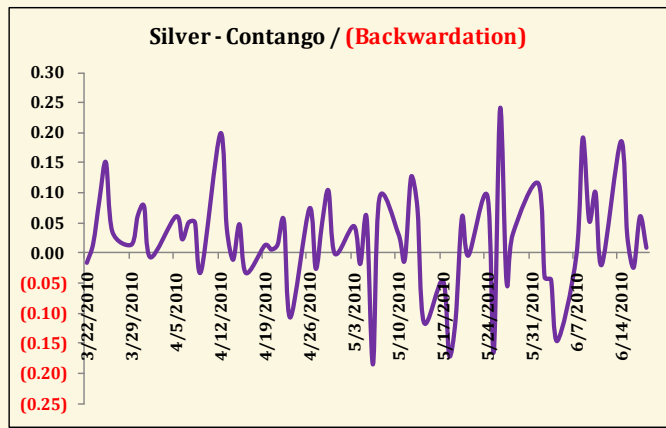
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## Basis Charts

**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 August future contract and Silver July 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.

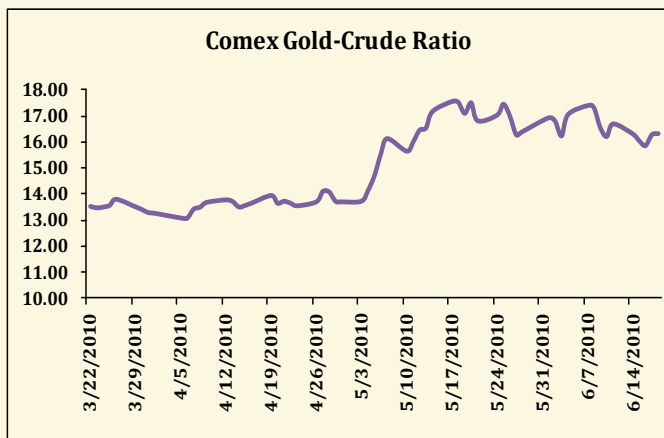


Spot gold closed at \$1256.80/oz while futures ended at \$1258.30/oz. **Markets closed in Contango 1.50.**

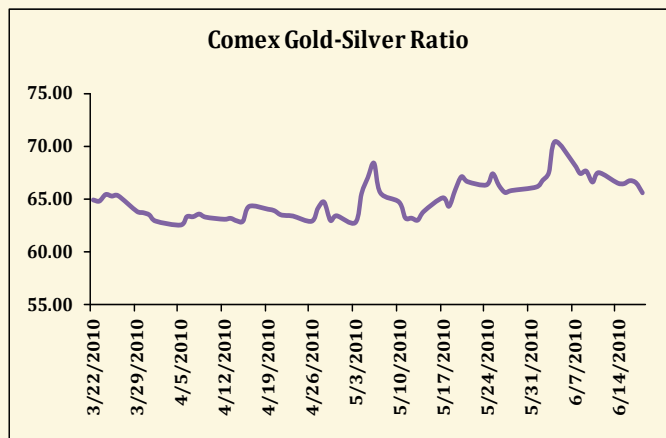


Spot silver closed at \$19.18/oz while futures ended at \$19.18/oz.

## Ratio Charts



**The Comex Gold-Crude ratio** for the week dropped to 16.30 from 16.67 a week earlier. The ratio declined because of crude rising more than gold.

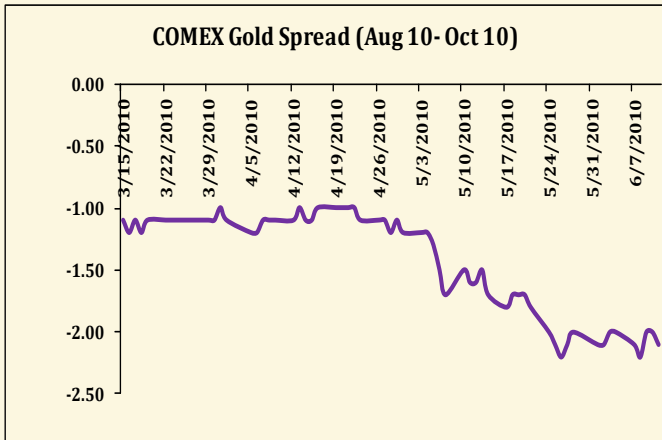


**The Comex Gold-Silver ratio** dropped to 65.59 from 67.48 a week earlier, as per our expectations. Silver rose more than gold.

