

BULLION WEEKLY

A Weekly Report on Gold & Silver

Economic Review

The Euro continued to regain its lost grounds for the third straight week as the 16-member currency rebounded by 2.29% against the dollar for the week ended on July 16, 2010. The dollar remained weak against the world's six major currencies, inclusive of Euro, and fell by 1.74% - the sixth consecutive weekly fall. A deluge of disappointing macro-economic data led this fall in the dollar and also compelled the Federal Reserve Bank to downgrade its economic growth prospects for the current year.

Major Economic Events during the last week

Date Time	Region	Event	Period	Survey	Actual	Prior
07/13/2010 18:00	US	Trade Balance (Dollar)	May	-39.0B	-42.3B	-40.3B
07/13/2010 23:30	US	Monthly Budget Statement (Dollar)	Jun	-69.5B	-68.4B	-135.9B
07/14/2010 14:30	EC	Industrial Production s.a. MoM	May	1.20%	0.90%	0.60%
07/14/2010 18:00	US	Advance Retail Sales	Jun	-0.30%	-0.50%	-1.20%
07/15/2010 18:00	US	Initial Jobless Claims	10-Jul	445K	429K	454K
07/15/2010 18:00	US	Continuing Claims	3-Jul	4447K	4681K	4413K
07/15/2010 18:00	US	Empire Manufacturing Index	Jul	18.00	5.08	19.57
07/15/2010 18:00	US	Industrial Production	Jun	-0.10%	0.10%	1.30%
07/16/2010 18:00	US	CPI MoM	Jun	-0.10%	-0.10%	-0.20%
07/16/2010 18:30	US	Net Long-Term TIC Flows (Dollar)	May	40.0B	35.4B	83.0B
07/16/2010 19:25	US	U. of Michigan Confidence	Jul P	74.00	66.50	76.00

Gold: Weekly Review

Comex gold futures lost 1.8% and closed down at \$1188/oz last week as the Euro strengthened and reduced demand for precious metals as a safe haven against European debt concerns. Gold traded in the range of \$1185.80 - \$1218.80/oz. Gold reached to the week high of \$1218.80/oz on safe haven buying when Portugal's credit rating was lowered by Moody. However, the metal could not sustain at that level and fell as a result of Euro strengthening. Traders who bought gold earlier in Euros are now selling to cut losses from strengthening Euro. This week's move in gold prices were mainly imparted by Euro with momentary triggers coming from weak economic data from the US. The dollar's weakness gave occasional boost to bullion prices. The dollar index fell 1.74%, its sixth consecutive weekly fall. SPDR gold holdings were little changed at 1314.21 MT for the week ended on July 16.

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MCX gold prices remained under continuous pressure due to weak bullion prices in overseas markets. Gold futures for August delivery closed 0.60% down at Rs. 18,306/10 gm for the week ended on July 16. The downside was limited by rupee depreciation which slid as much as 0.6% to 46.9475 against the US dollar. The rupee closed 0.23% down at 46.7725/USD.

The week ended on Jul 13, 2010 saw a decline in both long and short positions taken by speculators. Speculators closed nearly 8% of their short positions which may have given some support to bullion prices. Longs also cut nearly 3% of their positions. Hedgers cur their long and short positions by 2.45% and 1.28%, respectively. Total long and short positions declined by 1.94% and 1.20%, respectively.

CFTC Report - Gold			
Non-Commercial	7/13/2010	7/6/2010	% Change
Long	243867	251273	-2.95%
Short	38946	42231	-7.78%
Spreading	61448	59035	4.09%
Commercial			
Long	198305	203285	-2.45%
Short	446653	452427	-1.28%
Total			
Long	503620	513593	-1.94%
Short	547047	553693	-1.20%

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)	1208.50	1218.80	1185.80	1188.20	-1.79%	549007	7.95%	272308	-6.49%
	Gold (Oct 10)	1215.10	1220.80	1188.00	1190.10	-1.79%	11554	-9.39%	26907	6.51%
MCX (Rs/10 grams)	Gold (Aug 10)	18430.00	18518.00	18250.00	18306.00	-0.59%	233517	-0.15%	20232	10.62%
	Gold (Oct 10)	18500.00	18591.00	18350.00	18404.00	-0.52%	11016	-3.00%	3354	28.36%

