

# BULLION WEEKLY

A Weekly Report on Gold & Silver

## The Week Ahead

- Markets may look for fresh cues after a possible bailout to Ireland, monetary tightening by China and QE2 (Quantitative Easing II) fever calmed down
- The dollar may move sideways and thus, gold's buy recommendation comes with strict stop loss levels
- Silver looks more attractive after the GFMS improved price outlook on surging investment demand

## Technical Calls

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
COMEX Dec Gold	1295	1322	1340	1380	1400	1437	Buy at 1342/46 TP 1380/1400 Strict SL 1320
MCX Dec Gold M	19420	19630	19800	20200	20400	20620	Buy at 19950/20000 TP 20420 Strict SL 19750
COMEX Dec Silver	24.20	25.00	26.60	27.50	29.00	30.00	Buy at 26.50/60 TP 28.50 Strict SL 25.65
MCX Nov Silver M	38200	39700	40500	42500	43200	44100	Buy at 40500/800 TP 42500 Strict SL 39500

## Market Round-up

- Precious metals recovered towards the weekend after having seen a broad market selloff in the beginning of the week. COMEX gold incurred 1% weekly losses to close at \$1352.30/oz while MCX gold was little changed as rupee depreciation came into rescue for domestic gold futures. Silver was up by nearly 5% during the week.
- Tuesday's gold market saw the bullion prices falling precipitously as European debt crisis weakened the euro versus the dollar. The stronger U.S. dollar coupled with possibility of more policy tightening from China put pressure on the world's equity markets as well as the precious metals.
- CFTC reports for the week ended on Nov 16 showed speculators reducing their positions in both gold and silver in the wake of uncertainty regarding European debt problems and possible rate hike by China.
- Bank of Korea increased its benchmark interest rate by 25 basis points on Tuesday while People's Bank of China raised its reserve requirement ratio by 50 basis points on Friday. Friday's hike in reserve requirement ratio by China had the least impact as the same was discounted earlier in the week.
- The dollar erased some of its weekly gains as the week progressed and news came that Ireland is in final talks with EU and the IMF for entering into a multi billion euro bailout deal. This eased some pressure off the euro and resulted in the dollar index paring down its gains and settling with merely 0.54% gains.
- Demand for gold by ETFs continued to weaken, though there was some demand seen on Friday. SPDR Gold Trust saw its holdings lowered by 1.52 MT to 1289.34 MT as on week ended on Nov 19, 2010. Silver holdings with iShares Silver Trust rose nearly 96 MT to 10814.62 MT as on Nov 19, 2010.
- Global equity markets fell for the second week in a row after monetary tightening fears in China and European debt crisis caused an avalanche selloff; however, prices recovered in the later part of the week.

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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)	1371.00	1376.60	1329.00	1352.30	-0.97%	1025837	-17.84%	247451	-21.54%
	Gold (Feb 11)	1371.50	1378.50	1331.10	1354.40	-0.97%	148280	14.32%	192346	44.34%
MCX (₹/10gm)	Gold (Dec 10)	20105.00	20282.00	19819.00	20102.00	-0.16%	200385	-17.17%	11817	-13.12%
	Gold (Feb 11)	20362.00	20464.00	20031.00	20304.00	-0.23%	13561	-1.35%	6955	38.60%

## 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)	26.03	27.40	24.98	27.18	4.77%	408212	-31.90%	52779	-13.55%
	Silver (Mar 11)	26.03	27.45	25.05	27.25	4.76%	56447	-22.73%	48771	19.99%
MCX (₹/kg)	Silver (Dec 10)	39307.00	41700.00	38338.00	41470.00	5.22%	441458	-35.70%	16555	-6.99%
	Silver (Mar 11)	39486.00	41816.00	38600.00	41674.00	4.99%	32308	-33.61%	9070	9.13%

## CFTC reports - Gold

CFTC reports showed that speculators liquidated their long positions by more than 10% as a result of panic selling on concerns of possible rate hike by China and European debt woes. However, short positions were also being covered. **Net long positions fell sharply by 27,700 contracts to 218,479 contracts from 246,179 contracts a week earlier.** Commercial holders, also known as hedgers, exited their short positions while built long positions.

