

BULLION WEEKLY

A Weekly Report on Gold & Silver

The Week Ahead

- U.S trade balance (deficit) data to be watched closely
- Euro's fortune may still have negative impact on gold price trend
- Gold-silver ratio to improve further- Buy Gold and Sell Silver

Technical Calls

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
COMEX Feb Gold	1332	1352	1368	1393	1410	1432	Sell 1390-95 TP 1368/52 Strict SL 1405
MCX Feb Gold	19960	20070	20220	20550	20750	20930	Sell 20520-550 TP 20220/20100 Strict SL 20720
COMEX Mar Silver	26.90	27.50	28.30	29.50	30.00	31.50	Sell 29.50-29.30 TP 28.30/27.50 SL 30.20
MCX Mar Silver	42800	43200	43500	45200	45550	45850	Sell 45150 - 45250 TP 43500/43200 SL 45720

Outlook

Gold: As discussed in the review part that gold prices have primarily declined due to strengthening US dollar Index. We need not expect the same in the coming week. If we look at the economic indicators across the globe and especially from U.S, the data are likely to give a mixed picture on the economy. Among the regular economic indicators, the most important indicator is

Date	Economic Data	Expected	Previous
Tuesday Jan 11	US-Wholesale Inventories	1.00%	1.9%
Wednesday Jan 12	US-Import price index	1.2%	1.3%
Thursday Jan 13	US - Trade Balance	-\$40.90B	-\$38.7B
	US - Industrial Production	0.40%	0.40%

U.S trade balance (deficit) for the month of November is expected to widen. As per the expectation this may have a very negative outlook on the economy. The other economic data are expected to give a mixed outlook on the economy. The other precious metals have also declined in the last week and reasons were basically a panic sell off or unwinding funds from commodity to other asset classes. The unstable economic situation and euro-zone debt concerns may support gold to recover in the short term. Going by the mere economic data releases we may not be able to derive gold or say bullion's outlook as the last week's price fall has changed the investor's sentiment. The prices have also declined along with higher volume. Perhaps gold prices may initially recover in the coming week however market may remain vulnerable and we may see fresh selling to emerge at higher levels.

Silver: Silver the commodity which has fallen the most in the last week is also likely to continue the same in the coming week. The silver prices may also take cues from lower base metals trend especially from copper and zinc. The declining crude oil prices have also made silver to decline as they carry a positive correlation of 0.88. Since the oil prices are expected to trade marginally may also pull silver to take correction. We expect silver prices to remain vulnerable in the coming week and recommend selling at higher levels.

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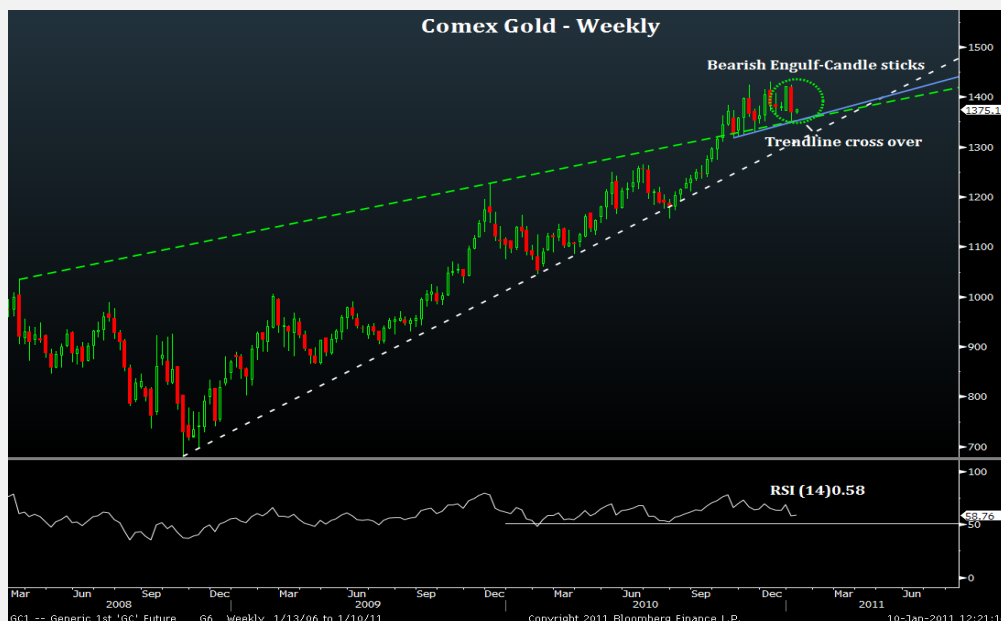
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Gold-Silver Ratio: The gold and silver ratio which made a low of 45.75 in the previous week now has recovered to above 47.00. This could happen majorly due to silver outperformed gold on the down trend. Numerically, silver prices declined over 7 per cent where as gold declined by around 3.6 per cent. Although initial recovery can be expected on both the commodities but prices may remain lower during the week and silver is expected to decline more than silver. In any case if market (gold and silver) recovers then gold may move faster than silver. In any condition we expect this ratio to improve further. The recommendation is to sell silver and buy gold expecting the ratio to move beyond 48 levels.

Technical Analysis – Gold

Bearish engulf (trend reversal) candle stick pattern is spotted in the weekly chart of COMEX Gold thereby signifying initiation of the corrective mode in the gold prices. However, still it is not sure that this indecision at higher level is the **accumulation phase or distribution phase** because gold fails to close below the major support level of \$1368. The given number \$1368 is the 23.6% retracement of the range \$1156.55-1413.30 as per Fibonacci principle. If market breaches and sustains below the said level then the next support level can be seen at \$1352 (low for this week) because the level is

crossover of 2 trend lines (short term (drawn by joining 2 troughs of \$1314.5 and \$1329.05) and long term (drawn by joining 2 peaks of \$1032.8 and \$1226.65)). The resistance is at \$1393 (previous swig high). The technical indicator **RSI (14)** is at 0.57 and is expected to tread at 0.50(previous swing lows). From the above analysis we expect that the gold prices may remain sideways to negative for the coming week and suggests low risk traders to stay away from the market while the high risk traders can go short for limited targets with the strict stop loss.