Fundamental Outlook

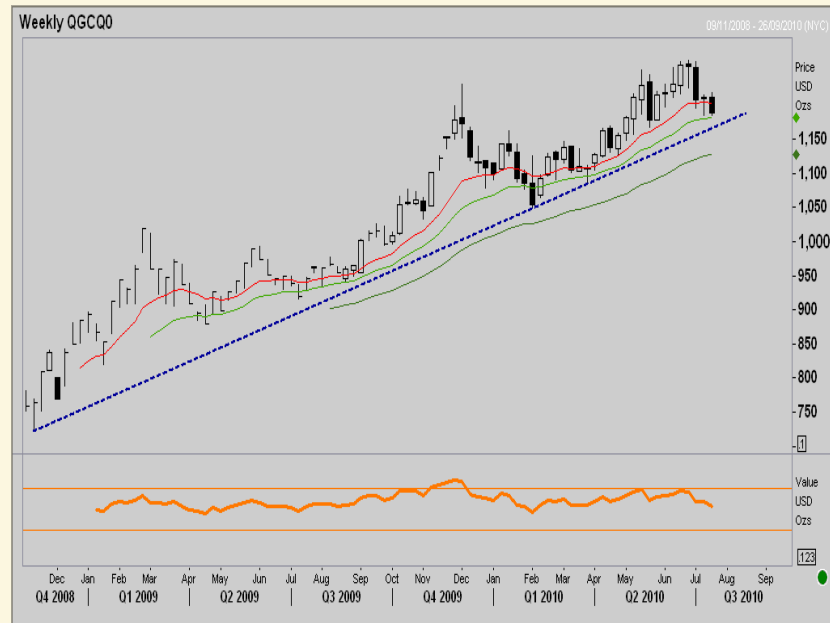
The upcoming week will continue with another bench of negative economic data both from the US and the Euro-zone. Economic conditions are deteriorating as an aftermath of European debt crisis. The US dollar may fall further as housing sector remains vulnerable after an elapse of "tax benefits for first-time homebuyers" policy and job market continues to stay dicey. Other macro-economic factors are also declining. Data from the Euro-zone may also paint a gloomy picture. Therefore, currency markets are expected to remain volatile. **Gold stands a fair chance of catching some attention amidst volatile currency markets.** Continuous unwinding in euro-gold positions may also provide investors better bargain levels to buy this yellow metal. **Gold may trade lower initially during the next week with later picking up the momentum.**

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Technical Analysis - Gold

Comex gold tumbled down for the consecutive fourth week and fell by 1.78% in last week. After making a low of \$1185.8, it settled at \$1188.2 levels. Market has breached the decent support levels of \$1192.00 and next strong support level is seen at \$1165-\$1170 levels. Though the markets are falling sharply for the past couple of days we advise buying gold at lower levels instead of selling for this week. The momentum indicator RSI (14) is trading at 0.458 indicating further fall. Stochastic also indicates southward direction as K% and D% are trading at 0.378 and 0.222 respectively.



Exchange	S3	S2	S1	R1	R2	R3
Aug Gold - Comex (\$/oz)	1165	1170	1185	1200	1218	1225
Aug Gold - MCX (Rs. /10 gm)	18000	18125	18250	18380	18460	18550
Comex Gold (Aug)	Buy in the range of 1165-1170 targeting 1200 with stop loss at 1155.					
MCX Gold (Aug)	Buy in the range of 18100-18080 levels targeting 18420 then 18500 with a stop loss 17950 levels					

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Silver

Silver followed gold and weak base metals. US silver futures for the most active month contract fell 1.6% to \$17.79/oz for the week ended on Jul 16. Both gold and base metals extended negative cues to silver prices. London Metal Exchange Index (LMEX) for base metals declined more than 3% last week. Silver traded in the range of \$17.73 - \$18.54/oz on Comex.

MCX silver futures for September delivery showed a movement of nearly Rs. 700 during the last week and traded between Rs. 28,654 – Rs. 29,340/kg. Prices finally settled 0.40% lower at Rs. 28,786/kg. The downside was limited by rupee depreciation which slid as much as 0.6% to 46.9475 against the US dollar. The rupee closed 0.23% down at 46.7725/USD.

