

BULLION WEEKLY

A Weekly Report on Gold & Silver

The Week Ahead

- The dollar index may weaken further amid poor economic data expectations
- Easing concerns in the eurozone and Korea also reduces gold's safe haven demand
- Weaker dollar may drive bullion's gains next week

Technical Calls

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
COMEX Dec Feb	1363	1378	1400	1427	1435	1446	Buy at 1400 TP 1427 then 1435 SL 1385
MCX Feb Gold	20420	20530	20680	21000	21220	21350	Buy at 20680/700 TP 21000 SL 20520
MCX Jan Gold M	20330	20410	20560	20900	21110	21265	Buy 1 st lot at CMP, 2 nd lot at 20560/580 TP 20940 then 21110 SL 20400
COMEX Mar Silver	26.50	27.50	28.80	30.30	31.30	32.20	Buy at 28.80 TP 30.30/30.80 SL 27.80
MCX Mar Silver M	42500	43000	43500	44500	45000	45420	Buy 1 st lot at 44000, 2 nd lot at 43550 TP 44550 then 45000 SL 43120

Market Round-up

- February gold futures tried several times to close above \$1400/oz levels during the week, which finally happened on Friday when the crucial non-farm payrolls data fell far short of expectations. Expectations showed an addition of 150,000 new jobs in November, while actual numbers were dismal, with only 39,000 new jobs being added. The unemployment rate rose to 9.8%, up from 9.6%. Just after the data release, the U.S. dollar edged broadly lower and the bullion prices simply climbed.
- The dollar index deviated from the three-week winning streak and closed down by 1.5% to 79.15 levels. Weaker dollar increased bullion's alternative investment demand.
- Moreover, news surrounding Chinese rising gold consumption and imports also gave some comfort to gold buyers. Chinese gold imports jumped fivefold (209 tons) in first 10 months of 2010 against merely 45 tons last year. China also gave its nod to the nation's first gold ETF (size: \$500 million) which further boosted the confidence of gold market.
- Among other precious metals, silver tracked gold prices higher and closed up by over 9.5% at \$29.24/oz.
- MCX gold and silver futures witnessed relatively lower gains because of rupee appreciation. Indian unit gained 1.64% to 45.1050/USD in spot markets and limited the upside of domestic bullion futures.
- Exchange-traded gold holdings grew 13.79 MT to 1617.74 MT with SPDR gold holdings also rising by nearly 13 MT 1298.03 MT as on the week ended on Dec 3, 2010. iShares Silver Trust also saw an outflow of 67.45 MT of silver i.e. holdings increased to 10778.68 MT.
- Equities reversed their losses and closed higher by over 3%, suggested by the benchmark MSCI World Index for stocks.

BULLION WEEKLY

A Weekly Report on Gold & Silver

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)	1365.00	1417.00	1354.50	1406.20	3.07%	803873	127.51%	363839	14.90%
	Gold (Apr 11)	1363.50	1418.70	1357.10	1408.40	3.07%	19456	-28.65%	48439	8.59%
MCX (₹/10gm)	Gold (Feb 11)	20507.00	20874.00	20459.00	20733.00	1.17%	166075	568.88%	14203	52.92%
	Gold (Apr 11)	20638.00	21049.00	20614.00	20902.00	1.17%	4505	722.08%	1922	75.36%

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)	26.74	29.42	26.45	29.24	9.52%	60886	-79.89%	1152	-93.31%
	Silver (May 11)	26.79	29.49	26.53	29.27	9.33%	353719	190.32%	81345	15.24%
MCX (₹/kg)	Silver (Mar 11)	40860.00	44200.00	40739.00	44136.00	8.03%	100108	-71.99%	165	-98.63%
	Silver (May 11)	41150.00	44080.00	40941.00	43957.00	7.06%	364682	707.71%	19591	92.77%

CFTC reports - Gold

CFTC report showed that non-commercial holders reduced their short positions by nearly 6% to 38,217 contracts for the week ended on Nov 30, while added nearly 1.5% long positions. Net long positions advanced by 6,278 contracts to 227,607 contracts for the specified period. On the other hand, commercial holders liquidated their long positions by nearly 4% with marginal short covering as well.