Total long and short positions declined by 2.94% and 2.47%, respectively.

## CFTC reports - Silver

Silver saw greater liquidation in speculators' long positions ahead of monetary tightening fears by Asian central banks and European debt woes. Silver tends to over-react in comparison with gold. **Net long positions fell to 28,104 contracts, the seventh consecutive weekly decline** after Long positions trimmed by more than 12.5% during the week ended on Nov 16. Short positions also fell by 9.5%.

Total long and short positions were cut by 5.6% and 5.1%, respectively.

CFTC Report - Gold			
Non-Commercial	11/16/2010	11/9/2010	% Change
Long	267157	298005	-10.35%
Short	48678	51826	-6.07%
Spreading	105592	100000	5.59%
Commercial			
Long	189737	181532	4.52%
Short	454645	472485	-3.78%
Total			
Long	562486	579537	-2.94%
Short	608915	624311	-2.47%

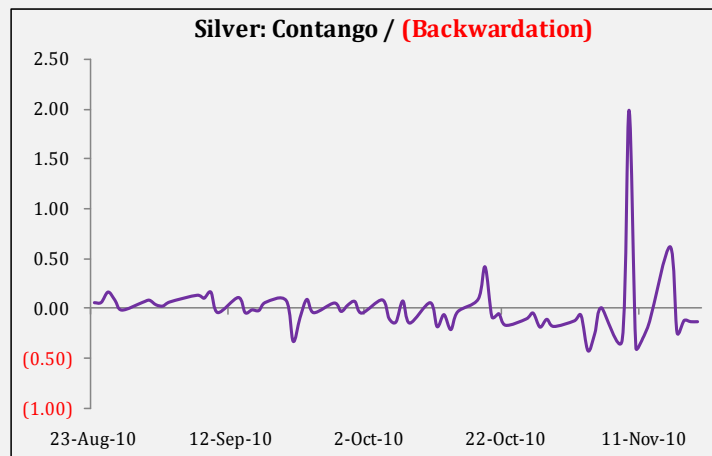
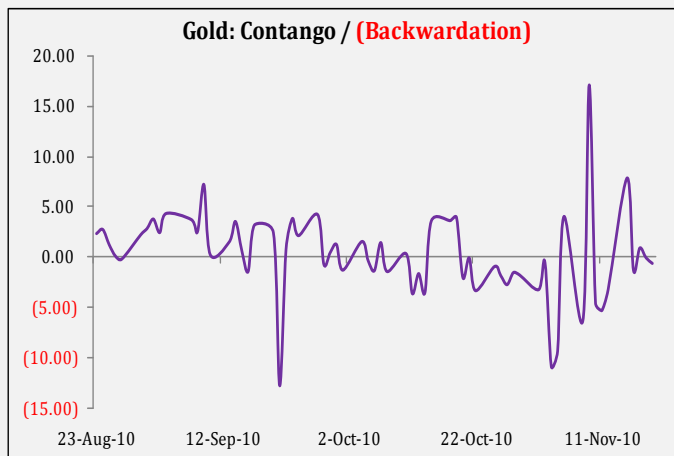
CFTC Report - Silver			
Non-Commercial	11/16/2010	11/9/2010	% Change
Long	40243	46004	-12.52%
Short	12139	13421	-9.55%
Spreading	38951	43085	-9.59%
Commercial			
Long	37001	33976	8.90%
Short	82655	84461	-2.14%
Total			
Long	116195	123065	-5.58%
Short	133745	140967	-5.12%

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## Chart Updates - Contango & Backwardation

