Nov 29th, 2010

BULLION WEEKLY

A Weekly Report on Gold & Silver

The Week Ahead

- The dollar index look determined to rise further on account of positive economic data expected this week and prevailing Korean issues also keeping the dollar firm
- Ireland managed to get a bailout from EU and the IMF which may limit dollar's upside on safe haven grounds
- Gold's gains could be endangered by the stronger dollar and therefore, investors should stick to stop loss levels

Technical Calls

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
COMEX Dec Feb	1300	1330	1348	1372	1393	1415	Buy at 1355 TP 1382 with Strict Stop Loss 1342
MCX Feb Gold	19830	20040	20150	20600	20720	20830	**********
MCX Jan Gold M	19800	20000	20120	20550	20680	20800	Buy at 20320/350 TP 20680 Strict Stop Loss 20120
COMEX Mar Silver	24.80	25.20	25.90	27.20	27.60	28.10	Sideways
MCX Mar Silver M	39680	40120	40650	41520	41800	42220	Sideways

Market Round-up

- Gold for February-delivery saw ups and downs last week while ending very close to unchanged after hitting the week high of $1385/oz and low of $1350/oz. The week was also shortened by Thanksgiving Holiday which further resulted in subdued participation.
- The week started out in positive for gold which gained on global news. Military hostilities between two Korean nations ramped up things with gold, US Treasuries and the dollar index, all improved at the expense of global equities. The benchmark MSCI World Index for stocks lost over 2% last week.
- However, Korean issues later calmed down and markets returned to their earlier levels i.e. gold paring its weekly gains while equities recovering their lost grounds. This was seen on Wednesday and Thursday. Markets again took a nosedive on Friday on fresh rounds of concerns over the above mentioned issues with the dollar index emerging the only gainer from these developments.
- Among other precious metals, silver stayed week while tracking gold prices moving up and down. Silver for March delivery closed down by more than 1.75% at $26.70/oz. Silver is also an industrial activity and this makes it more vulnerable in case of negative economic news.
- The dollar index settled the week higher with Korean tensions and European sovereign issues the pushing the dollar higher as a measure of safe haven instrument and kept the dollar firm throughout the week. The dollar index gained for the third consecutive week and closed 2.36% higher at 80.357 levels.
- Exchange-traded gold holdings dropped 3.21 MT to 1603.95 MT with SPDR gold holdings declining to 1285.08 MT. iShares Silver Trust also saw an outflow of 103.39 MT of silver i.e. holdings lowered to 10711.23 MT.

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 (Feb 11)	1359.90	1385.00	1350.00	1364.30	0.73%	350964	134.51%	321475	67.59%
	Gold (Apr 11)	1362.30	1386.00	1352.90	1366.40	0.74%	27231	43.05%	44627	51.20%
MCX (₹/10gm)	Gold (Feb 11)	20299.00	20706.00	20212.00	20494.00	0.94%	24829	83.09%	9288	33.54%
	Gold (Apr 11)	20485.00	20884.00	20401.00	20661.00	0.81%	548	-43.68%	1096	7.24%

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 (Mar 11)	27.59	27.90	26.40	26.70	-1.77%	300788	-26.88%	20326	-58.48%
	Silver (May 11)	27.60	27.97	26.48	26.77	-1.77%	120907	110.69%	71032	47.73%
MCX (₹/kg)	Silver (Mar 11)	41600.00	42180.00	40655.00	40855.00	-1.48%	357388	-19.04%	12069	-27.10%
	Silver (May 11)	41890.00	42360.00	40900.00	41060.00	-1.47%	45150	39.75%	10163	12.05%

CFTC reports – Gold

CFTC report was not released due to Thanksgiving Holiday in the U.S.