Total long and short positions declined by 2.6% and 2.35%, respectively.

CFTC reports - Silver

Silver saw huge amount of short covering with speculators closing more than 31% of their short positions. Long positions were little changed by 1.27%. Silver's net long positions rose for the second straight week to 34,034 contracts, + 3,608 contracts. By contracts, commercial holders reduced their long positions by more than 20% with short positions also cutting by 5.6%.

Total long and short positions dropped by 9% and 8.4%, respectively.

CFTC Report - Gold			
Non-Commercial	11/30/2010	11/23/2010	% Change
Long	265824	261969	1.47%
Short	38217	40640	-5.96%
Spreading	80653	91080	-11.45%
Commercial			
Long	183793	191319	-3.93%
Short	454262	455212	-0.21%
Total			
Long	530270	544368	-2.59%
Short	573132	586932	-2.35%

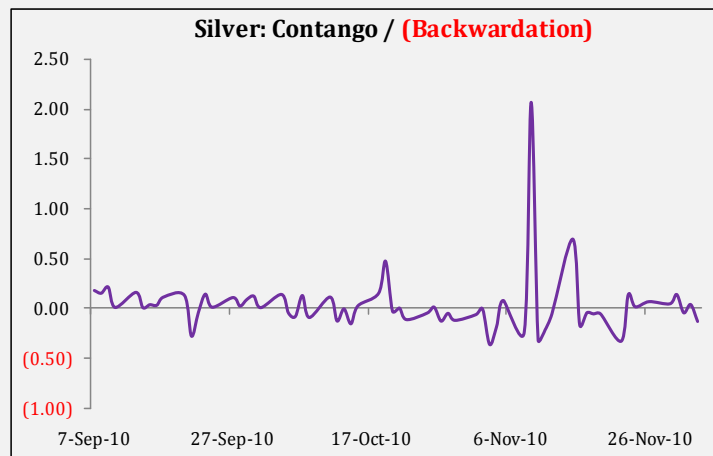
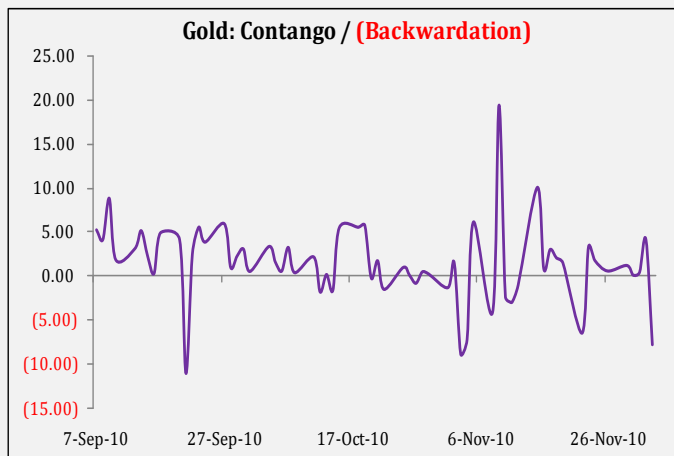
CFTC Report - Silver			
Non-Commercial	11/30/2010	11/23/2010	% Change
Long	40818	40307	1.27%
Short	6784	9881	-31.34%
Spreading	33232	36383	-8.66%
Commercial			
Long	29791	37420	-20.39%
Short	79561	84273	-5.59%
Total			
Long	103841	114110	-9.00%
Short	119577	130537	-8.40%