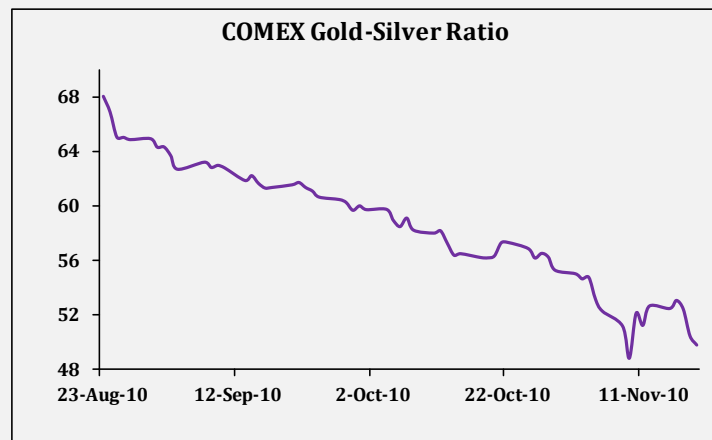
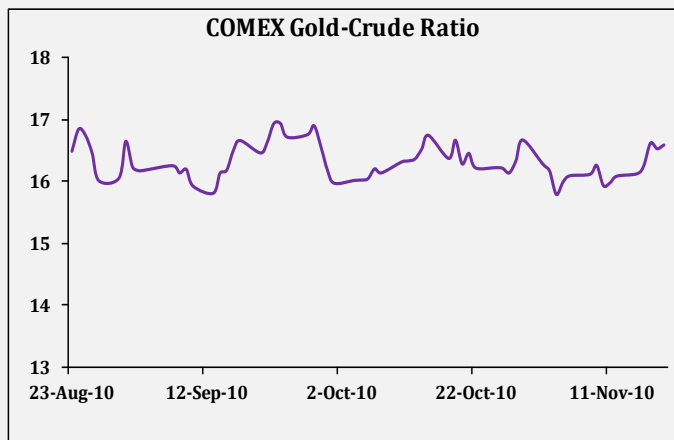
**Backwardation** is a market where spot prices exceed future prices while **Contango** is the opposite condition, where future prices exceed spot prices. We have considered Gold December future contract and Silver December future contract of COMEX. Contango seems to be an obvious condition in the market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



Spot gold closed at \$1352.93/oz while December futures ended at \$1352.30/oz. **Markets closed in Backwardation at 0.63.**

Spot silver closed at \$27.31/oz while December futures ended at \$27.18/oz. **Markets closed in Backwardation 0.13.**

## Ratio Charts



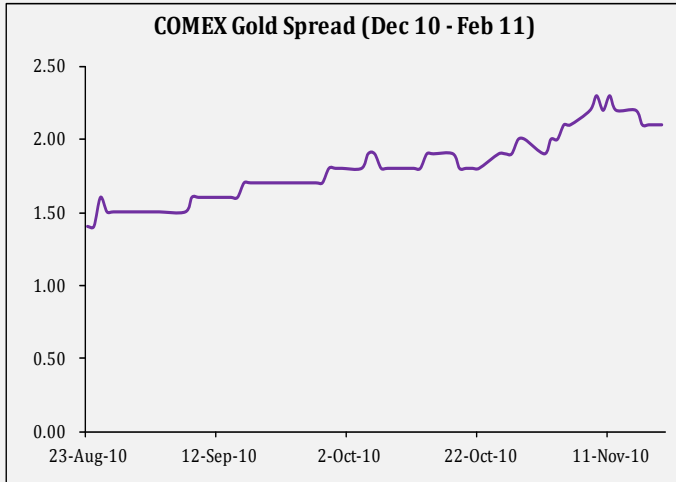
COMEX Gold Crude ratio increased to 16.59 from 16.09, as a result of crude oil falling more than gold.

COMEX Gold Silver ratio dropped to 49.76 from 52.64, as silver rose nearly 5% while gold fell by 1%.

