

BULLION WEEKLY

A Weekly Report on Gold & Silver

Economic Review

The dollar index fell for another week and recorded ninth consecutive weekly losses of 1.39%, mainly because of deteriorating macroeconomic conditions in the US. Major economic data turned negative last week. The Euro rose for the seventh time in the last nine weeks by posting 1.75% gains against the dollar. Continued strength in the Euro could be partly attributed to positive results of European stress test last month and negative economic data from the US. In further developments, the European Central Bank and Bank of England kept their key lending rates unchanged at 1% and 0.5%, respectively.

Important Economic Events Last Week

Date Time	Region	Event	Period	Survey	Actual	Prior
08/02/2010 19:30	US	ISM Manufacturing	JUL	54	55.5	56.2
08/03/2010 18:00	US	Personal Income	JUN	0.20%	0.00%	0.40%
08/03/2010 18:00	US	Personal Spending	JUN	0.10%	0.00%	0.20%
08/03/2010 19:30	US	Factory Orders	JUN	-0.50%	-1.20%	-1.40%
08/03/2010 19:30	US	Pending Home Sales MoM	JUN	4.00%	-2.60%	-30.00%
08/06/2010 18:00	US	Change in Nonfarm Payrolls	JUL	-60K	-131	-125K
08/06/2010 18:00	US	Change in Private Payrolls	JUL	90K	71	83K
08/06/2010 18:00	US	Change in Manufact. Payrolls	JUL	10K	36	9K
08/06/2010 18:00	US	Unemployment Rate	JUL	9.60%	9.50%	9.50%

Gold: Weekly Review

The battle for \$1200/oz level was intense but, prices were buoyant as the metal rose for the five consecutive days in the week. The precious metal gave a closing above \$1200/oz only on Friday—ahead of negative key US nonfarm payrolls data—after a constant failure to stay at \$1200 levels till Thursday. China's plans to ease trading rules and open up the market for gold trading augured bullion prices. After the Euro-stress test results last month, the focus shifted to the US whose economic recovery seems to be in the doldrums. Dollar's weakness worked for bullion prices as it stoked the yellow metal's alternative investment demand. Total gold in exchange traded funds was little changed and rose nearly 2 tonnes to 1469.80 MT for the week ended on August 6, 2010. SPDR vaults also saw a slight change in its gold holdings at 1282.75 MT during the said period. Firm crude oil prices during the week and an unexpected jump in grain prices on Friday increased metal's investment demand. Gold gained more than 1.8% to close at \$1204.10/oz for the week.

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MCX gold futures moved in the range of Rs. 17,820 – Rs. 18,230/10gm and finished the week with 1.45% gains at Rs. 18,197/10 gm. Appreciating rupee limited the upside. Indian rupee 0.53% to 46.1650 against the US dollar.

CFTC reports shows non-commercial holders (speculators) covering their short positions by nearly 5.5% as bullion prices began soaring. Long positions also fell 2.4%. Net long positions declined by 1.8% to 185,515 contracts for the week ended on August 3, 2010. On the other hand, commercial holders reduced their long and short positions by 7% and 4.5%, respectively. Total long and short positions also declined by 7%, each.

CFTC Report - Gold			
Non-Commercial	8/3/2010	7/27/2010	% Change
Long	222704	228251	-2.43%
Short	37189	39350	-5.49%
Spreading	59542	74039	-19.58%
Commercial			
Long	179968	193521	-7.00%
Short	401997	421076	-4.53%
Total			
Long	462214	495811	-6.78%
Short	498728	534465	-6.69%

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 (Oct 10)	1182.80	1212.10	1175.40	1204.10	1.84%	30986	-59.43%	44101	-0.53%
	Gold (Dec 10)	1183.80	1213.30	1176.70	1205.30	1.81%	445441	-28.23%	346044	4.90%
MCX (Rs/10 grams)	Gold (Oct 10)	17937.00	18230.00	17820.00	18197.00	1.45%	204560	137.47%	15429	7.38%
	Gold (Dec 10)	18008.00	18314.00	17914.00	18283.00	1.43%	5946	52.70%	1541	46.48%