BULLION WEEKLY

A Weekly Report on Gold & Silver

Chart Updates – Contango & Backwardation

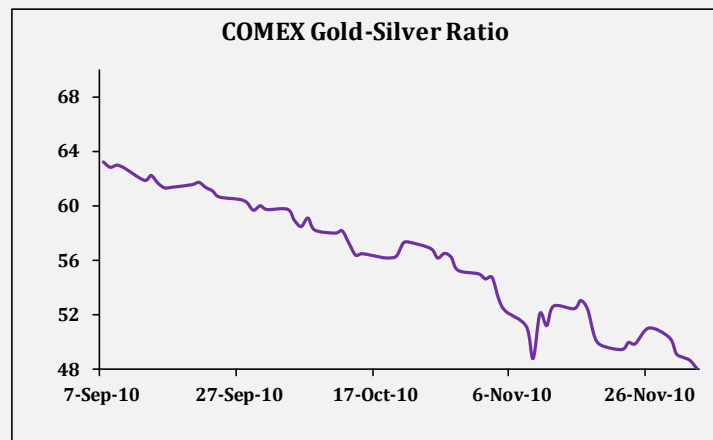
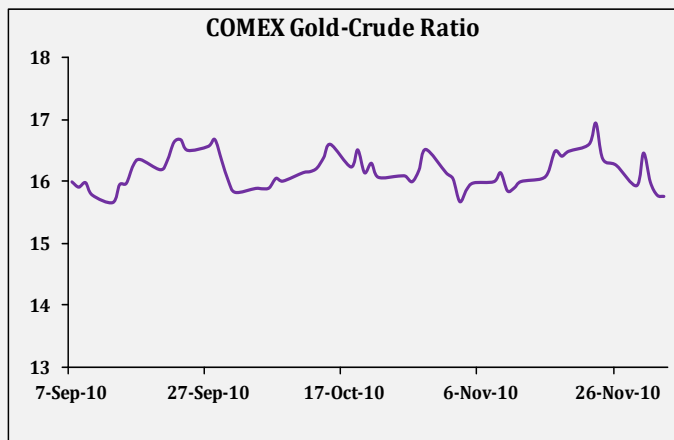
Backwardation is a market where spot prices exceed future prices while **Contango** is the opposite condition, where future prices exceed spot prices. We have considered Gold February future contract and Silver March future contract of COMEX. Contango seems to be an obvious condition in the market as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



Spot gold closed at \$1414.07/oz while February futures ended at \$1406.20/oz. **Markets closed in Backwardation at 7.87.**

Spot silver closed at \$29.41/oz while March futures ended at \$29.27/oz. **Markets closed in Backwardation at 0.13.**

Ratio Charts



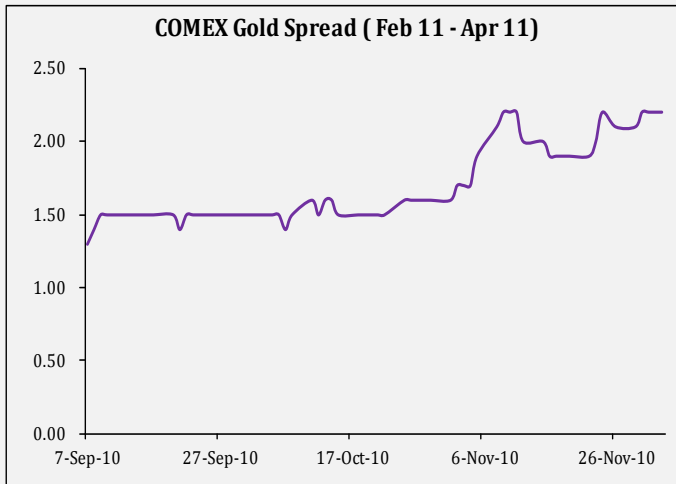
COMEX Gold Crude ratio lowered to 15.76 from 16.27 a week earlier.

COMEX Gold Silver dropped to 48.06 from 51.03 a week before.