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 (Sep 10)	18.11	18.54	17.73	17.79	-1.58%	116473	24.82%	63530	-0.87%
	Silver (Dec 10)	18.21	18.59	17.80	17.85	-1.58%	4080	1.37%	24803	1.26%
MCX (Rs/1kg)	Silver (Sep 10)	28882.00	29340.00	28654.00	28786.00	-0.39%	260524	14.75%	15530	14.93%
	Silver (Dec 10)	28998.00	29445.00	28765.00	28902.00	-0.38%	8516	8.33%	1304	9.67%

CFTC reports suggest a massive unwinding in speculators' short positions. Speculators covered more than 17 of their short positions. Longs were liquidated by merely 1.76% during the week ended on July 13. Commercial holders (Hedgers), on the other hand, increased their long positions by 3.27%.

Total long and short positions were also marginally changed.

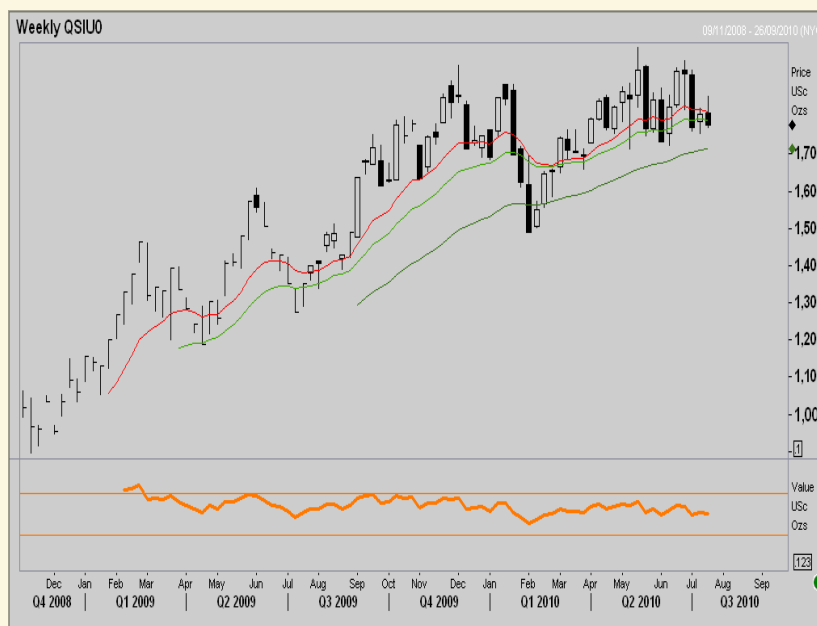
CFTC Report - Silver			
Non-Commercial	7/13/2010	7/6/2010	% Change
Long	39176	39876	-1.76%
Short	3994	4832	-17.34%
Spreading	22741	23026	-1.24%
Commercial			
Long	30751	29776	3.27%
Short	81965	82143	-0.22%
Total			
Long	92668	92678	-0.01%
Short	108700	110001	-1.18%

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Technical Analysis - Silver

Comex Silver looked green in the first half of the week and tumbled down at the end. Silver fell down by 1.57% for the last week by making a low of \$17.73 it settled at \$17.79 levels. Market has breached the decent support levels of \$1785.00 and strong support level is seen at \$17.65 then \$17.05 levels. The momentum indicator RSI (14) is trading at 0.463 indicating further fall. Since markets are trading above EMAs suggests silver to take a support of \$17.65 levels. Overall, we expect prices to see a mild lower correction. However, if market fails to breach the support at 17.65 levels possible to resume its uptrend.