CFTC reports – Silver

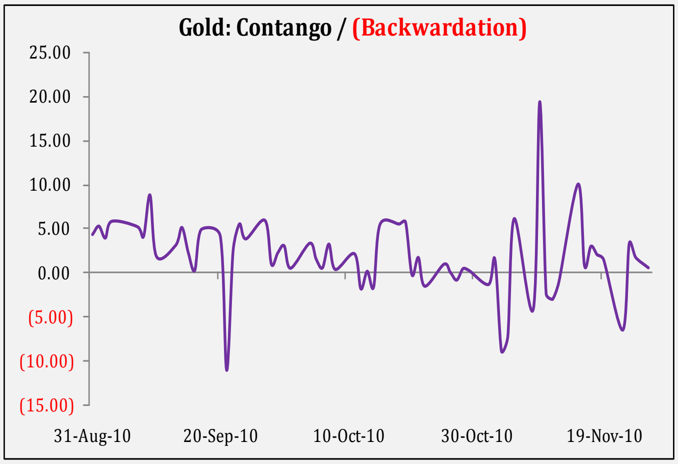
CFTC report was not released due to Thanksgiving Holiday in the U.S.

CFTC Report - Gold			
Non-Commercial	**1/0/1900**	**11/16/2010**	**% Change**
Long	0	267157	
Short	0	48678	
Spreading	0	105592	
Commercial			
Long	0	189737	
Short	0	454645	
Total			
Long	0	562486	
Short	0	608915	

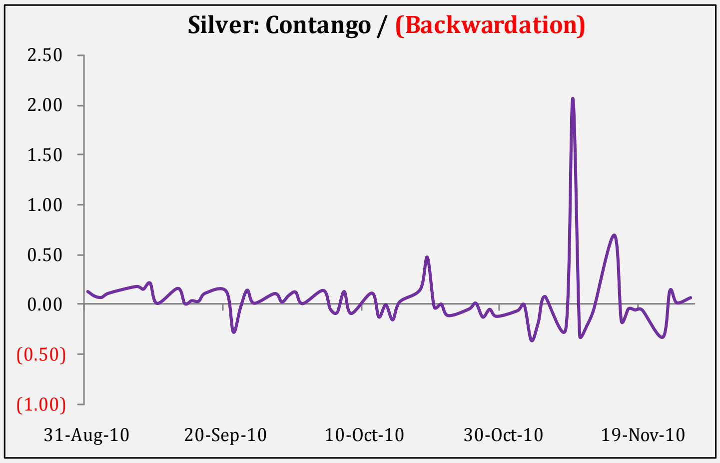
CFTC Report - Silver			
Non-Commercial	**1/0/1900**	**11/16/2010**	**% Change**
Long	0	40243	
Short	0	12139	
Spreading	0	38951	
Commercial			
Long	0	37001	
Short	0	82655	
Total			
Long	0	116195	
Short	0	133745	

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 February future contract and Silver March 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.

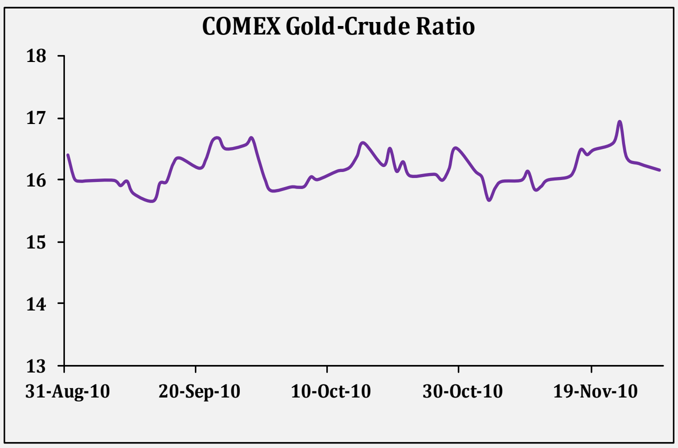


Spot gold closed at $1363.75/oz while February futures ended at $1364.30/oz. ***Markets closed in Contango at 0.55.***

