

BULLION WEEKLY

A Weekly Report on Gold & Silver

The Week Ahead

- The dollar index may continue to remain firm as U.S. economic reports may turn positive for the U.S. dollar and resurrecting debt concerns in the eurozone will also result in the dollar rising on demand for safer asset
- Fears that China may raise interest rates will possibly drag the bullion prices lower

Technical Calls

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
COMEX Dec Gold	1308	1332	1348	1405	1425	1437	Sell at 1382/80 TP 1355 then 1340 SL 1402
MCX Dec Gold	19700	19820	19950	20320	20550	20700	-----
MCX Dec Gold M	19700	19820	19950	20320	20550	20700	Sell 1 st lot at 20250 and 2 nd lot at 20320 TP 19950 then 19820 SL 20420
COMEX Dec Silver	24.80	25.10	25.40	26.40	27.40	28.02	Sell at 26.40 – 26.35 TP 25.40 then 25.15 SL 27.20
MCX Dec Silver	38320	38500	39000	40720	41080	41720	-----
MCX Nov Silver M	38320	38500	39000	40720	41080	41720	Sell 1 st lot at 40300 and 2 nd lot at 40680 TP 39550 then 39000 SL 41070

Market Round-up

- Markets saw attention shifting from Quantitative Easing II to recurring debt woes in the Europe and Chinese monetary tightening which led a broad selloff towards the week-end across asset classes.
- Gold futures plummeted on Friday after having seen an all-time high of \$1424.30/oz during the week. Prices slipped as China worries spooked the markets.
- There are some concerns that China may raise interest rates as a measure of monetary tightening to curb inflation and prevent the economy from overheating. Chinese inflation came in at the sharpest level in roughly two years, posting a rise of 4.4% in the last month against 3.6% in the month before.
- The dollar reversed its losses and posted 2% gains against a basket of the world's six major currencies in the previous week ended on Nov 12, 2010. The dollar index ended higher at 78.08 levels with the euro retreating to 1.3691 from 1.4032 in the week before. The dollar rose 2.43% against the euro.
- Gold holdings with SPDR Gold Trust fell 3.34 MT to 1290.86 MT, its lowest in a month. On the other hand, iShares' silver holdings advanced 465 MT to 10718.82 MT.
- Among other precious metals, silver also fell more than 3% to close at \$25.94/oz on Friday after having reached to the fresh 30-year high of \$29.34/oz during the week.
- Conversely, MCX gold posted moderate gains despite COMEX gold falling vehemently while silver's fall was negligible on W/W closing basis. However, compared to week-high levels, prices saw a considerable fall.
- MCX gold and silver futures were literally supported by rupee depreciation which slid nearly 1.4% to 44.83/USD amid reports which showed that India's industrial production rose 4.4%, the lowest in 18-months.

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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)	1397.00	1424.30	1359.30	1365.50	-2.30%	1227685	24.81%	325836	-12.64%
	Gold (Feb 11)	1399.80	1426.10	1361.40	1367.70	-2.29%	127984	63.11%	123199	55.58%
MCX (₹/10gm)	Gold (Dec 10)	19996.00	20569.00	19996.00	20121.00	0.75%	240080	26.88%	13753	-20.59%
	Gold (Feb 11)	20230.00	20750.00	20198.00	20337.00	0.96%	13489	80.82%	4986	9.15%

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)	26.86	29.34	25.76	25.94	-3.01%	598040	77.27%	62371	-27.76%
	Silver (Mar 11)	26.86	29.41	25.84	26.02	-2.99%	71783	97.20%	40147	23.05%
MCX (₹/kg)	Silver (Dec 10)	39489.00	43174.00	39000.00	39312.00	-0.14%	683507	85.32%	17805	-39.76%
	Silver (Mar 11)	39650.00	43174.00	39315.00	39600.00	-0.05%	48287	107.52%	8312	19.03%

CFTC reports - Gold

CFTC data were not available for the week ended on Nov 9, 2010. The same will be released on Nov 15, 2010 i.e. Monday.