Fundamental Outlook

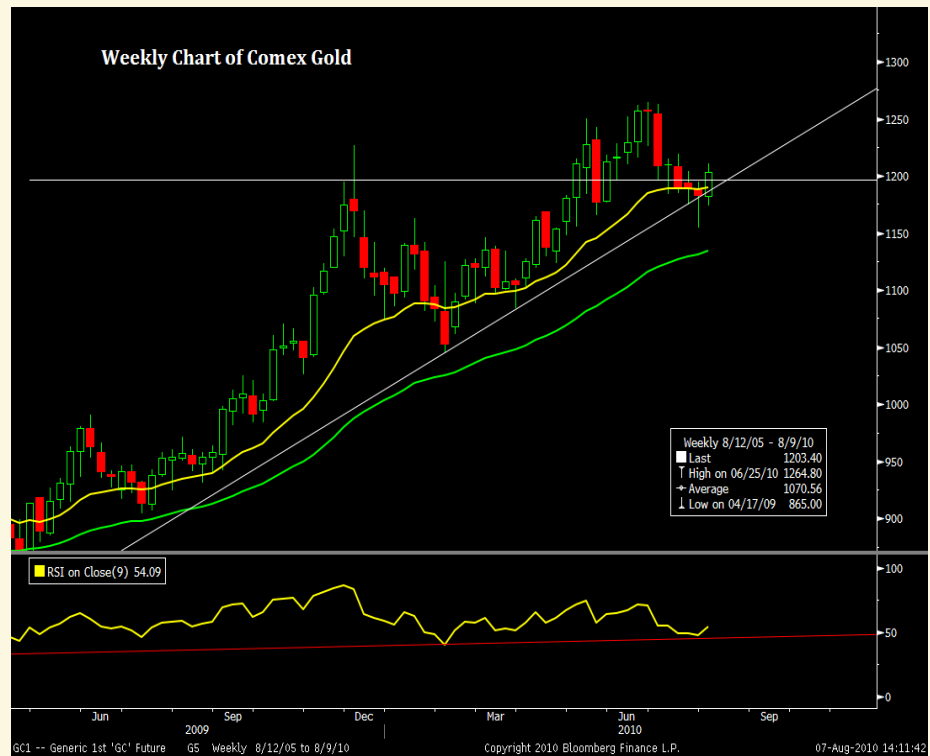
Next week will witness a host of important economic event. Chinese economic data in the form of rising inflation, lowering industrial production and retail sales, narrowing trade surplus and falling new consumer loans may give some jerks to markets and cause momentary declines. European macro economic fundamentals are expected to improve, suggested by expanding German GDP which grew at 1.7% in second quarter of this year. Moreover, trade surplus and current account surplus are also rising. US data in form of improving Michigan confidence, falling jobless claims and rising retail sales may give some resistance to the dollar and thus, limit the downside. Overall, we are expecting the dollar to continue with its bearish pattern. Weak dollar will continue to spur the demand for the precious metal. However, upside could be limited. Gold may be resolute at \$1200 levels as good quality investors are buying gold below \$1200. Gold could see some lively sessions this week on Fed's expected move to easing money supply and thus, undermining confidence in the US dollar.

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Technical Analysis - Gold

Comex gold futures for October delivery for the last week traded on the higher note, gaining 3.3% from the penultimate week's low of \$1174. Gold eventually closed at \$1204.10/oz for the week. Weekly chart of gold suggests further bullishness, as it failed to close below the long term lower trend line. Closing above the last week's Doji candle stick formations supplements the bullish view. Weekly RSI is at 0.56 levels and did not breach the 0.50 mark. Rising volumes are suggesting a fresh buying initiation at the lower levels. Market is maintaining above weekly EMA-45 and expected to trade bullish further.



For the coming week, we expect gold to trade on the higher side and recommend buy.