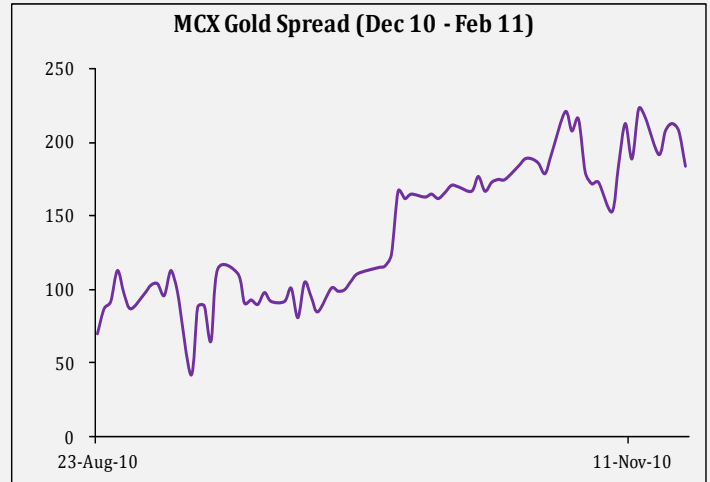
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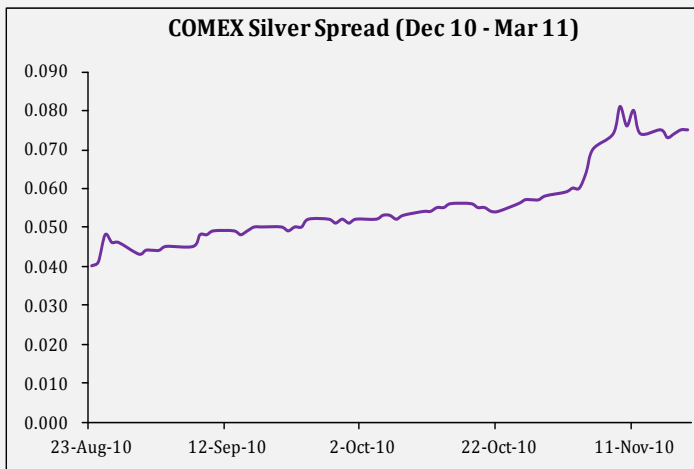
## Calendar Spreads



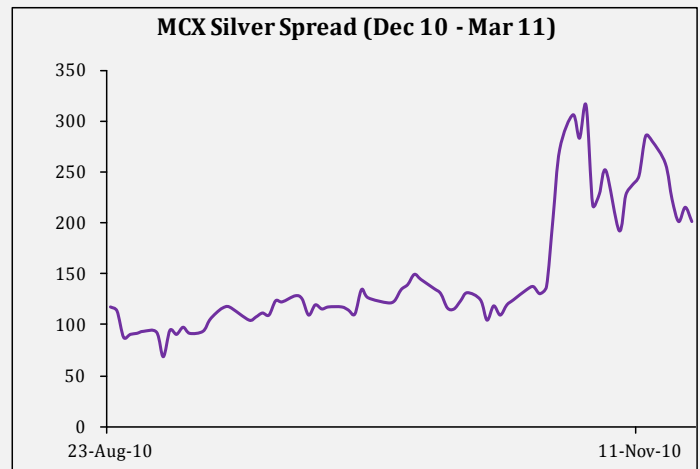
*The spread between COMEX Gold Dec'10 and Feb'11 contracts closed at 2.10 for the week ended on Nov 19, meaning far month contract closed higher than near month contract.*



*The spread between MCX Gold Dec'10 and Feb'11 contracts closed at 184 on Nov 19, meaning far month contract closed higher than near month contract.*



*The spread between COMEX Silver Dec'10 and Mar'11 contracts closed at 0.075 for the week ended on Nov 19, meaning far month contract closed higher than near month contract.*



*The spread between COMEX Silver Dec'10 and Mar'11 contracts closed at 202 for the week ended on Nov 19, meaning far month contract closed higher than near month contract.*

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## Outlook

Precious metals recovered towards the weekend after having seen a broad market selloff in the beginning of the week. COMEX gold incurred 1% weekly losses to close at \$1352.30/oz while MCX gold was little changed on weekly basis as rupee depreciation came into rescue for domestic gold futures. Silver was up by nearly 5% during the week.