CFTC reports - Silver

CFTC data were not available for the week ended on Nov 9, 2010. The same will be released on Nov 15, 2010 i.e. Monday.

CFTC Report - Gold			
Non-Commercial	11/9/2010	11/2/2010	% Change
Long	0	282707	-100.00%
Short	0	52479	-100.00%
Spreading	0	82527	-100.00%
Commercial			
Long	0	184286	-100.00%
Short	0	460898	-100.00%
Total			
Long	0	549520	-100.00%
Short	0	595904	-100.00%

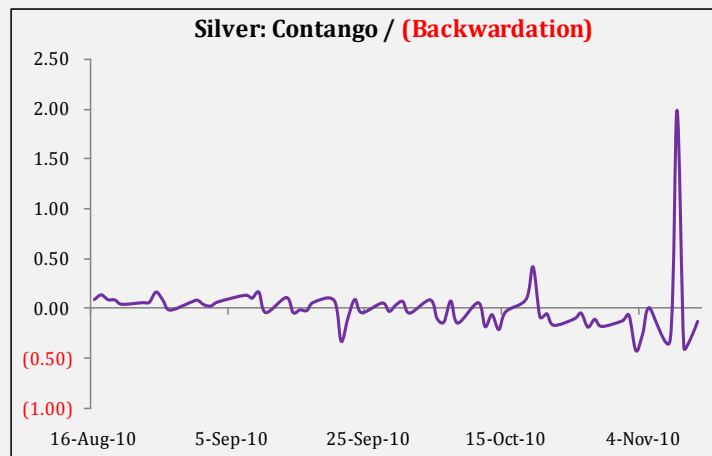
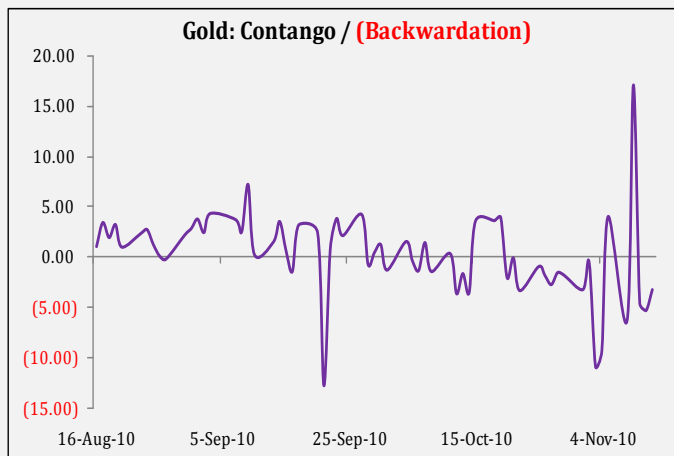
CFTC Report - Silver			
Non-Commercial	11/9/2010	11/2/2010	% Change
Long	0	52625	-100.00%
Short	0	12834	-100.00%
Spreading	0	44377	-100.00%
Commercial			
Long	0	31152	-100.00%
Short	0	87200	-100.00%
Total			
Long	0	128154	-100.00%
Short	0	144411	-100.00%

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Chart Updates - Contango & Backwardation