Exchange	S3	S2	S1	R1	R2	R3
Oct Gold - Comex (\$/oz)	1142	1155	1182	1220	1235	1259
Oct Gold - MCX (Rs. /10 gm)	17500	17750	17990	18350	18480	18720
Comex Gold (Oct)	Buy at 1200 - 1197 targeting 1225 and then 1232 with stop loss of 1182					
MCX Gold (Oct)	Buy at 18080-18100 targeting 18350 and then 18400 with stop loss of 17990					

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Silver

Silver climbed to as high as \$18.70/oz before it fell back off, but still ended with a gain of 2.6%. US silver futures for September delivery tracked gold higher and closed up at \$18.47/oz. Initial surge in base metals' prices also drove silver prices higher, but correction nearing weekend led silver to pare some of its gains. Base metals index on LME (LMEX) soared by 1.9% during the last week. Equity markets also ended positive with few jerks during the week. The benchmark MSCI world index for stocks put on nearly 2.5% gains. MCX silver futures traded in line with international silver prices, but gains may have been limited by stronger rupee. Silver futures for the most active month contract on MCX gained nearly 1.7% to finish the week higher at Rs. 29,120/kg.

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)	18.00	18.70	17.98	18.47	2.61%	134198	-9.82%	56814	-3.59%
	Silver (Dec 10)	18.07	18.75	18.07	18.53	2.63%	24153	23.25%	38773	28.73%
MCX (Rs/1kg)	Silver (Sep 10)	28721.00	29394.00	28721.00	29120.00	1.69%	247685	-9.43%	18437	-9.32%
	Silver (Dec 10)	28850.00	29489.00	28833.00	29241.00	1.71%	11110	10.11%	2126	70.08%

CFTC reports suggest a huge unwinding of short positions by speculators. Nearly doubled short positions during the two penultimate weeks gave signal of short covering in the near futures. This may continue further. Long positions rose more than 12% to 43,185 contracts. Commercial holders (Hedgers) reduced their long positions by 4% and increased short positions by 6%. Total long and short positions soared 7% and 6%, respectively.

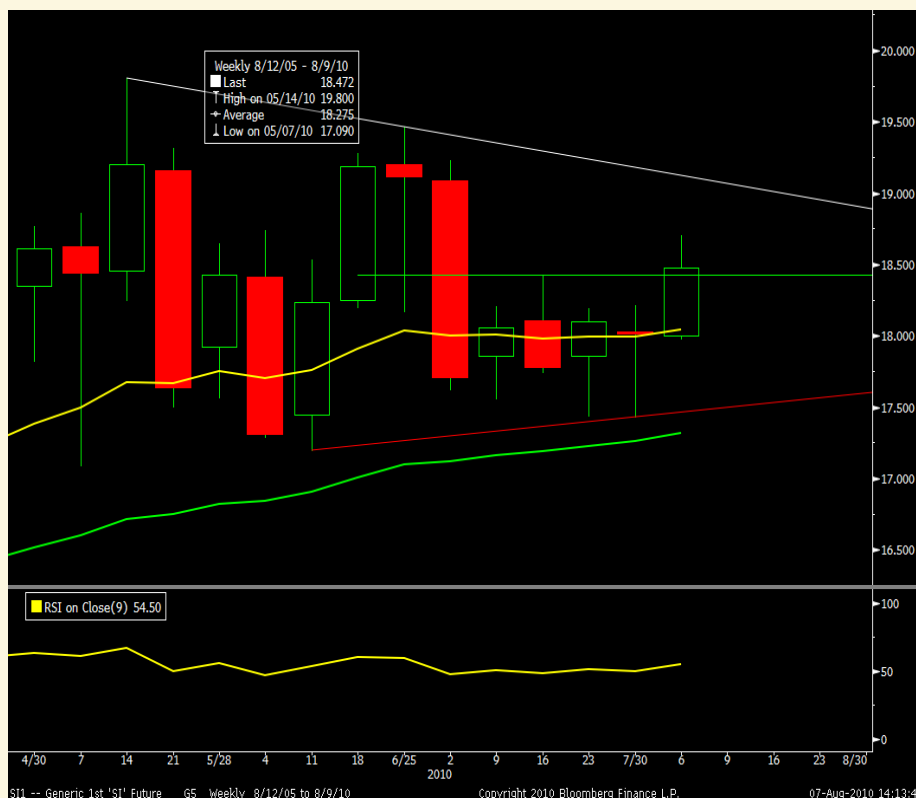
CFTC Report - Silver			
Non-Commercial	8/3/2010	7/27/2010	% Change
Long	43185	38480	12.23%
Short	6730	8143	-17.35%
Spreading	23374	20175	15.86%
Commercial			
Long	31537	32835	-3.95%
Short	84080	79603	5.62%
Total			
Long	98096	91490	7.22%
Short	114184	107921	5.80%

