

BULLION WEEKLY

A Weekly Report on Gold & Silver

The Week Ahead

- The dollar may recover some of its lost grounds next week on the back of narrowing trade deficit and improving Michigan confidence data.
- Dollar's occasional gains may trigger some momentary loses in the bullion prices with overall investment environment looking positive for precious metals.

Technical Calls

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
COMEX Dec Gold	1359	1371	1383	1405	1430	1460	Buy in the range 1380-1385 TP 1405/20 SL 1359
MCX Dec Gold	19640	19760	19890	20080	20200	20340	Buy in the range 19810-860 TP 20100/ 240 SL 19640
MCX Dec Gold M	19640	19760	19890	20080	20200	20340	Buy in the range 19810-860 TP 20100/ 240 SL 19640
COMEX Dec Silver	25.10	25.70	26.60	27.50	28.60	29.30	Buy at 2620-2640 TP 2750 then 2860 SL 2510
MCX Dec Silver	37800	38400	38900	39800	40300	41000	Buy at 38600-38700 TP 39800 then 40300 SL 37500
MCX Nov Silver M	37800	38400	38900	39800	40300	41000	Buy at 38600-38700 TP 39800 then 40300 SL 37500

Market Round-up

- Precious metals were seen to be preferred buying commodities amid the Fed's quantitative easing measures and festive season in the world's largest importer of gold i.e. India.
- The Federal Reserve Bank announced \$600 billion quantitative easing plan, saying that it would buy an additional \$600 billion of U.S. Treasuries to stimulate the economy.
- This put pressure on the dollar which resulted in the dollar index to take a beating of as much as 2.15% to 75.631 levels during the week ended on Nov 5. However, the dollar index recovered on reports of stronger-than-expected jobs growth for October and settled the week with merely 1% losses.
- Weaker dollar increased the demand for precious metals as an alternative investment. Gold notched 2.95% weekly gains to settle higher at \$1397.70/oz, just \$3 away crucial mark of \$1400/oz. Among other precious metals, silver gained nearly 9% to \$26.75/oz.
- Demand for bullion stayed firm in domestic markets on the occasion of the biggest Hindu festival in India i.e. Diwali. Domestic gold prices were also trading at their life-time high levels during the week.
- CFTC reports suggested increased short positions in both gold and silver.
- Equity markets were up on week-on-week basis as the benchmark MSCI World Index for stocks closed 3.5% higher for the week ended on Nov 5, 2010.

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Price Performance - Gold

Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX (\$/oz)	Gold (Dec 10)	1359.70	1398.70	1325.50	1397.70	2.95%	960365	22.77%	383096	-2.10%
	Gold (Feb 11)	1363.00	1400.20	1327.80	1399.80	2.96%	74812	136.06%	88297	62.65%
MCX (₹/10gm)	Gold (Dec 10)	19840.00	20019.00	19310.00	19971.00	0.83%	189212	-9.91%	17320	-14.90%
	Gold (Feb 11)	20008.00	20188.00	19530.00	20144.00	0.72%	7460	14.31%	4568	8.87%

Price Performance - Silver

Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX (\$/oz)	Silver (Dec 10)	24.75	26.92	23.94	26.75	8.89%	341295	20.52%	85458	-6.64%
	Silver (Mar 11)	24.82	26.96	23.99	26.82	8.92%	36621	53.62%	33836	27.71%
MCX (₹/kg)	Silver (Dec 10)	37188.00	39525.00	35956.00	39366.00	6.09%	368817	-9.01%	29559	17.30%
	Silver (Mar 11)	37479.00	39800.00	36300.00	39618.00	5.99%	23269	13.59%	6983	37.98%

CFTC reports - Gold

CFTC reports showed a decline in net long positions for the fourth straight week as the short positions rose over 19% while there was a drop in long positions. Speculators bet on prices may fall after having seen the recent run in prices. However, commercial holders were seen adding long positions. Total long and short positions also rose by 2.27% and 2.63%, respectively.

CFTC reports - Silver

Silver also saw increased interest from short sellers as short positions rose more than long positions. However, spreading positions were added more as investors may have been dubious amid silver prices seeing a continuous rise. Net long positions dropped for the fifth straight week. Commercial holders added more long positions. Total long and short positions were up by 4.66% and 3.30%, respectively.