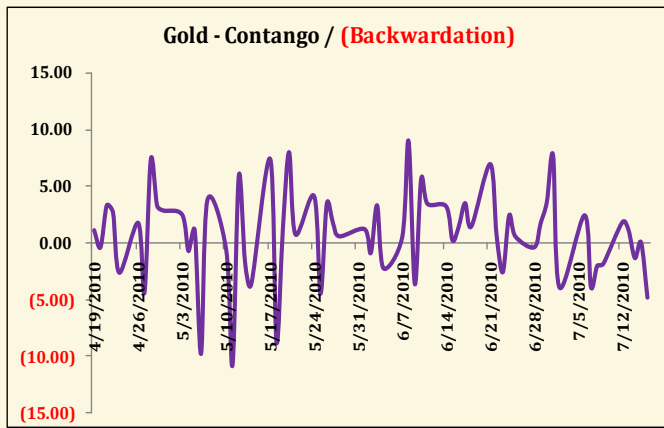
Exchange	S3	S2	S1	R1	R2	R3
Sep Silver - Comex (\$/oz)	16.80	17.12	17.65	18.10	18.50	18.90
Sep Silver - MCX (Rs. /kg.)	28000	28225	28500	29050	29350	29625
Silver - Sep Comex	Sideways					
Silver-Sep MCX	Sideways					

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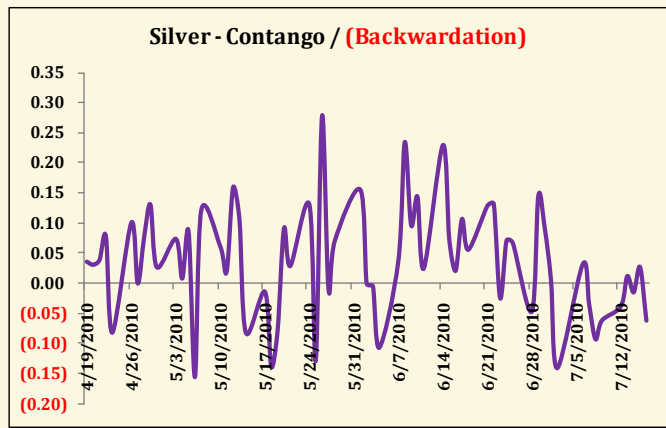
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Basis Charts

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 August future contract and Silver September 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.

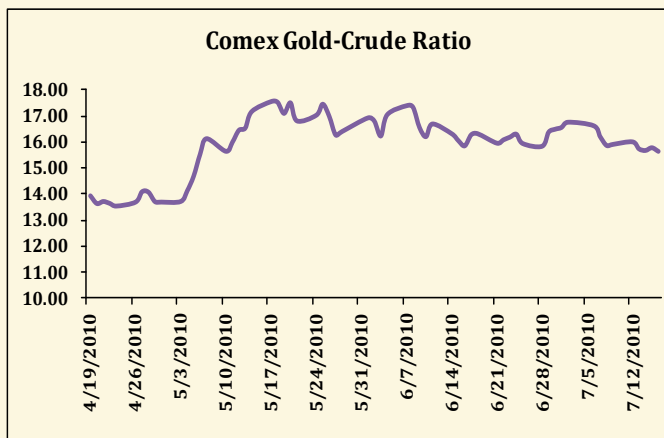


Spot gold closed at \$1193/oz while futures ended at \$1188.20/oz. **Markets closed in Backwardation at 4.80.**

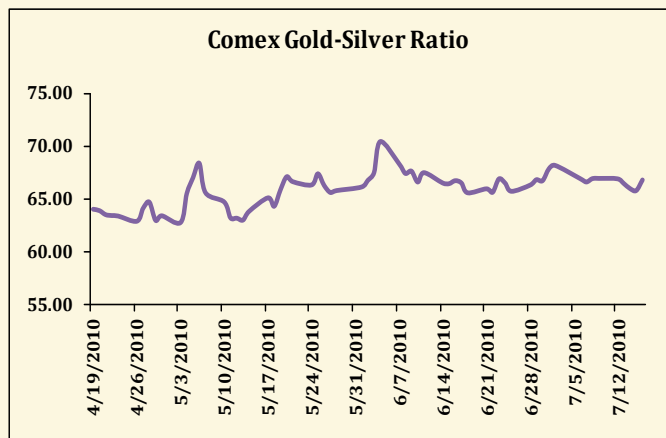


Spot silver closed at \$17.85/oz while futures ended at \$17.79/oz. **Markets closed in Backwardation at 0.06.**

Ratio Charts



The Comex Gold-Crude ratio for the week dropped to 15.63 from 15.90 a week earlier. The ratio declined because of gold falling more than oil.