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Technical Analysis - Silver

Comex silver futures September delivery closed at \$18.40/oz levels. It has breached and sustained above two weeks range bound mode. Last week, it has formed White Opening Morubozu candle stick indicating an uptrend in the prices. Weekly RSI (14) is at 0.53 and has not breached the level of 0.50 signaling continuation of uptrend. Silver is also forming a consolidation pattern. However, the pattern has not yet confirmed as it has not given the break out above \$19.00/oz. On the break and sustain above \$19.00/oz mark, will take silver to the \$20.00/oz levels.



For the coming week, we expect silver to remain bullish and recommend buy.

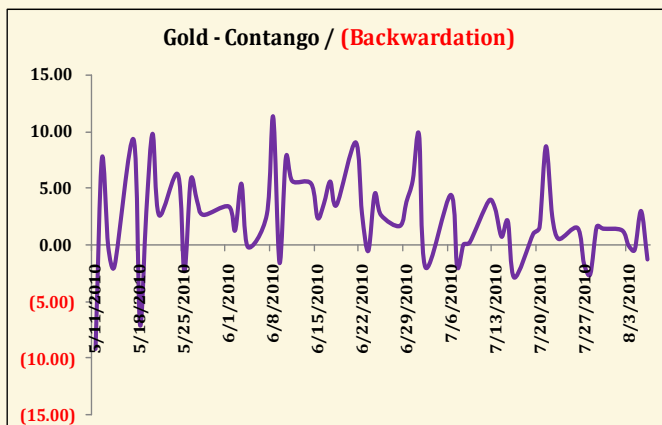
Exchange	S3	S2	S1	R1	R2	R3
Sep Silver - Comex (\$/oz)	17.20	17.90	18.20	18.70	19.00	19.70
Sep Silver - MCX (Rs. /kg.)	28300	28700	28970	29400	29700	30020
Silver - Sep Comex	Buy at \$18.25-\$18.30 targeting \$18.80 and then \$19.00 with stop loss of \$17.90					
Silver-Sep MCX	Buy at 29050 - 29000 targeting 29500 and then 29650 with stop loss of 28770					

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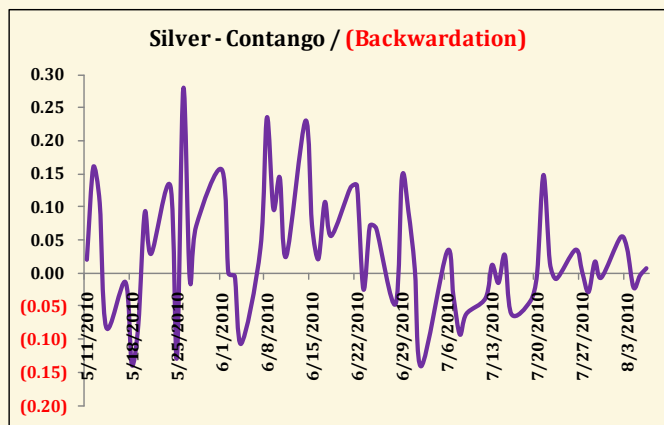
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Basis Charts

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 October 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.