The upcoming week could turn out to be crucial for developing further price outlook as markets may look for fresh cues after a possible bailout to Ireland, monetary tightening by China and QE2

(Quantitative Easing II) fever also calmed down. We have to see whether focus shifts back to QE2 or European sovereign crisis prolong further in terms of contagion effect on other peripheral countries in the euro zone.

However, a host of economic data releases will continue to be momentary triggers for the markets. These data include the revised higher growth in the third-quarter U.S. GDP, improving Richmond Fed index, increasing new home sales, rising personal income, and falling jobless claims which all could be seen positive for the dollar while declining existing home sales and no growth in durable goods orders may erase some of those gains. We are expecting that the dollar index would be moving sideways and thus, currency markets will a lot depend upon actual data releases and the further developments in European sovereign crisis.

Silver may continue its momentum which faltered for a while as a result of severe decline in prices recently. Both jewelry and investment demand for silver remains firm as investors prefer this cheaper alternative to gold amid volatile currency markets. Physical demand for silver in rural India is likely to perk up ahead of marriage season that is on till December. Investment demand continues to rise, suggested by the iShares' silver holdings which rose for the second straight week. The GFMS, a global metal researcher and consultant, also raised its price outlook of silver, saying that the metal may trade above \$30/oz next year.

## Technical Analysis - Gold

COMEX gold's weekly chart doesn't depict any clear view for the coming week. A 'Black Candle Stick' with long lower shadow is signaling the entrance of buyers at lower levels. But on the upside there is a strong resistance at \$1361.30 (23.6% retracement of the range 1156.60-1424.50). Similarly, on the down side the prices are facing a support at \$1322 (38.2% % retracement of the range 1156.60-1424.50).

The prices are consolidating between the 2 trendlines\*(shown in the Red color and Green color in the chart). According to these trendlines, gold may trade in the band of \$1330 - \$1400 for the coming week; either side

Date	Economic Data	Expected	Previous
<b>Monday</b> <b>Nov 22</b>	US - Chicago Fed Net Activity Index	-0.24	-0.58
	GE - GfK Consumer Confidence Survey	5.1	4.9
<b>Tuesday</b> <b>Nov 23</b>	GE - GDP Q/Q	0.70%	0.70%
	US - GDP Q/Q	2.40%	2.00%
	US - Personal Consumption	2.50%	2.60%
	US - Existing Home Sales	4.48M	4.53M
<b>Wednesday</b> <b>Nov 24</b>	UK - GDP Q/Q	0.80%	0.80%
	EC - Industrial New Orders	-2.50%	5.50%
	US - Durable Goods Orders	0.00%	3.50%
	US - Personal Income	0.40%	-0.10%
	US - Personal Spending	0.50%	0.20%
	US - New Home Sales	315K	307K