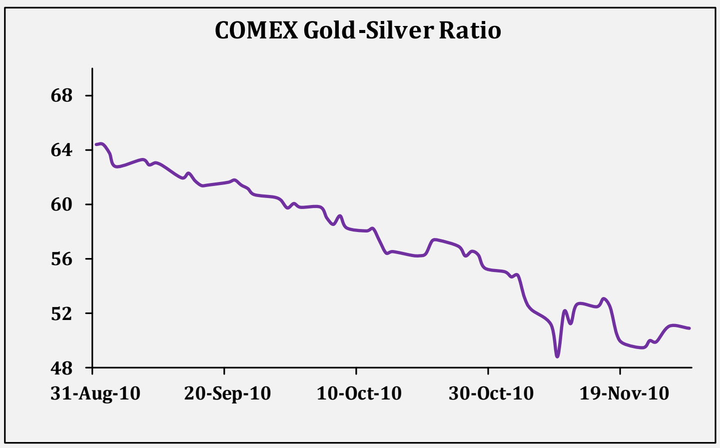


Spot silver closed at $26.71/oz while March futures ended at $26.77/oz. ***Markets closed in Contango at 0.06.***

Ratio Charts

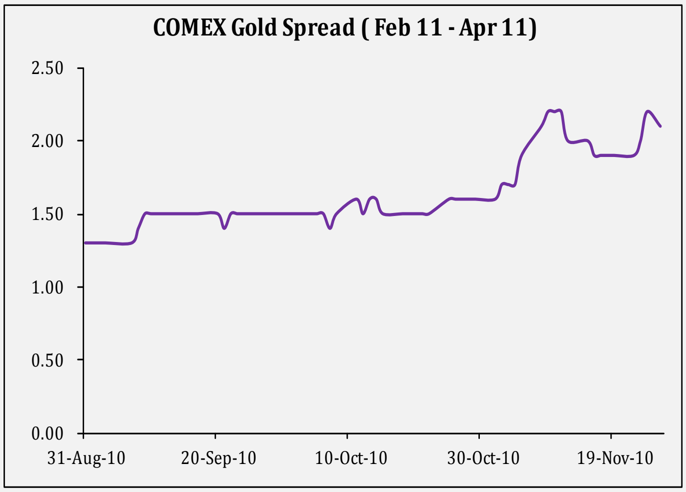


COMEX Gold Crude ratio lowered to 16.27 from 16.50 a week earlier.

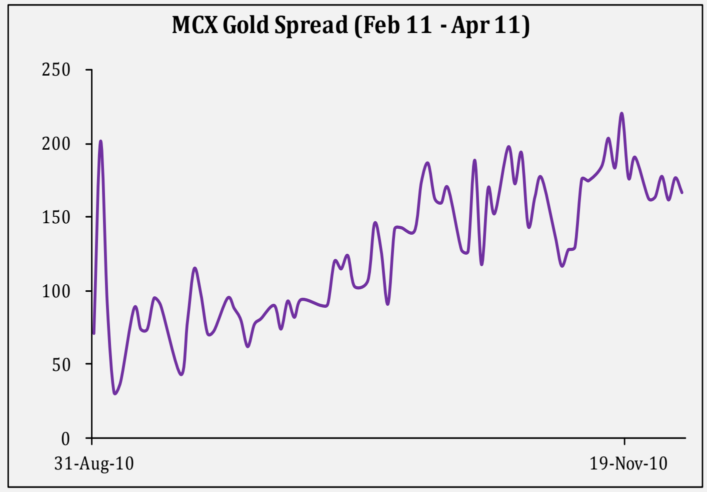


COMEX Gold Silver rose back to above 51 from 49.76 a week before.