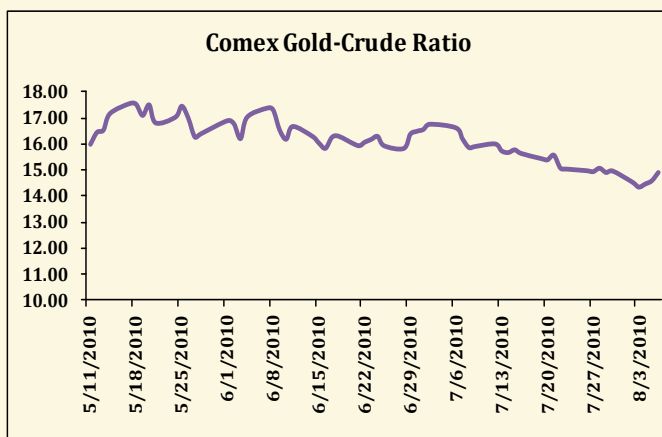


Spot gold closed at \$1205.40/oz while futures ended at \$1204.10/oz. **Markets closed in Backwardation at 1.30.**

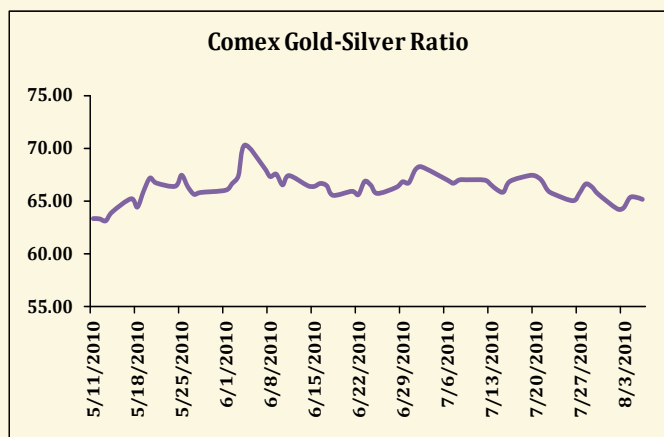


Spot silver closed at \$18.47/oz while futures also ended at \$18.47/oz.

Ratio Charts



The Comex Gold-Crude ratio for the week dropped to 14.91 from 14.97 a week earlier. The ratio declined because of crude rising more than gold.

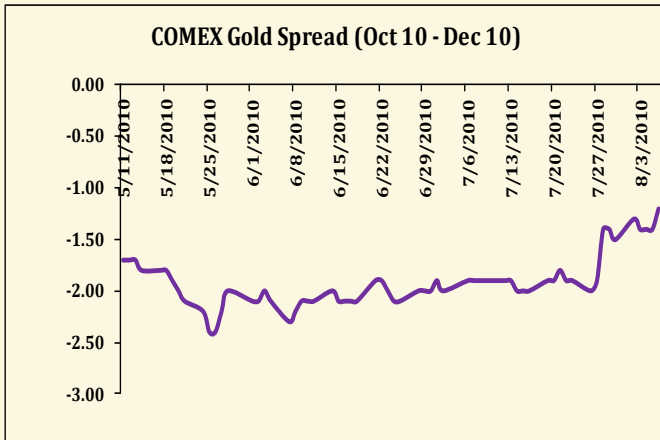


The Comex Gold-Silver ratio fell to 65.15 from 65.64 a week earlier. The ratio fell due to silver gaining more than gold.