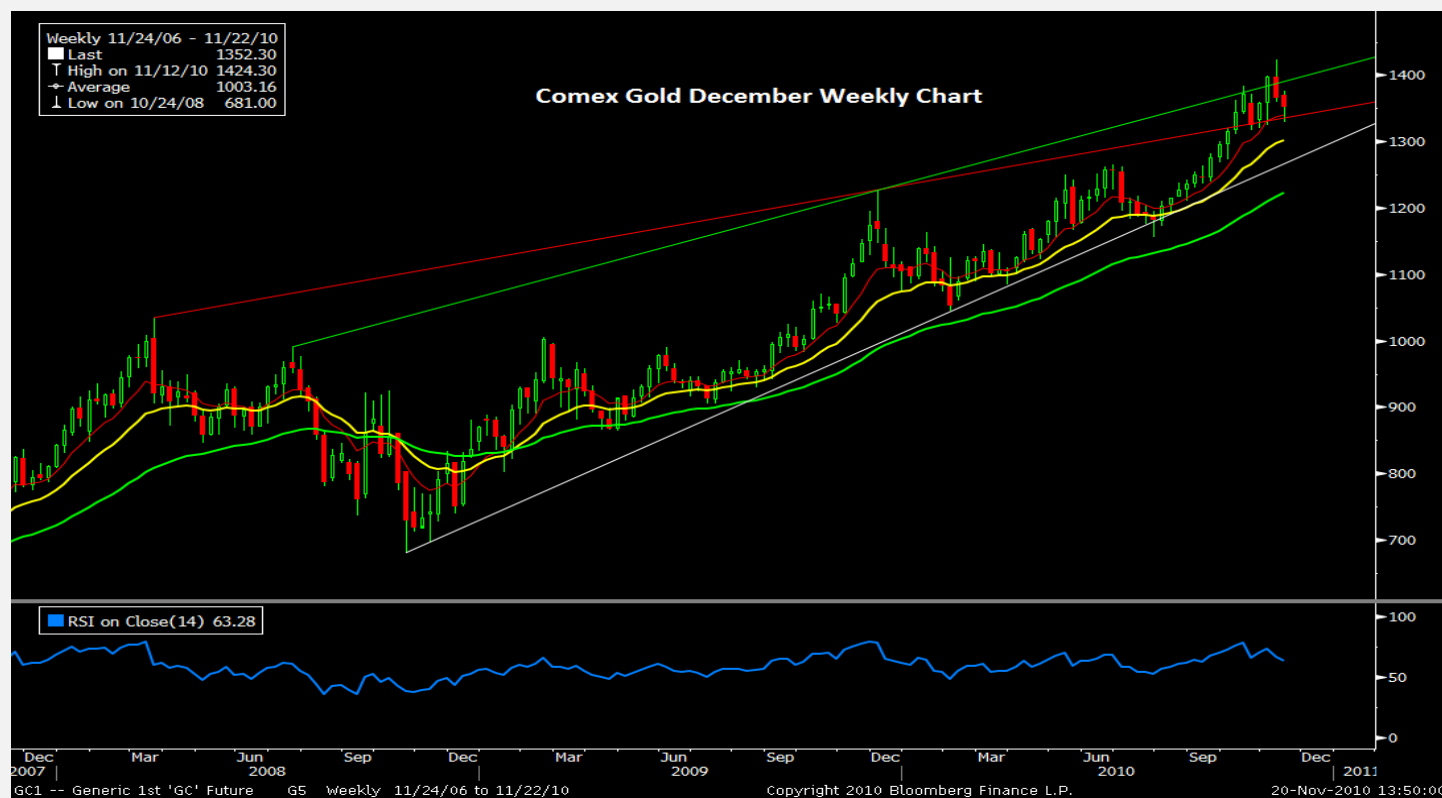
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breakout will confirm the further trend. The oscillator RSI (14) is trading at 0.64 and giving no clear picture for the coming week.

*\*1<sup>st</sup> Red color trendline (\$1032.80 on Mar 16, 2008 - \$1226.65 on Nov 29, 2009) and 2<sup>nd</sup> Green color trendline (\$988.30 on Mar 17, 2008 - \$1226.65 on Nov 29, 2009). We took these 2 trendlines into consideration because their intersection point is same at \$ 1226.65/oz.*

For the coming week, we expect trend to remain highly volatile with no confirmation of the trend. So we suggest short term traders to stay away from the market. However, high risk traders can go long with strict stop loss levels.