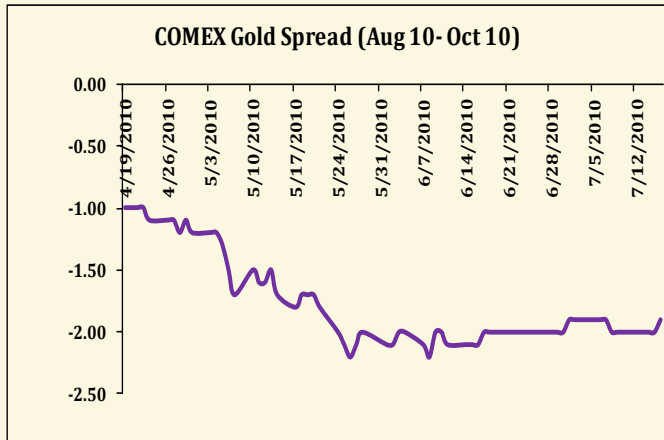


The Comex Gold-Silver ratio dropped to 66.80 from 66.94 a week earlier.

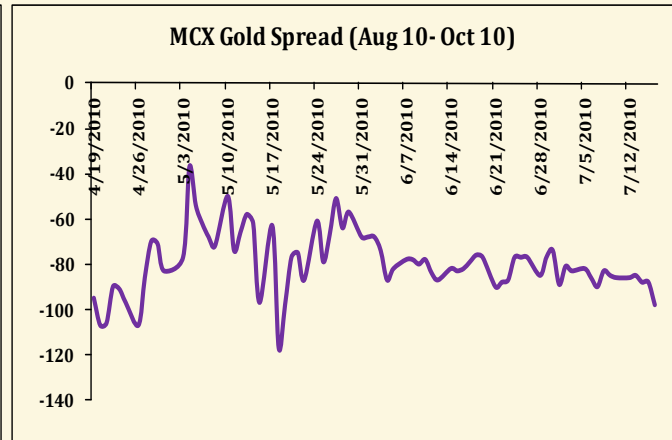
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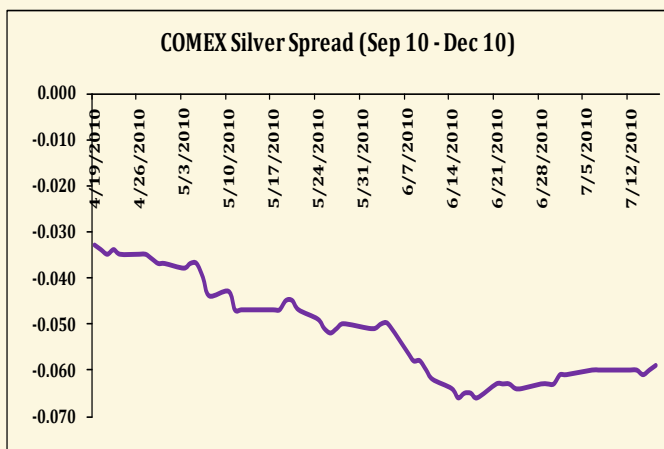
Calendar Spreads: Calendar Spread is the difference between the two futures contracts, far-month-contract and near-month-contract. For gold, we have considered Aug'10 and Oct'10 at both COMEX and MCX while for silver, Sep'10 and Dec'10 contracts at both COMEX and MCX have been taken into account for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



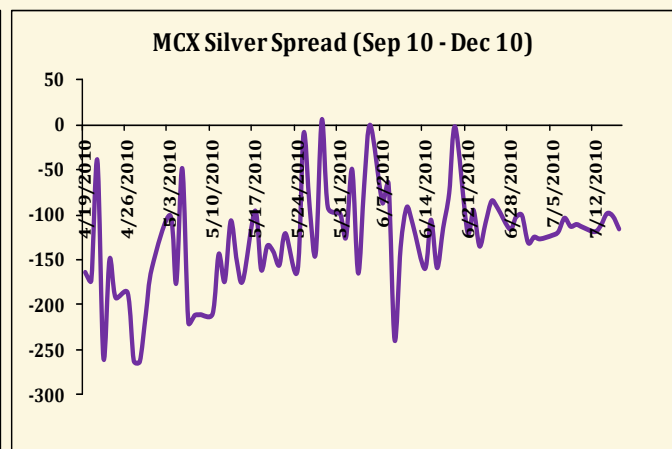
The spread between Gold Aug'10 and Oct'10 contracts closed at -1.90 during the week, meaning far month contract closed higher than near month contract.