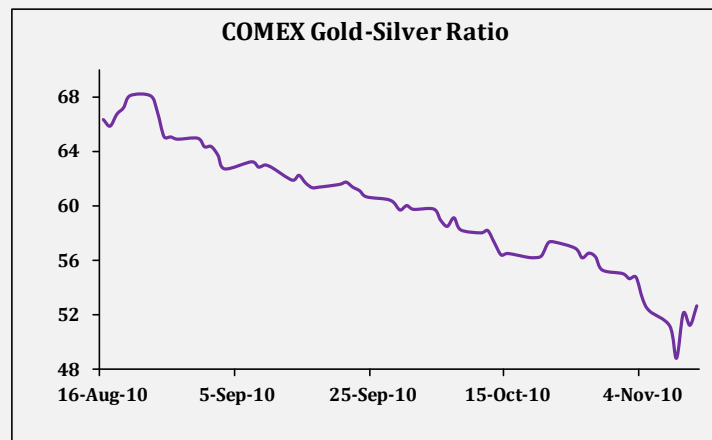
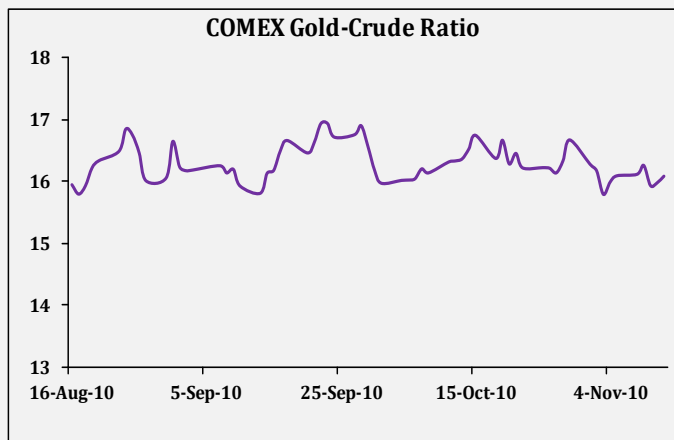
Backwardation is a market where spot prices exceed future prices while **Contango** is the opposite condition, where future prices exceed spot prices. We have considered Gold December future contract and Silver December future contract of COMEX. Contango seems to be an obvious condition in the market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



Spot gold closed at \$1368.75/oz while December futures ended at \$1365.50/oz. **Markets closed in Backwardation at 3.25.**

Spot silver closed at \$26.07/oz while December futures ended at \$25.94/oz. **Markets closed in Backwardation 0.13.**

Ratio Charts



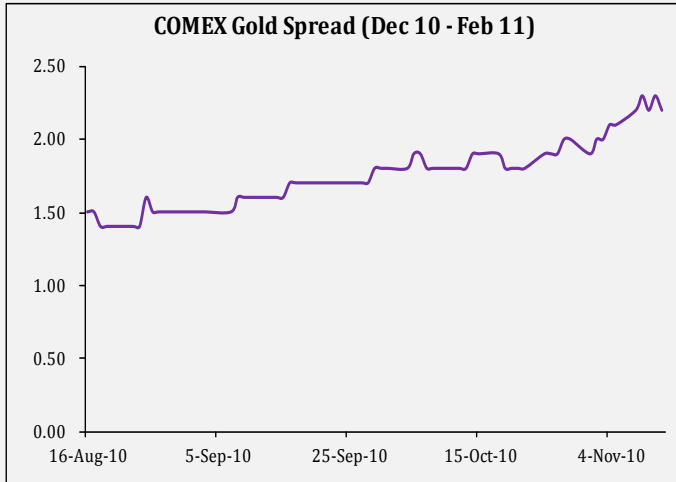
COMEX Gold Crude ratio closed unchanged at 16.09 on Friday, after having fallen to 15.94 during the week.

COMEX Gold Silver ratio improved marginally to 52.64 from 52.25 a week earlier. The ratio fell to the extent of 48.78 during the week.