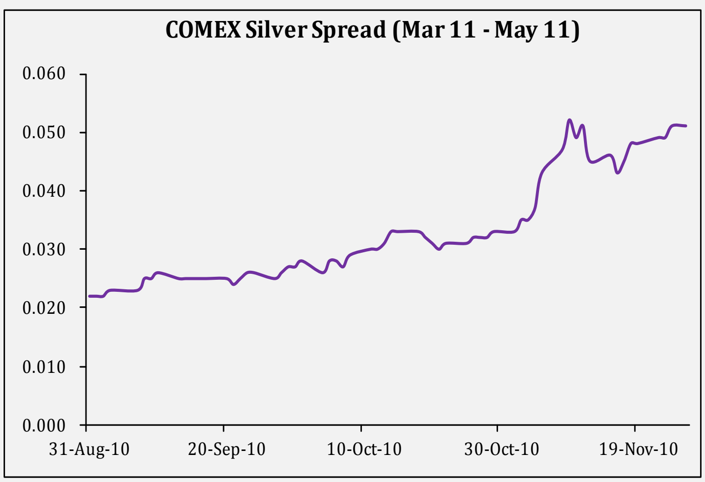
Calendar Spreads



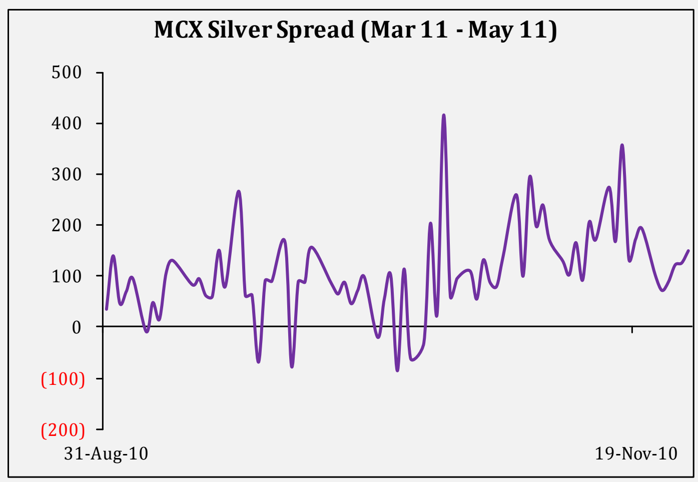
__The spread__ between COMEX Gold Feb'11 and Apr'11 contracts closed at 2.10 for the week ended on Nov 26, meaning far month contract closed higher than near month contract.



__The spread__ between MCX Gold Feb'11 and Apr'11 contracts closed at 177 on Nov 26, meaning far month contract closed higher than near month contract.



__The spread__ between COMEX Silver Mar'11 and May'11 contracts closed at 0.051 for the week ended on Nov 26, meaning far month contract closed higher than near month contract.



__The spread__ between COMEX Silver Mar'11 and May'11 contracts closed at 126 for the week ended on Nov 26, meaning far month contract closed higher than near month contract.

Outlook

After having seen ups and down due to macro factors i.e. Korean military hostilities and European sovereign issues last week, gold may see some caution again. Ireland bailout ($113 billion) package has been confirmed which may stop the dollar gaining further on safe haven grounds. However, Korean nations have still not initiated any bilateral dialogues to resolve their recent military disputes, which mean concerns still loom large. This could impart some gains to the dollar index.

Date	Economic Data	Expected	Previous
Monday Nov 29	US – Dallas Fed Manf. Index	3	2.6
Tuesday Nov 30	GE – Unemployment Rate s.a.	7.50%	7.50%
	EC – Unemployment Rate	10.10%	10.10%
	IN – Qtly GDP Y/Y	8.20%	8.80%
	US – Consumer Confidence	52.6	50.2
Wednesday Dec 1	GE – Retail Sales M/M	1.20%	-1.70%
	US – ADP Employment Change	65K	43K
	US – ISM Manufacturing	56.5	56.9
	US – Construction Spending M/M	-0.40%	0.50%
	US – Personal Spending	0.50%	0.20%
	US – New Home Sales	315K	307K
Thursday Dec 2	US – Domestic Vehicle Sales	9.00M	9.27M
	US – Total Vehicle Sales	12.03M	12.25M
	EC – GDP s.a. Q/Q	0.40%	0.40%
	EC – Interest Rate	1.00%	1.00%
	US – Pending Home Sales M/M	-1.00%	-1.80%
Friday Dec 3	EC – Retail Sales M/M	0.20%	-0.20%
	US – Change in Non-Farm Payrolls	145K	151K
	US – Unemployment Rate	9.60%	9.60%
	US – ISM non-Manf. Composite	54.8	54.3
	US – Factory Orders	-1.10%	2.10%