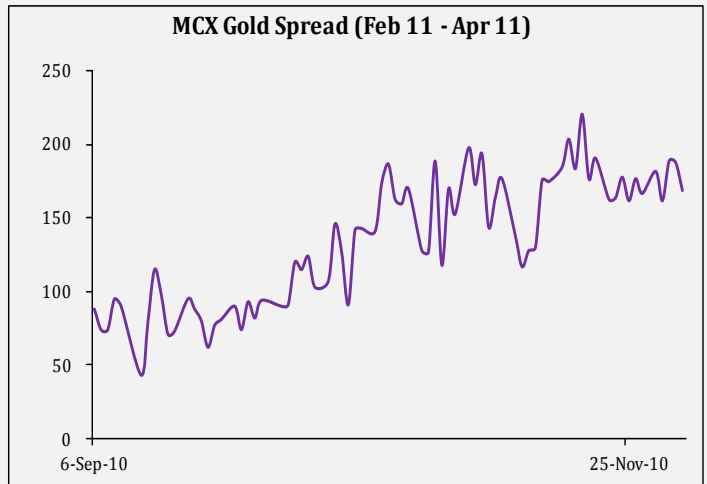
BULLION WEEKLY

A Weekly Report on Gold & Silver

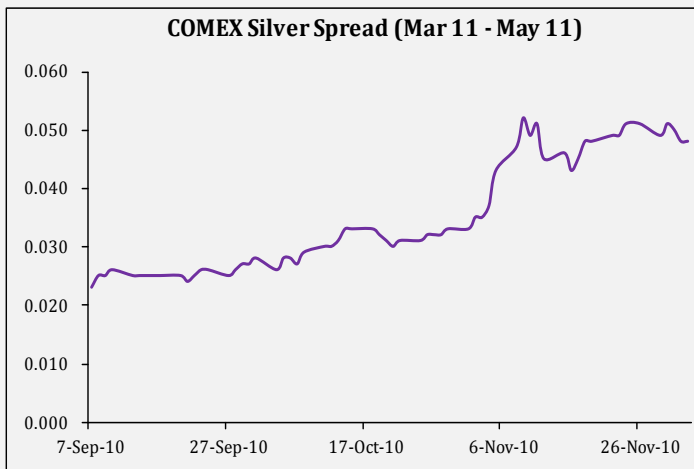
Calendar Spreads



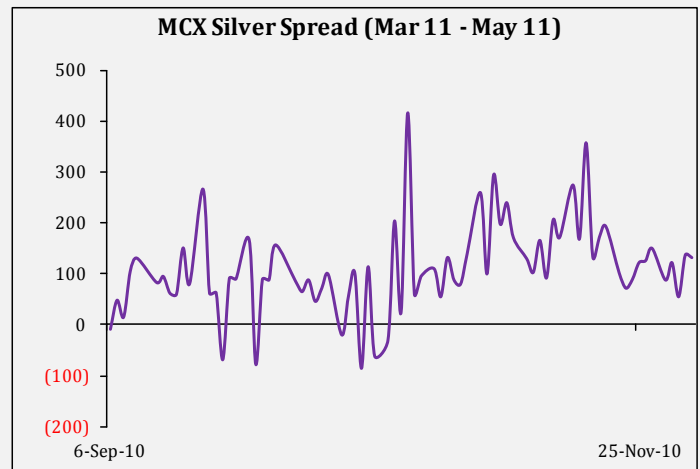
The spread between COMEX Gold Feb'11 and Apr'11 contracts closed at 2.20 for the week ended on Dec 3, meaning far month contract closed higher than near month contract.



The spread between MCX Gold Feb'11 and Apr'11 contracts closed at 169 on Dec 3, meaning far month contract closed higher than near month contract.



The spread between COMEX Silver Mar'11 and May'11 contracts closed at 0.048 for the week ended on Dec 3, meaning far month contract closed higher than near month contract.



The spread between COMEX Silver Mar'11 and May'11 contracts closed at 132 on Dec 3, meaning far month contract closed higher than near month contract.

BULLION WEEKLY

A Weekly Report on Gold & Silver

Outlook

Gold prices advanced for the second week in a row as the dollar weakened on poor economic data release from the U.S. The dollar's safe haven demand also reduced amidst easing European debt woes and Korean military hostilities. Weaker dollar increased bullion's alternative investment demand.