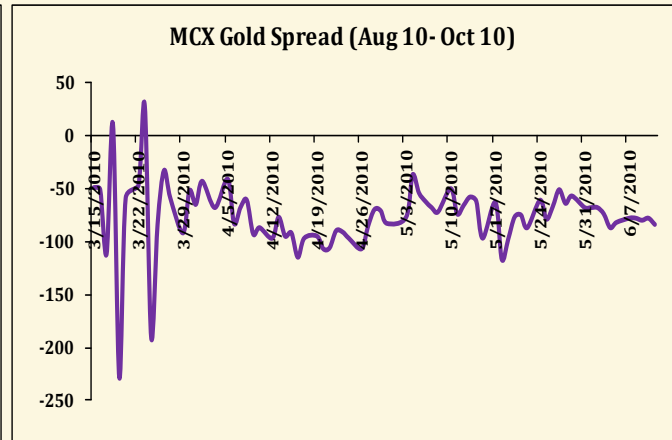
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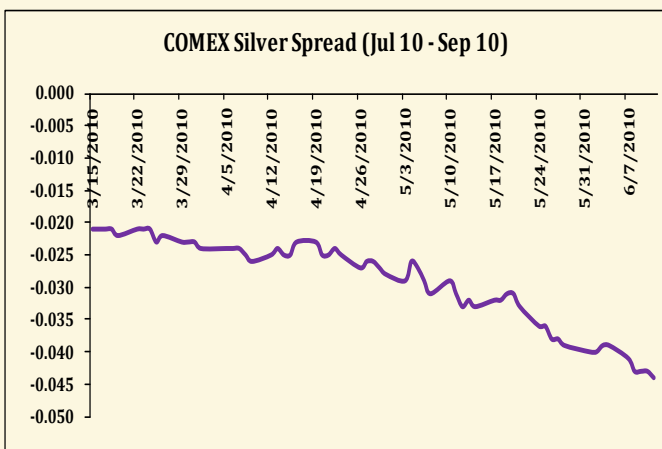
**Calendar Spreads:** Calendar Spread is the difference between the two futures contracts, far-month-contract and near-month-contract. For gold, we have considered Aug'10 and Oct'10 at both COMEX and MCX while for silver, Jul'10 and Sep'10 contracts at both COMEX and MCX have been taken into account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



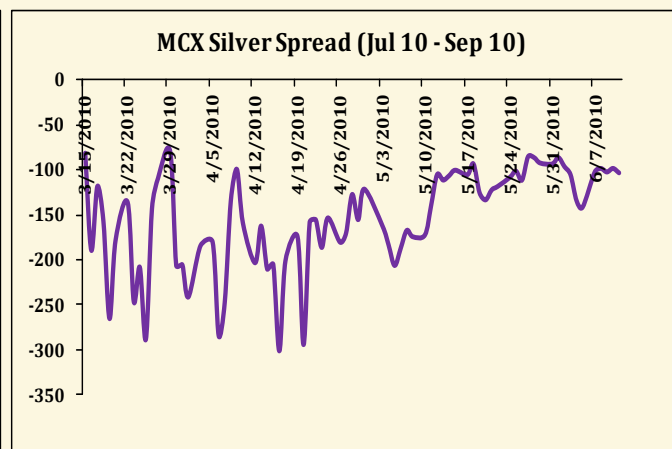
*The spread between Gold Aug'10 and Oct'10 contracts closed at -2.00 during the week, meaning far month contract closed higher than near month contract.*



*The spread between MCX Gold Aug'10 and Oct'10 closed at -76.*



*The spread between Silver Jul'10 and Sep'10 continued to remain thin at -0.047.*