Moreover, economic indicators from the U.S. look supportive for the dollar. Rising consumer confidence, Manufacturing and Non-Manufacturing index of the US is expected to increase. Payrolls data in the month of November is expected to increase from the last month, which may help the dollar index rise further. However, declining factory orders data may have slightly negative impact on the dollar. Overall, we expect dollar index to remain on the higher side given the expectation of positive economic data from US and the Euro might continue to remain under pressure and uncertainty regarding peripheral nations like Ireland, Portugal and Spain continue to loom. **Gold may see some gains after having remained weak in the recent past, but investors should trade while keeping cautious factor in mind. Dollar's uptrend may limit gold's gains or possibly bring down the bullion prices. We suggest investors to trade with strict stop loss.**

Technical Analysis – Gold

In weekly chart, a *Doji* candle stick with lower volume is spotted thereby indicating indecisiveness in the coming week's trend. As per Fibonacci principle prices failed to close below $1361 (23.8% retracement level of the range 1156–1424) suggesting slightly bullish mode this week. Market is holding above the long term trend line (drawn by joining the 2 well defined peaks 1032.80 as on 16th March 2008 and 1226.65 as on 29th October 2009 and extending it of RED color shown in the chart below). The momentum Oscillator RSI (14) is at 0.65 indicating an indecisive mode for the yellow metal.

We expect sideways trading with upside bias for the coming week and therefore, suggest low risk traders to stay away from the market. However, high risk traders can go long in the market with strict stop loss.