Next week may see falling jobless claims, rising import price index and widening budget deficit from the U.S. Growing federal deficit could be a cause of concerns for the authorities while the trade deficit also remains high at \$44.0B. Falling jobless claims and improving Michigan confidence may give some respite to the dollar. On the other hand, economic data from other economies

may also have some impact on the dollar. German factory orders and industrial production are expected to expand which means the euro appreciating against the dollar. Japanese GDP growth for the third quarter also revised higher to 4.10% from 3.90% earlier. The Japanese yen may appreciate further against the dollar after having risen 1.87% to 82.53 this week. Overall, economic data expectations point to a further decline in the dollar index. We are expecting gold to extend its gains in the wake of weak dollar. However, actual data releases and any fresh cues from Europe and Korea may turn around the markets.

Technical Analysis - Gold

COMEX gold futures for February delivery settled more than 3% higher at \$1406.20/oz. Prices struggled hard to close above \$1400 levels, that too happened on Friday only.

In weekly chart, **White Closing Morubozu** candle stick with higher volume is spotted thereby indicating bullishness in the coming week. Market closed above the long term trend line (drawn by joining the 2 well defined peaks 988.65 as on 13th July 2008 and 1226.65 as on 29th October 2009 and extending it, of yellow color shown in the chart below). The momentum Oscillator RSI (14) is at 0.70 indicating the metal is in overbought zone; but there is further upside can be seen in the metal.

We expect the bullion prices to march higher and therefore, recommend buying at 1400 levels for a target price of 1427/35 with a stop loss of 1385 on COMEX. Similarly on MCX, 20680/700 could be seen as good buying levels for a target price of 21000 with stop loss of 20520.

Date	Economic Data	Expected	Previous
Tuesday Dec 7	UK - Industrial Production M/M	0.30%	0.40%
	GE - Factory Orders M/M	1.90%	-4.00%
Wednesday Dec 8	JN - Machine Orders M/M	-0.10%	-10.30%
	GE - Current Account (€)	14.3B	14.0B
	GE - Trade Balance (€)	15.1B	16.8B
	GE - Industrial Production M/M	1.00%	-0.80%
Thursday Dec 9	JN - GDP Annualized	4.10%	3.90%
	GE - CPI M/M	0.10%	0.10%
	UK - BoE Announces Interest Rate	0.50%	0.50%
	US - Initial Jobless Claims	425K	436K
	US - Continuing Claims	4233K	4270K
Friday Dec 3	CH - Trade Balance	\$21.00B	\$27.15B
	US - Trade Balance	-\$44.0B	-\$44.0B
	US - Import Price Index	0.80%	0.90%
	US - U. of Michigan Confidence Index	72.5	71.6
	US - Monthly Budget Statement	-\$132.0B	-\$120.3B