*The spread between Silver Jul'10 and Sep'10 contracts closed at -91 levels.*

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## Economic Events during this week

Date Time		Event		Survey	Actual	Prior	Revised
06/22/2010 13:30	EC	ECB Euro-Zone Current Account SA	APR	--	--	1.7B	--
06/22/2010 13:30	EC	Euro-Zone Current Account nsa	APR	--	--	1.3B	--
06/22/2010 13:30	GE	IFO - Business Climate	JUN	101.2	--	101.5	--
06/22/2010 13:30	GE	IFO - Current Assessment	JUN	99.8	--	99.4	--
06/22/2010 13:30	GE	IFO - Expectations	JUN	102.7	--	103.7	--
06/22/2010	US	Existing Home Sales	MAY	6.15M	--	5.77M	--
06/22/2010	US	Existing Home Sales MoM	MAY	6.50%	--	7.60%	--
06/22/2010	US	House Price Index MoM	APR	0.30%	--	0.30%	--
06/22/2010	US	Richmond Fed Manufact. Index	JUN	20	--	26	--
06/22/2010	EC	Euro-Zone Consumer Confidence	JUN A	-19	--	-18	--
06/23/2010 02:30	US	ABC Consumer Confidence	20-Jun	--	--	-45	--
06/23/2010 11:30	GE	GfK Consumer Confidence Survey	JUL	3.3	--	3.5	--
06/23/2010	GE	PMI Services	JUN A	54.7	--	54.8	--
06/23/2010	GE	PMI Manufacturing	JUN A	58	--	58.4	--
06/23/2010	EC	PMI Services	JUN A	55.9	--	56.2	--
06/23/2010	EC	PMI Manufacturing	JUN A	55.3	--	55.8	--
06/23/2010	EC	PMI Composite	JUN A	55.8	--	56.4	--
06/23/2010 16:30	US	MBA Mortgage Applications	18-Jun	--	--	17.70%	--
06/23/2010	US	New Home Sales	MAY	410K	--	504K	--
06/23/2010	US	New Home Sales MoM	MAY	-18.70%	--	14.80%	--
06/23/2010	US	FOMC Rate Decision	23-Jun	0.25%	--	0.25%	--
06/24/2010 12:00	IN	Primary Articles WPI YoY	12-Jun	--	--	16.86%	--
06/24/2010 12:00	IN	Fuel Power Light WPI YoY	12-Jun	--	--	13.18%	--
06/24/2010	EC	Industrial New Orders SA (MoM)	APR	1.60%	--	5.20%	5.70%
06/24/2010 14:30	EC	Industrial New Orders SA (YoY)	APR	21.80%	--	19.80%	20.40%
06/24/2010	US	Durable Goods Orders	MAY	-1.30%	--	2.90%	2.80%
06/24/2010 18:00	US	Durables Ex Transportation	MAY	1.00%	--	-1.00%	-1.10%
06/24/2010	US	Initial Jobless Claims	19-Jun	460K	--	472K	--
06/24/2010	US	Continuing Claims	12-Jun	4560K	--	4571K	--
06/24/2010 18:30	US	RPX Composite 28dy Index	30-Apr	--	--	190.36	--
06/24/2010 18:30	US	RPX Composite 28dy YoY	APR	--	--	2.17%	--
06/25/2010 07:30	CH	Industrial Profits YTD YoY	MAY	--	--	119.70%	--
06/25/2010 11:30	GE	Import Price Index (MoM)	MAY	0.20%	--	2.00%	--
06/25/2010 11:30	GE	Import Price Index (YoY)	MAY	8.00%	--	7.90%	--
06/25/2010	US	GDP QoQ (Annualized)	1Q T	3.00%	--	3.00%	--
06/25/2010	US	Personal Consumption	1Q T	3.50%	--	3.50%	--
06/25/2010 18:00	US	GDP Price Index	1Q T	1.00%	--	1.00%	--
06/25/2010 18:00	US	Core PCE QoQ	1Q T	0.60%	--	0.60%	--
06/25/2010	US	U. of Michigan Confidence	JUN F	75.5	--	75.5	--

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