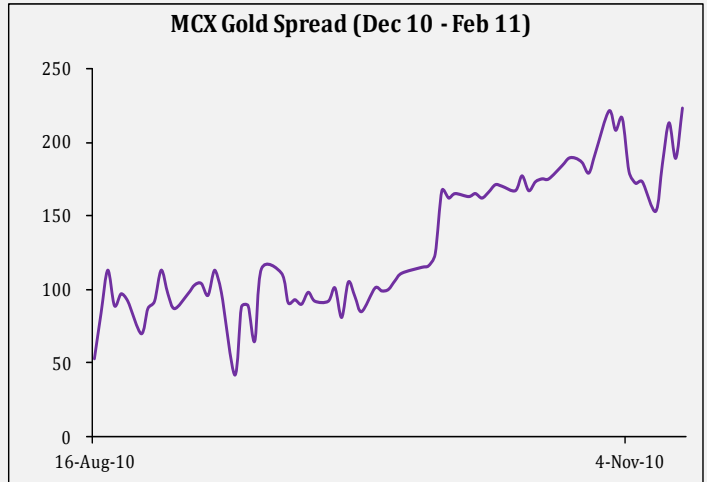
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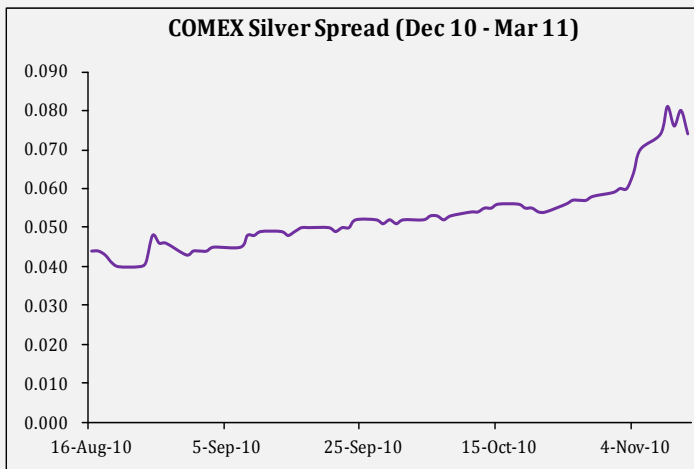
Calendar Spreads



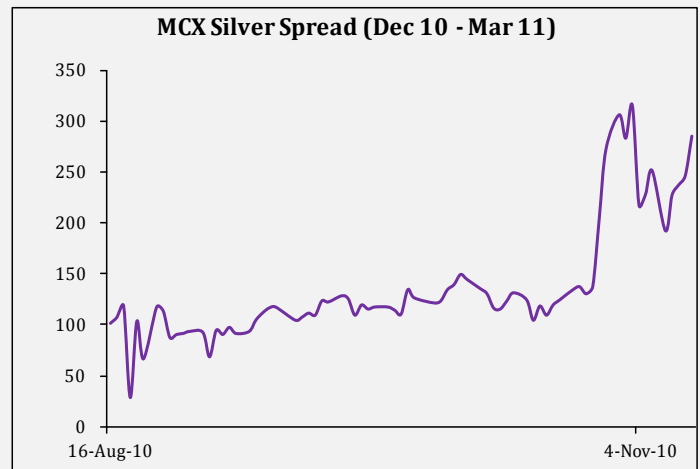
The spread between COMEX Gold Dec'10 and Feb'11 contracts closed at 2.20 for the week ended on Nov 12, meaning far month contract closed higher than near month contract.



The spread between MCX Gold Dec'10 and Feb'11 contracts closed at 223 on Nov 12, meaning far month contract closed higher than near month contract.



The spread between COMEX Silver Dec'10 and Mar'11 contracts closed at 0.074 for the week ended on Nov 12, meaning far month contract closed higher than near month contract.



The spread between COMEX Silver Dec'10 and Mar'11 contracts closed at 286 for the week ended on Nov 12, meaning far month contract closed higher than near month contract.

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Outlook

Gold prices retreated towards the week-end on broad selloff in the market. The bullion's December futures rose to the all-time high of \$1424.30/oz on Nov 9 i.e. Tuesday but, later saw huge liquidation on Friday on concerns of possible interest rate hike by China. Stronger dollar also curbed gains in the precious metals.

The dollar index may continue to remain firm in the subsequent week as data expectations in the form of rising retail sales, increasing industrial production and capacity utilization, improving NAHB housing market index, growing building

permits and Philadelphia Fed Index also getting better may provide good support to the U.S. dollar. However, few data releases such as; falling Empire Manufacturing index and housing starts and rising jobless claims may curb gains in the dollar. Apart from that, Japanese economy is expected to post better growth in its third-quarter GDP number. There are also concerns that eurozone peripheral nations will struggle to reduce their budget deficits which may potentially cause some volatility and possibly, may drag the euro. The dollar in such case may rise on the increased demand for safer assets. The yellow metal may also see some buying after it took a huge beating of nearly \$38/oz on Friday. However, as the week will progress, punters may liquidate their positions amid strengthening dollar and expectations that China will raise interest rates as a measure of monetary tightening to curb inflation and prevent the economy from overheating.