CFTC Report - Gold			
Non-Commercial	11/2/2010	10/26/2010	% Change
Long	282707	283153	-0.16%
Short	52479	44067	19.09%
Spreading	82527	79892	3.30%
Commercial			
Long	184286	174257	5.76%
Short	460898	456692	0.92%
Total			
Long	549520	537302	2.27%
Short	595904	580651	2.63%

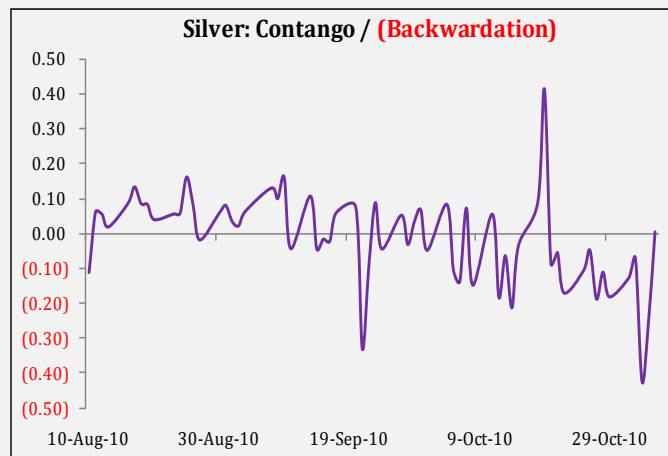
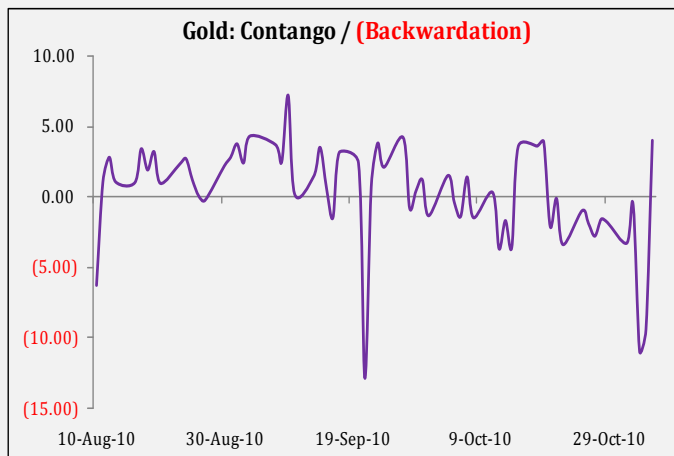
CFTC Report - Silver			
Non-Commercial	11/2/2010	10/26/2010	% Change
Long	52625	53018	-0.74%
Short	12834	12509	2.60%
Spreading	44377	39270	13.00%
Commercial			
Long	31152	30157	3.30%
Short	87200	88023	-0.93%
Total			
Long	128154	122445	4.66%
Short	144411	139802	3.30%

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Chart Updates – Contango & Backwardation

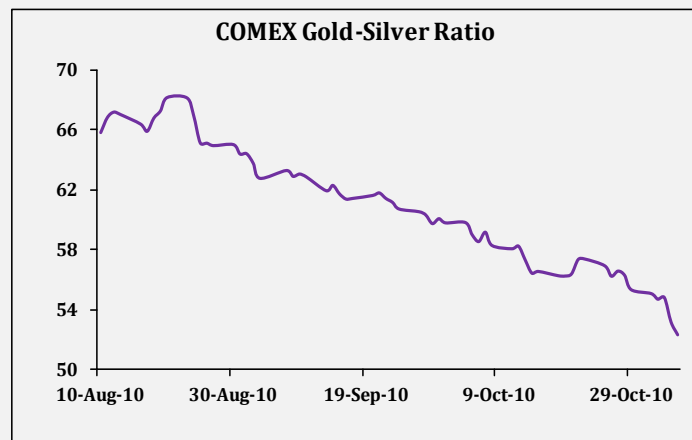
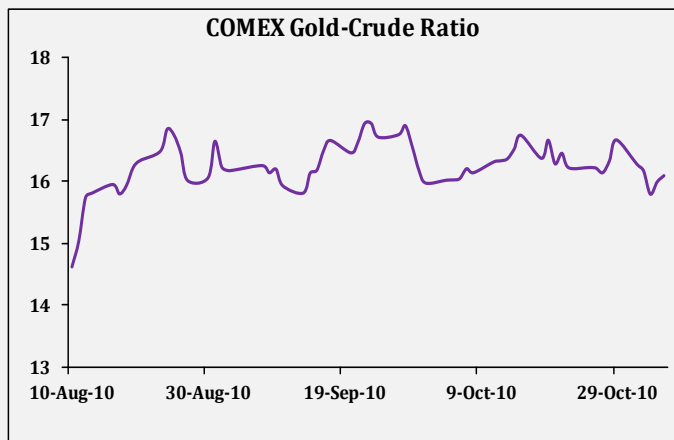
Backwardation is a market where spot prices exceed future prices while **Contango** is the opposite condition, where future prices exceed spot prices. We have considered Gold December future contract and Silver December future contract of COMEX. Contango seems to be an obvious condition in the market as future prices tend to be higher because of cost-of-carry involved.