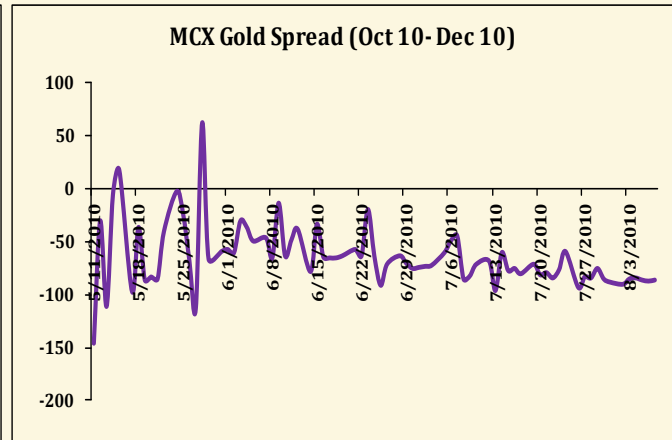
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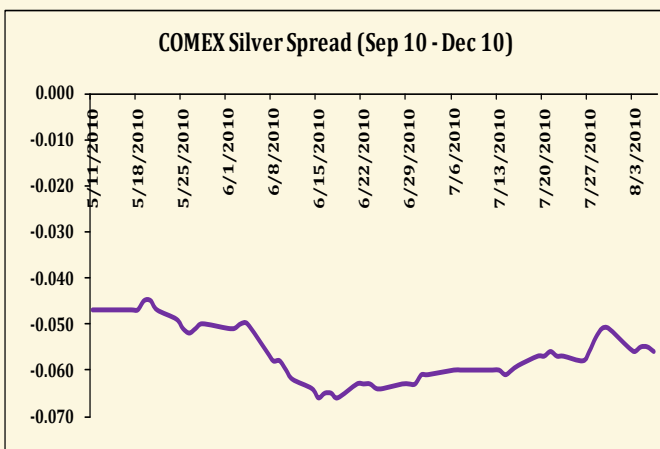
Calendar Spreads: Calendar Spread is the difference between the two futures contracts, far-month-contract and near-month-contract. For gold, we have considered Oct'10 and Dec'10 at both COMEX and MCX while for silver, Sep'10 and Dec'10 contracts at both COMEX and MCX have been taken into account for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



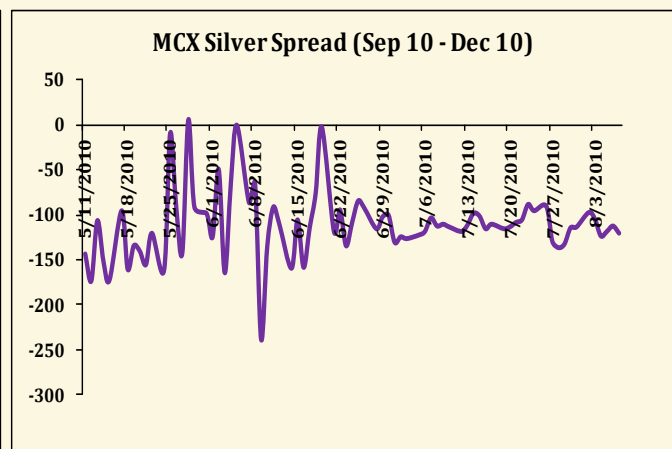
The spread between Gold Oct'10 and Dec'10 contracts closed at -1.20 during the week, meaning far month contract closed higher than near month contract.



The spread between MCX Gold Oct'10 and Dec'10 closed at -86.



The spread between Silver Sep'10 and Dec'10 continued to remain thin at -0.06.



The spread between Silver Sep'10 and Dec'10 contracts closed at -121 levels.

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Economic Events during this week