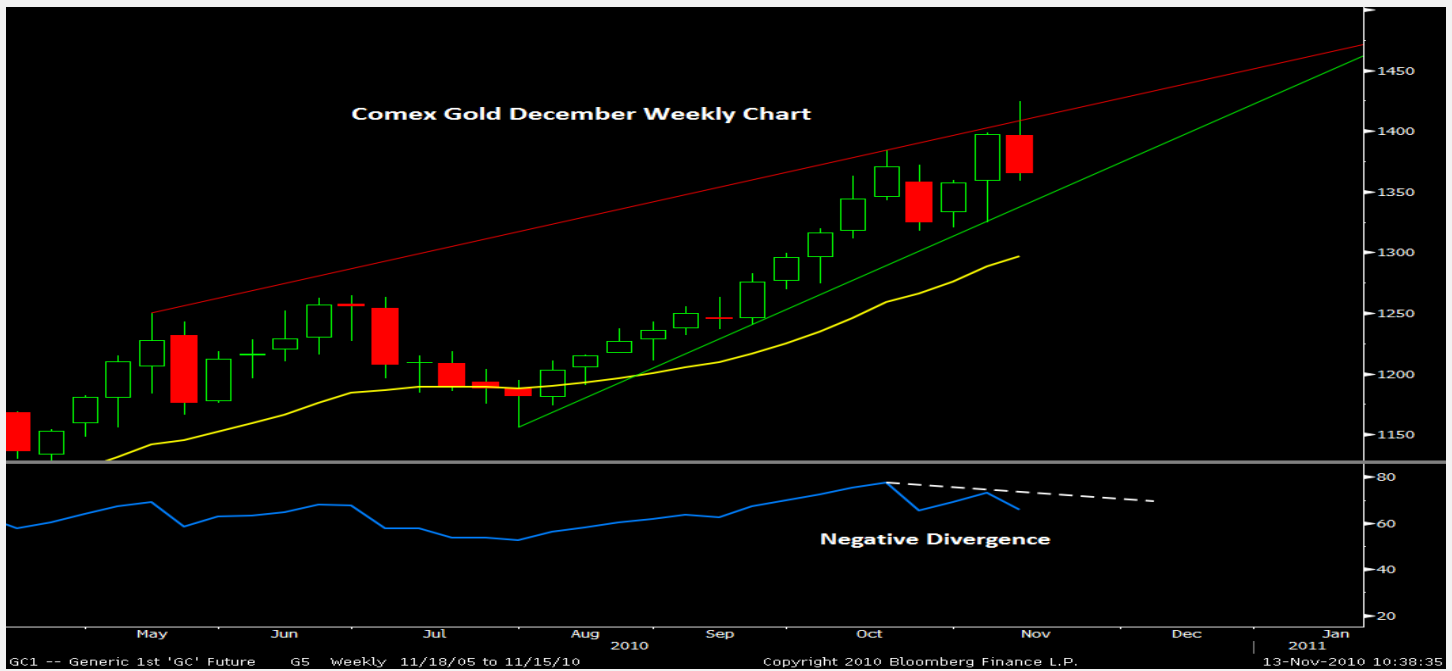
Technical Analysis - Gold

Gold prices corrected towards the week-end after a strong upward movement and settled at \$1365.50/oz. Weekly chart is giving an indication that the coming week may also turn bearish for gold prices. A Long black candle stick with the long upper shadow suggests that the buyers are getting exhausted at the higher levels. There is a crucial resistance of upper trend line (red color trend line shown in the chart). The momentum oscillator RSI is trading at 0.65 and is in negative divergence. For the coming week, we expect that the gold prices may face the support at \$1352/oz of lower trend line (green color trend line shown in the chart). We suggest going short next week.