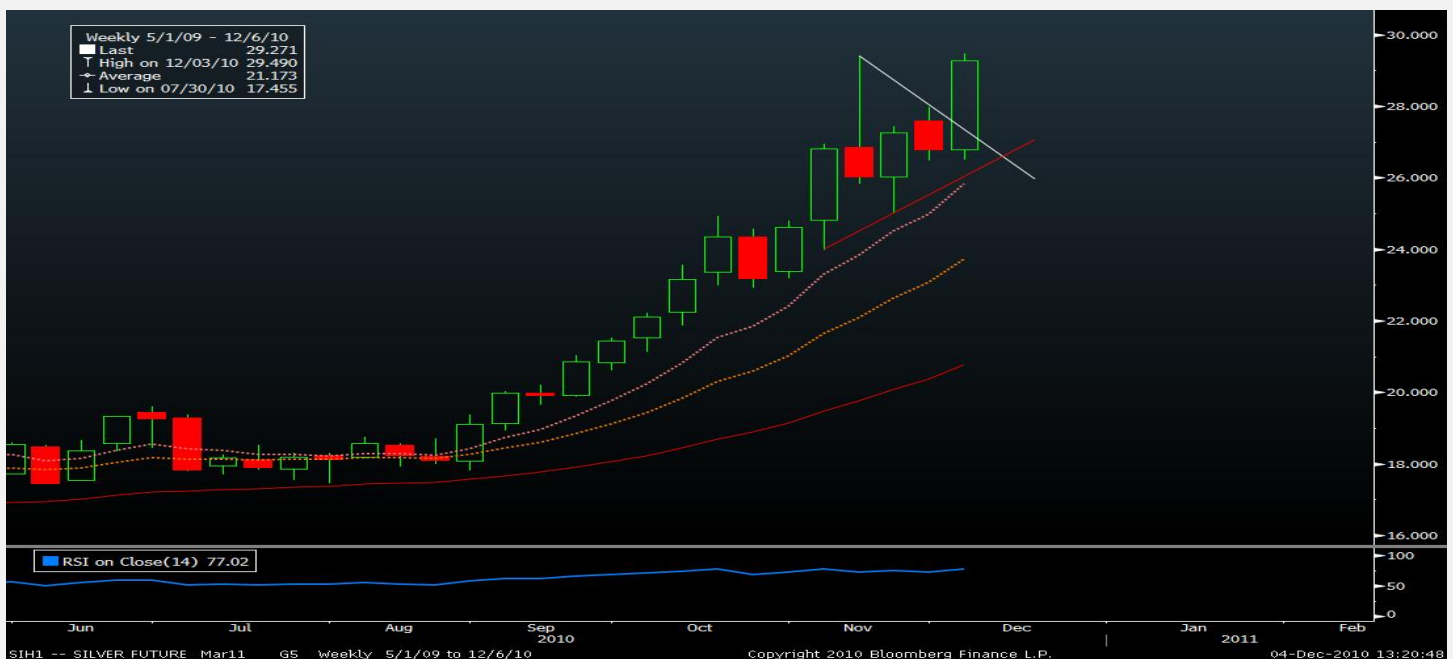
BULLION WEEKLY

A Weekly Report on Gold & Silver



Technical Analysis – Silver

Silver’s weekly chart shows a **White Closing Morubozu** candle stick with high volumes which further indicates continuation of the current uptrend. The momentum oscillator RSI (14) is at 0.78 is suggesting the metal is falling into overbought territories; but we expect some more potential for upside till the indicator reaches 0.80-0.82 levels, as it rises after a small consolidation. We expect prices to remain high till psychological resistance of \$30/oz and then it may extend to \$31/oz levels. Investors are recommended to go long in silver at 28.50/80 levels for a target of 30.30/30.80 with a stop loss of 27.80.



BULLION WEEKLY

A Weekly Report on Gold & Silver

To unsubscribe please mail us at commodity@karvy.com

Disclaimer

The report contains the opinions of the author that are not to be construed as investment advice. The author, directors and other employees of Karvy, and its affiliates, cannot be held responsible for the accuracy of the information presented herein or for the results of the positions taken based on the opinions expressed above. The above-mentioned opinions are based on the information which is believed to be accurate and no assurance can be given for the accuracy of this information. There is risk of loss in trading in derivatives. The author, directors and other employees of Karvy and its affiliates cannot be held responsible for any losses in trading.

Commodity derivatives trading involve substantial risk. The valuation of the underlying may fluctuate, and as a result, clients may lose their entire original investment. In no event should the content of this research report be construed as an express or an implied promise, guarantee or implication by, or from, Karvy Comtrade that you will profit or that losses can, or will be, limited in any manner whatsoever. Past results are no indication of future performance. The information provided in this report is intended solely for informative purposes and is obtained from sources believed to be reliable. Information is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted.

We do not offer any sort of portfolio advisory, portfolio management, or investment advisory services. The reports are only for information purposes and not to be construed as investment advice.

For a detailed disclaimer please go to following URLs:

<http://www.karvycomtrade.com/disclaimer.asp>

<http://www.karvycomtrade.com/riskDisclaimer.asp>