The spread between MCX Gold Aug'10 and Oct'10 closed at -98.



The spread between Silver Sep'10 and Dec'10 continued to remain thin at -0.059.



The spread between Silver Sep'10 and Dec'10 contracts closed at -116 levels.

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Economic Events during this week

Date Time		Event		Survey	Actual	Prior	Revised
07/19/2010	EC	ECB Euro-Zone Current Account SA	MAY	--	--	-5.1B	--
07/19/2010 13:30	EC	Euro-Zone Current Account nsa	MAY	--	--	-6.9B	--
07/19/2010 14:30	EC	Construction Output SA MoM	MAY	--	--	-0.30%	--
07/19/2010 14:30	EC	Construction Output WDA YoY	MAY	--	--	-6.10%	--
07/19/2010 15:30	GE	Bundesbank Publishes Monthly Report	23-Apr				
07/19/2010 19:30	US	NAHB Housing Market Index	JUL	16	--	17	--
07/20/2010	GE	Producer Prices (MoM)	JUN	0.20%	--	0.30%	--
07/20/2010 11:30	GE	Producer Prices (YoY)	JUN	1.10%	--	0.90%	--
07/20/2010	US	Housing Starts	JUN	580K	--	593K	--
07/20/2010	US	Housing Starts MOM%	JUN	-2.20%	--	-10.00%	--
07/20/2010	US	Building Permits	JUN	575K	--	574K	--
07/20/2010	US	Building Permits MOM%	JUN	0.20%	--	-5.90%	--
07/21/2010 02:30	US	ABC Consumer Confidence	18-Jul	--	--	-44	--
07/21/2010 16:30	US	MBA Mortgage Applications	16-Jul	--	--	-2.90%	--
07/22/2010 12:00	IN	Primary Articles WPI YoY	10-Jul	--	--	16.25%	--
07/22/2010 12:00	IN	Fuel Power Light WPI YoY	10-Jul	--	--	14.27%	--
07/22/2010	GE	PMI Manufacturing	JUL A	58	--	58.4	--
07/22/2010	GE	PMI Services	JUL A	54.5	--	54.8	--
07/22/2010	EC	PMI Composite	JUL A	55.5	--	56	--
07/22/2010	EC	PMI Services	JUL A	55	--	55.5	--
07/22/2010	EC	PMI Manufacturing	JUL A	55.1	--	55.6	--
07/22/2010	EC	Industrial New Orders SA (MoM)	MAY	-0.10%	--	0.90%	0.60%
07/22/2010 14:30	EC	Industrial New Orders SA (YoY)	MAY	20.00%	--	22.10%	21.80%
07/22/2010	US	Initial Jobless Claims	17-Jul	445K	--	429K	--
07/22/2010	US	Continuing Claims	10-Jul	4590K	--	4681K	--
07/22/2010 18:30	US	RPX Composite 28dy Index	31-May	--	--	192.52	--
07/22/2010 18:30	US	RPX Composite 28dy YoY	MAY	--	--	2.36%	--
07/22/2010	US	Existing Home Sales	JUN	5.10M	--	5.66M	--
07/22/2010	US	Existing Home Sales MoM	JUN	-9.90%	--	-2.20%	--
07/22/2010	US	House Price Index MoM	MAY	-0.30%	--	0.80%	--
07/22/2010	US	Leading Indicators	JUN	-0.30%	--	0.40%	--
07/22/2010	EC	Euro-Zone Consumer Confidence	JUL A	-17	--	-17	--
07/23/2010 13:30	GE	IFO - Business Climate	JUL	101.5	--	101.8	--
07/23/2010 13:30	GE	IFO - Current Assessment	JUL	101.8	--	101.1	--
07/23/2010 13:30	GE	IFO - Expectations	JUL	101.6	--	102.4	--

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