Date	Economic Data	Expected	Previous
Monday Nov 15	JN - GDP Q/Q	0.60%	0.40%
	IN - Monthly Wholesale Prices Y/Y	8.50%	8.62%
	US - Advance Retail Sales	0.70%	0.60%
	US - Empire Manufacturing	14.00	15.73
Tuesday Nov 16	EC - CPI M/M	0.30%	0.20%
	US - PPI M/M	0.80%	0.40%
	US - Net Long-Term TIC Flows	---	\$128.7B
	US - Industrial Production	0.30%	-0.20%
Wednesday Nov 17	US - CPI M/M	0.30%	0.10%
	US - Housing Starts	600K	610K
	US - Building Permits	570K	547K
Thursday Nov 18	US - Leading Indicators	0.50%	0.30%
	US - Philadelphia Fed Index	5	1

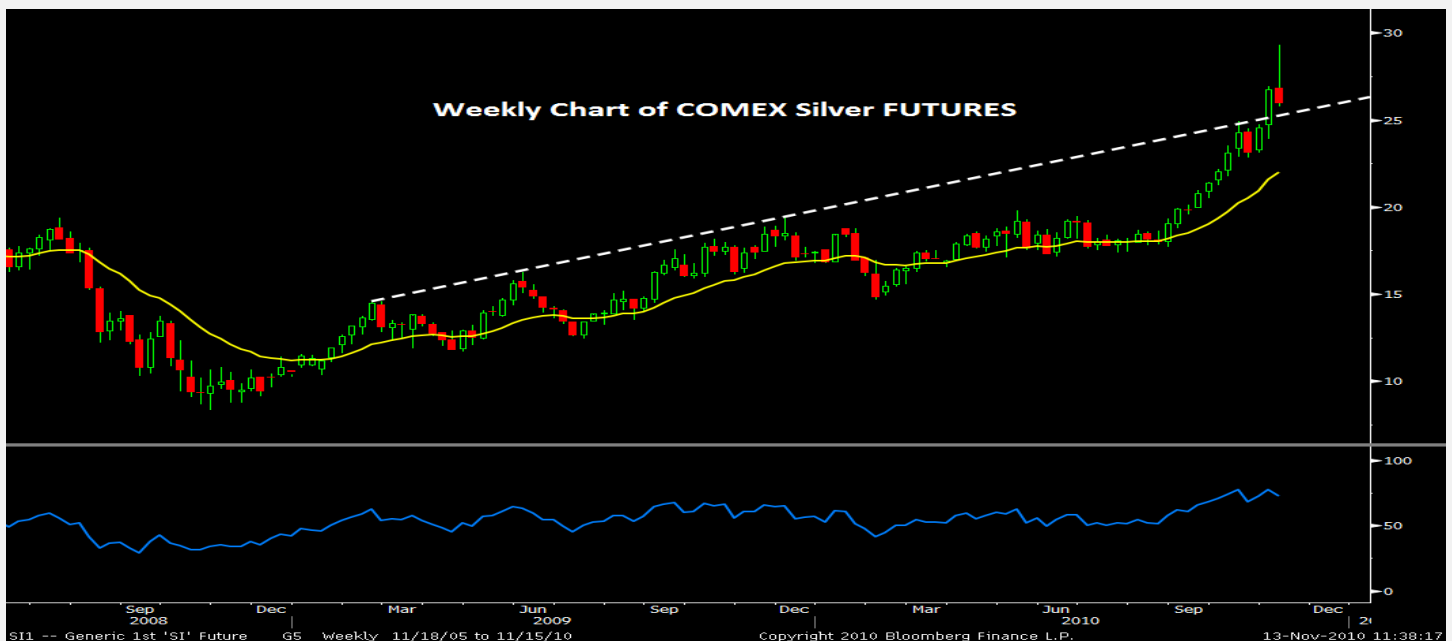
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Technical Analysis – Silver

Drastic upward movements in silver prices cooled down after touching the high of \$29.35/oz this week. It settled down at \$25.94. In weekly chart of COMEX silver, a 'Hammer Candle Stick' is spotted with higher volume in the upward rally, suggesting that the downward trend for the coming week. Market may face the support level of the upper trend line (White color) shown in the chart above. EMA -18 is at \$22.014 and the prices are currently trading above 18% of EMA-18 suggesting downfall. The momentum oscillator RSI is trading at 0.72 that is an overbought mode. For the coming week, we expect silver prices to remain lower and therefore, suggest going short.



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