Spot gold closed at \$1393.65/oz while December futures ended at \$1397.70/oz. **Markets closed in Contango at 4.05.**

Spot silver closed at \$26.74/oz while December futures ended at \$26.75/oz.

Ratio Charts



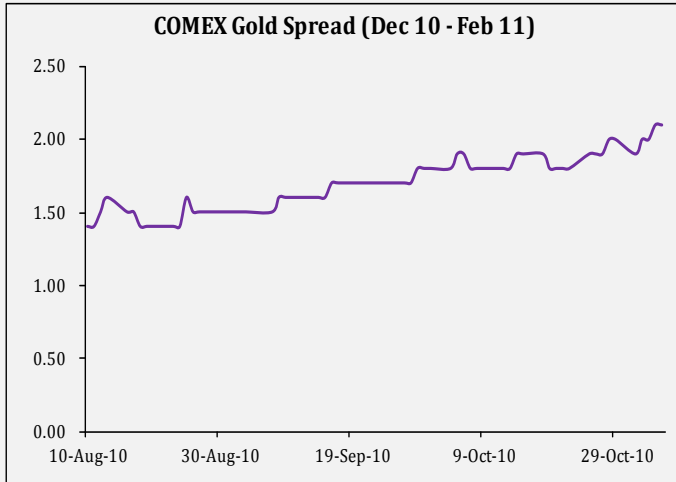
COMEX Gold Crude dropped to 16.09 levels from 16.67 a week earlier. The ratio fell due to crude oil prices rising more than gold prices.

COMEX Gold Silver ratio declined to 52.25 from 55.27, as silver rose more than gold.

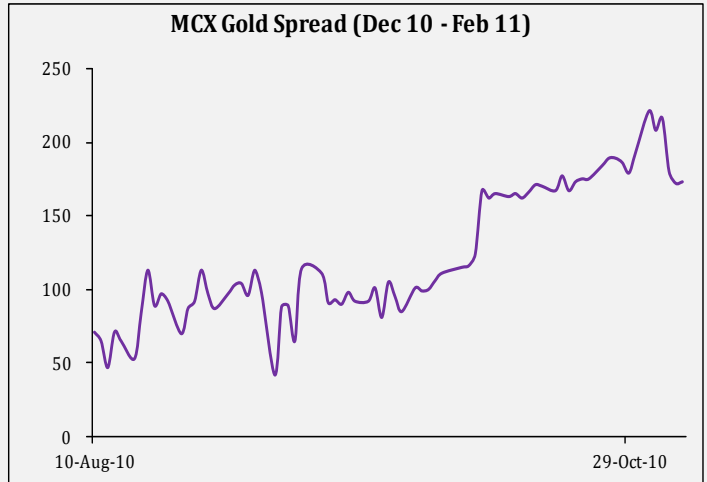
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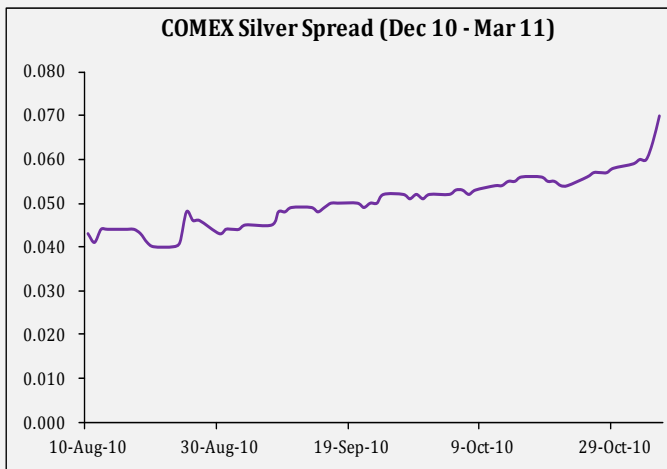
Calendar Spreads



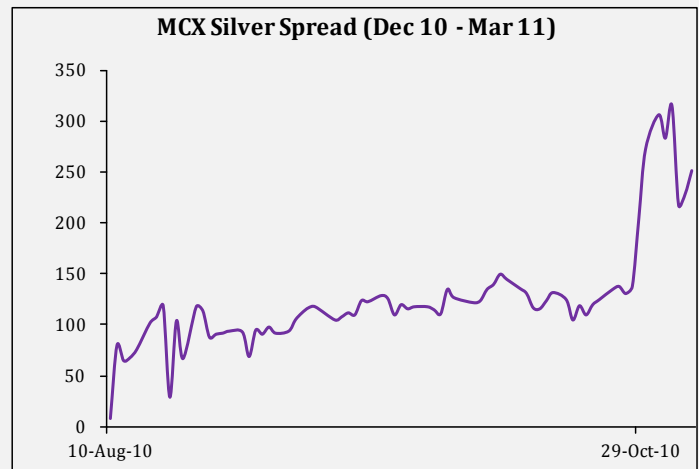
The spread between COMEX Gold Dec'10 and Feb'11 contracts closed at 2.10 for the week ended on Nov 5, meaning far month contract closed higher than near month contract.