Date Time		Event		Survey	Actual	Prior	Revised
08/09/2010	GE	Trade Balance	JUN	12.0B	--	9.7B	--
08/09/2010 11:30	GE	Imports SA (MoM)	JUN	-2.00%	--	14.80%	--
08/09/2010	GE	Current Account (EURO)	JUN	13.6B	--	2.2B	--
08/09/2010 11:30	GE	Exports SA (MoM)	JUN	1.50%	--	9.20%	--
08/10/2010	CH	Trade Balance (USD)	JUL	\$19.60B	--	\$20.02B	--
08/10/2010	CH	Exports YoY%	JUL	35.00%	--	43.90%	--
08/10/2010	CH	Imports YoY%	JUL	30.00%	--	34.10%	--
08/10/2010 11:30	GE	Consumer Price Index (MoM)	JUL F	0.20%	--	0.20%	--
08/10/2010 19:30	US	Wholesale Inventories	JUN	0.40%	--	0.50%	--
08/10/2010	US	FOMC Rate Decision	10-Aug	0.25%	--	0.25%	--
08/11/2010 07:30	CH	Consumer Price Index (YoY)	JUL	3.30%	--	2.90%	--
08/11/2010 07:30	CH	Retail Sales (YoY)	JUL	18.50%	--	18.30%	--
08/11/2010 07:30	CH	Industrial Production (YoY)	JUL	13.40%	--	13.70%	--
08/11/2010	US	Trade Balance	JUN	-\$42.3B	--	-\$42.3B	--
08/11/2010	US	Monthly Budget Statement	JUL	-\$169.0B	--	-\$180.7B	--
08/12/2010	IN	Industrial Production YoY	JUN	--	--	11.50%	--
08/12/2010	EC	Euro-Zone Ind. Prod. sa (MoM)	JUN	0.60%	--	0.90%	1.00%
08/12/2010 18:00	US	Import Price Index (MoM)	JUL	0.40%	--	-1.30%	--
08/12/2010	US	Initial Jobless Claims	7-Aug	465K	--	479K	--
08/12/2010	US	Continuing Claims	31-Jul	4540K	--	4537K	--
08/13/2010	GE	GDP s.a. (QOQ)	2Q P	1.30%	--	0.20%	--
08/13/2010	EC	Euro-Zone Trade Balance sa	JUN	-0.7B	--	-3.0B	--
08/13/2010	EC	Euro-Zone GDP s.a. (QoQ)	2Q A	0.70%	--	0.20%	--
08/13/2010 18:00	US	Consumer Price Index (MoM)	JUL	0.20%	--	-0.10%	--
08/13/2010	US	Advance Retail Sales	JUL	0.50%	--	-0.50%	--
08/13/2010	US	U. of Michigan Confidence	AUG P	69.4	--	67.8	--
08/13/2010 19:30	US	Business Inventories	JUN	0.20%	--	0.10%	--
10-13 AUG	CH	New Yuan Loans	JUL	600.0B	--	603.4B	--
08/09/2010 09:30	IN	India Local Car Sales	AUG	--	--	141184	--
08/10/2010 11:30	GE	Consumer Price Index (YoY)	JUL F	1.10%	--	1.10%	--
08/11/2010 07:30	CH	Retail Sales YTD YoY	JUL	18.20%	--	18.20%	--
08/11/2010	CH	Industrial Production YTD YoY	JUL	16.90%	--	17.60%	--
08/12/2010 12:00	IN	Primary Articles WPI YoY	31-Jul	--	--	14.36%	--
08/12/2010 12:00	IN	Food Articles WPI YoY	31-Jul	--	--	9.53%	--
08/12/2010 14:30	EC	Euro-Zone Ind. Prod. wda (YoY)	JUN	9.30%	--	9.40%	9.60%
08/12/2010 18:00	US	Import Price Index (YoY)	JUL	5.30%	--	4.50%	--
08/13/2010 11:30	GE	GDP wda (YoY)	2Q P	2.40%	--	1.60%	--
08/13/2010 11:30	GE	GDP nsa (YoY)	2Q P	2.60%	--	1.70%	--
08/13/2010	EC	Euro-Zone Trade Balance	JUN	1.0B	--	-3.4B	--
08/13/2010 14:30	EC	Euro-Zone GDP s.a. (YoY)	2Q A	1.40%	--	0.60%	--
08/13/2010 18:00	US	Consumer Price Index (YoY)	JUL	1.20%	--	1.10%	--
08/13/2010 18:00	US	Consumer Price Index NSA	JUL	218.172	--	217.965	--
10-13 AUG	CH	Money Supply - M0 (YoY)	JUL	--	--	15.70%	--
10-13 AUG	CH	Money Supply - M1 (YoY)	JUL	23.30%	--	24.60%	--
10-13 AUG	CH	Money Supply - M2 (YoY)	JUL	18.50%	--	18.50%	--

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