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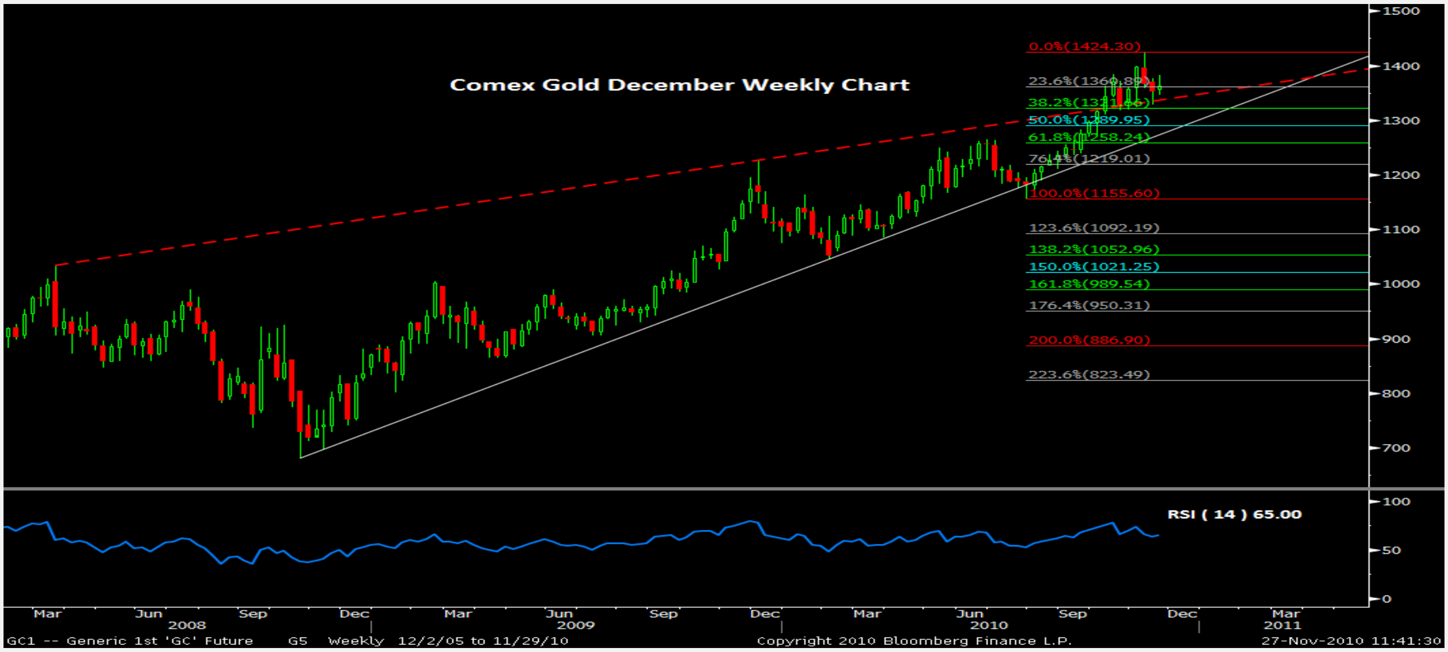
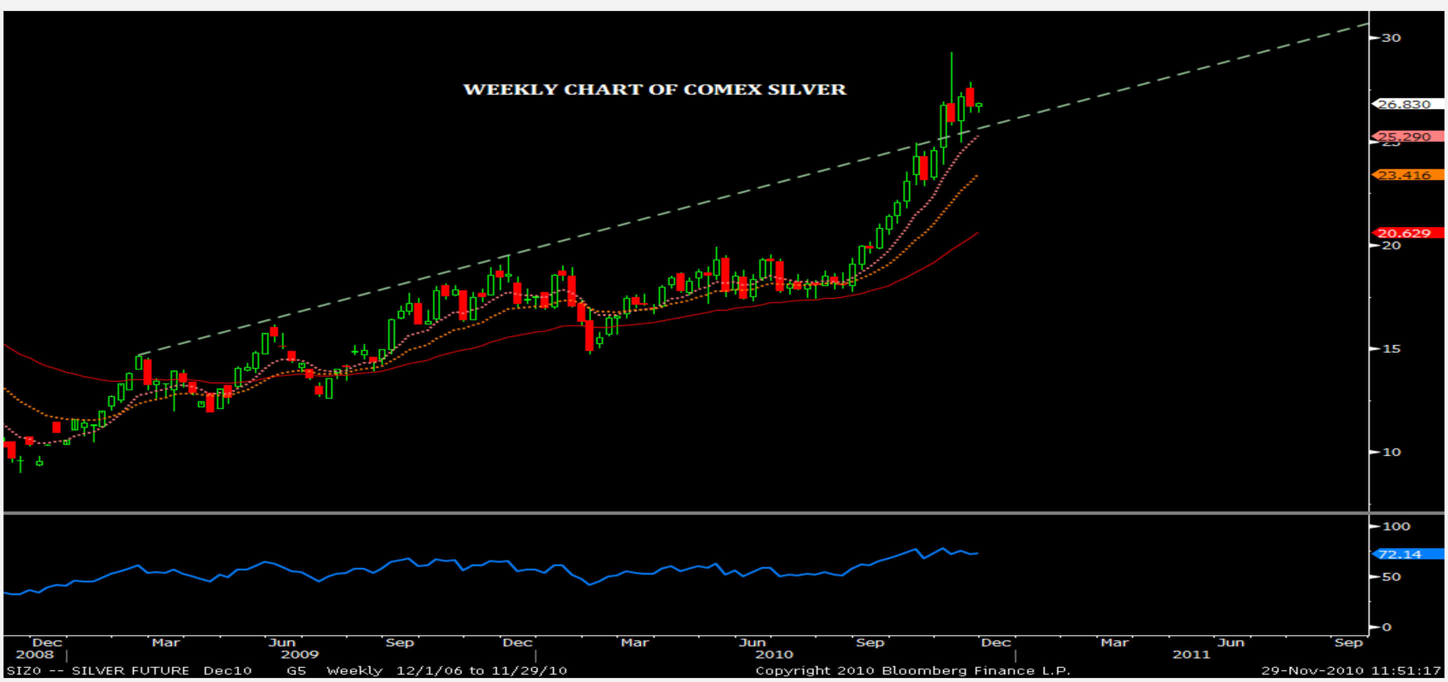


Technical Analysis – Silver

In the weekly chart, as per Fibonacci principle prices failed to close below the $26.60 (23.6% retracement level of the range 17.7-29.3) indicating that the uptrend will continue in the market. A Small Black candle stick formation suggests an indecisive mode for the coming week. The momentum oscillator RSI (14) is at 0.72 indicating an over bought mode.

For the coming week we expect silver prices to remain in the highly volatile mode and therefore suggest investors and traders to stay away from the market.



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