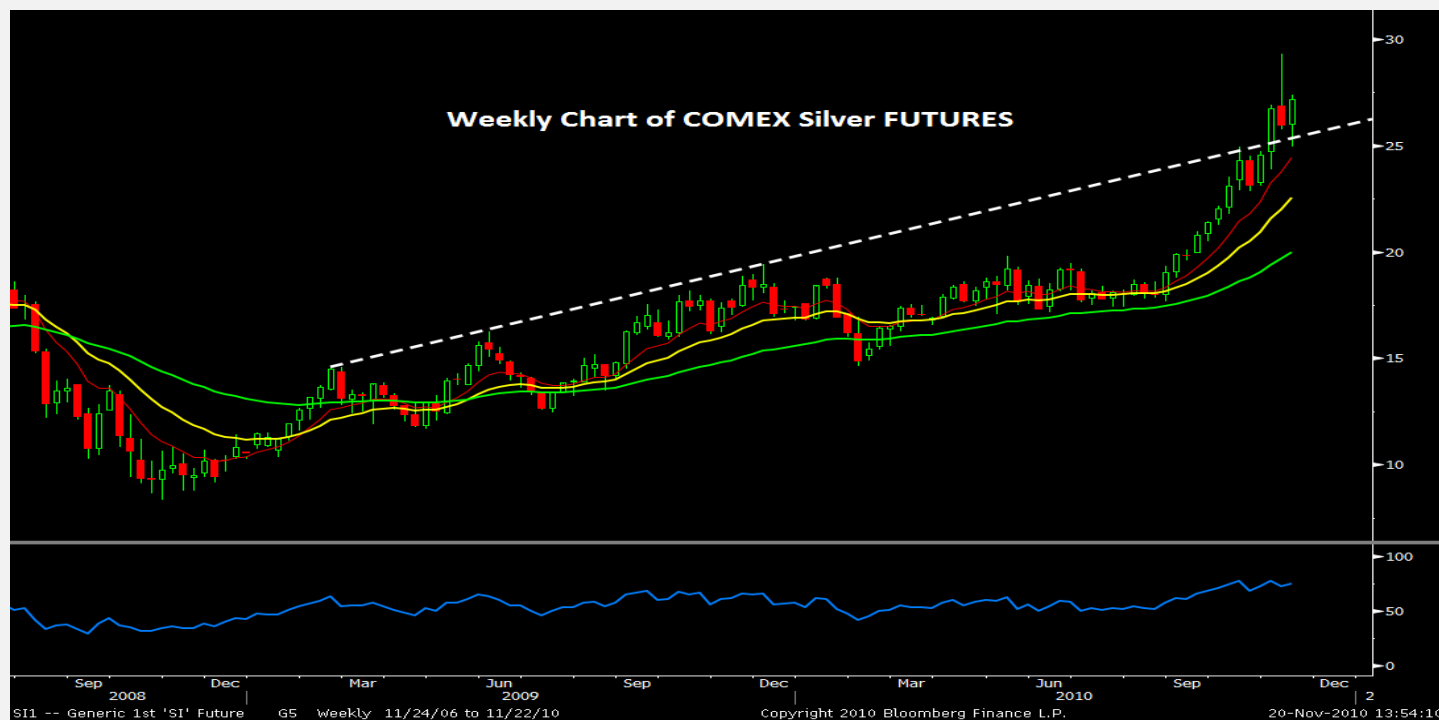
## Technical Analysis – Silver

COMEX silver futures recovered later during the last week after having fallen to \$24.98/oz. The weekly candle stick pattern doesn't suggest any clear view for the coming week. A **'Hanging Man'** and a **'Hammer'** candle sticks appearing side by side are indicating a highly volatile movement for the coming week. As per Fibonacci principle, silver prices took the correction of 38.2% (\$24.90), which is called a natural correction of the trend. This week it settled above 23.6% (\$26.60), signaling upside movements for the coming week. The oscillator RSI (14) is at 0.76 which is generally seen an over bought zone.

We are expecting silver to trade sideways with positive biases. We, therefore, suggest low risk investors to stay away from the market and high risk investors to go long while sticking to strict stop loss levels.

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