The spread between MCX Gold Dec'10 and Feb'11 contracts closed at 172 on Nov 5, meaning far month contract closed higher than near month contract.



The spread between COMEX Silver Dec'10 and Mar'11 contracts closed at 0.070 for the week ended on Nov 5, meaning far month contract closed higher than near month contract.



The spread between COMEX Silver Dec'10 and Mar'11 contracts closed at 229 for the week ended on Nov 5, meaning far month contract closed higher than near month contract.

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Outlook

Bullion prices continued to benefit from the weaker dollar which fell after the Fed announced additional measures of quantitative easing.

However, in the coming week, dollar index is expected to recover as economic data is expected to indicate improving trade balance and Michigan Confidence. However, Industrial Production data from UK is also expected to improve. From Euro-zone data is expected to come in mixed with trade balance improving while the industrial production and GDP

is expected to come in slightly lower. China's trade surplus may also widen further. This is also commensurate with the fact that the domestic demand in China continues to remain strong. Overall we expect dollar index to trade higher this week, though the gains might be limited as the quantitative easing measures might continue to weigh on dollar. Recovering dollar may give a pullback to the bullion prices which will again trigger some buying at dips as overall investment scenario looks positive for precious metals. However, actual data will give a fresh direction.

Date	Economic Data	Expected	Previous
Monday Nov 8	GE - Current Account	9.0B	4.6B
	GE - Trade Balance	12.0B	9.0B
	GE - Industrial Production M/M	0.40%	1.70%
Tuesday Nov 9	GE - CPI M/M	0.10%	0.10%
	UK - Industrial Production M/M	0.40%	0.30%
Wednesday Nov 10	US - Trade Balance	-\$45.0B	-\$46.3B
	US - Import Price Index M/M	1.20%	-0.30%
Thursday Nov 11	CH - Retail Sales Y/Y	18.80%	18.80%
	CH - Industrial Production Y/Y	13.50%	13.30%
Friday Nov 12	EC - Industrial Production s.a. M/M	0.30%	1.00%
	US - U. of Michigan Confidence	69.0	67.7

Technical Analysis - Gold

Gold December future prices witnessed extremely volatile movements in last week. Although, it took a smart correction during mid week but it recovered from a weekly low of 1325.5. Thereafter it made a lifetime high of 1398.7 before weekly close of 1397.7 levels. Overall, it gained as much as 2.95% from previous close. Market has breached the resistance at 1388 (Previous swing high) and closing below the same suggests further upside movements to be continued. As per the Gann study market is withholding the crucial support at 1353.6 (45 degree) and is likely to continue its upside journey. According to Fibonacci principle market is witnessing a resistance at 1405.7 (38.2% projection of the range 1159.31388.1). Sustain below would lead to a minor correction. The strong support is seen at 1371 (23.6% projection) which may help the prices to limit the downfall. The RSI (14) weekly ended at 0.73 levels and still has the potential to move till 0.77 (previous high). Overall, analysis suggests a mild lower correction can be seen before resuming its uptrend. We from KCTL expect prices to trade higher and recommend buying near support levels.

Recommendation: Buy in the range 1380-1385 TP 1405 then 1420 SL 1359

Gold Dec MCX: Buy in the range 19810-19860 TP 20100 then 20240 SL 19640

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Technical Analysis – Silver

Silver Comex Dec future prices shot up in last week by extending the previous gains. Overall, it gained as much as 8.1% from previous close. Prices are trading at life time high of 2691.5. A mild correction can be seen initially before resuming its uptrend for coming week. As per the Fibonacci principle market has posted a higher closing above the 50% (2660) projection and heading toward 61.8% (2749) suggests upside momentum to be continued for this week. For this week key level to watch is at 2572 levels sustain above would lead for further gains. Market has breached the trend channel and currently it is hovering above the same signals upside strength for short term. As per the Gann study market is trading above the 45 degree and still has the potential to move higher. According to Gann study the derived support is at 2598 levels which may help the prices to remain higher. On the higher side we may expect the gain till 2749 (61.8% projection of the range 740-2495) then 2859 (76.4%). The weekly RSI (14) ended at 0.78 and showing a higher potential. WE expect silver prices to remain higher and recommend buying at dips. **Recommendation: Buy at 2620-2640 TP 2750 then 2860 SL 2510 Silver Dec MCX : Buy at 38600-38700 TP 39800 then 40300 SL 37500.**



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