Technical Analysis – Silver: Silver prices traded in the bearish mode this week and settled lower at \$2871.50. In the weekly chart of COMEX Silver, **bearish engulf (trend reversal) candle stick pattern** is spotted indicating bearish mode for the coming

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week. If look at the **Gann Fan principle** prices closed below 45 degree trend line (the rally which it has been following since the low of \$17.70 in august 2010) suggests that the bearish mode to be continued till the next support level of 26.25 degree angle that is \$25.00. The crucial resistance level to watch is \$29.50 that is the resistance of the 45 degree angle trend line. The **technical indicator RSI (14)** is trading at 0.65 suggesting that the downside pressure may resume for the coming week also.

For the coming week we expect Silver prices to trade lower and therefore suggest traders to go short.

Market Round-up

The week gone by, gold prices have registered a decline over 3.6 per cent to settle the week at \$1369.40 levels. The similar movement was also witnessed on MCX gold futures prices which ended at Rs. 20375, off a weekly low of Rs. 20184 levels. The primary reasons for gold decline were appreciating U.S dollar against the major currencies and euro was one of the top most loser. Like, gold other precious metals also declined; silver fell by around 7.00 per cent, platinum and palladium declined by 2.06 and 6.25 per cent respectively. The economic releases from across the nations were also supportive for the economies. The most important data from U.S in the form of unemployment rate has also declined to 9.40 per cent, prior it was at 9.7 per cent. However, the job additions were not so impressive which helped gold to recover from its weekly low. The SPDR holding have also declined and settled at 1271.16 tons. The US dollar which is considered as an alternate asset class rose by 2.51 per cent.

While talking about domestic market, though gold prices at MCX declined but there was disparity between COMEX and MCX gold rate. This was basically due to Indian rupee depreciation. Indian rupee depreciated over 1.52 per in the last week. The declining gold prices have been supported by higher volume. The volumes at COMEX and MCX February gold futures contracts have increased by 161 and 98 per cent respectively from their previous week.

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)	1420.40	1424.40	1352.70	1368.90	-3.69%	876167	161.55%	332423	-3.90%
	Gold (Apr 11)	1422.60	1426.30	1354.50	1370.80	-3.71%	82019	229.10%	75075	37.07%
MCX (₹/10gm)	Gold (Feb 11)	20740.00	20838.00	20184.00	20375.00	-1.81%	214541	97.52%	21182	32.20%
	Gold (Apr 11)	20818.00	21032.00	20402.00	20580.00	-1.75%	8323	146.39%	4214	36.24%

Price Performance - Silver

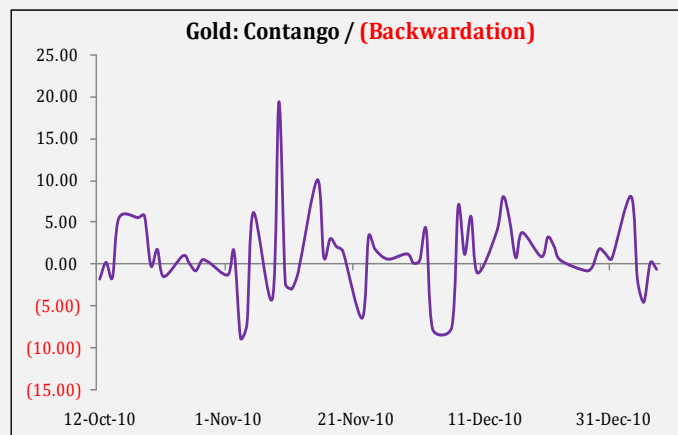
Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX (\$/oz)	Silver (Mar 11)	30.93	31.28	28.33	28.67	-7.32%	350991	174.19%	79113	1.06%
	Silver (May 11)	30.87	31.27	28.41	28.72	-7.33%	10514	35.95%	14777	14.18%
MCX (₹/kg)	Silver (Mar 11)	46274.00	46774.00	43721.00	44245.00	-4.36%	525939	117.60%	20502	33.30%
	Silver (May 11)	46400.00	47000.00	44016.00	44527.00	-4.26%	18002	78.50%	2325	12.43%

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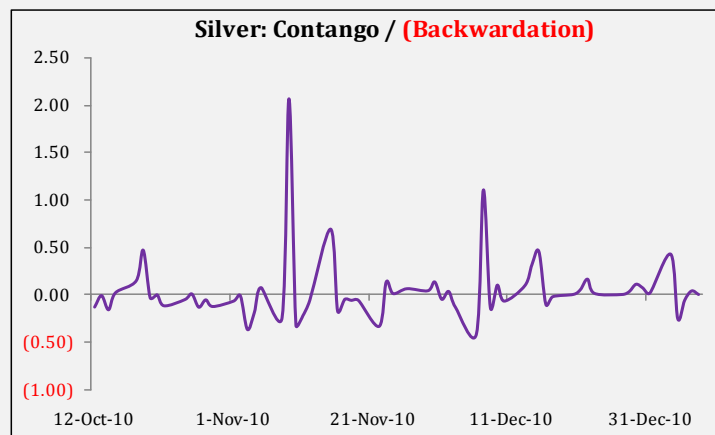
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Chart Updates - Contango & Backwardation

Backwardation is a market where spot prices exceed future prices while **Contango** indicates future prices exceeding spot prices.

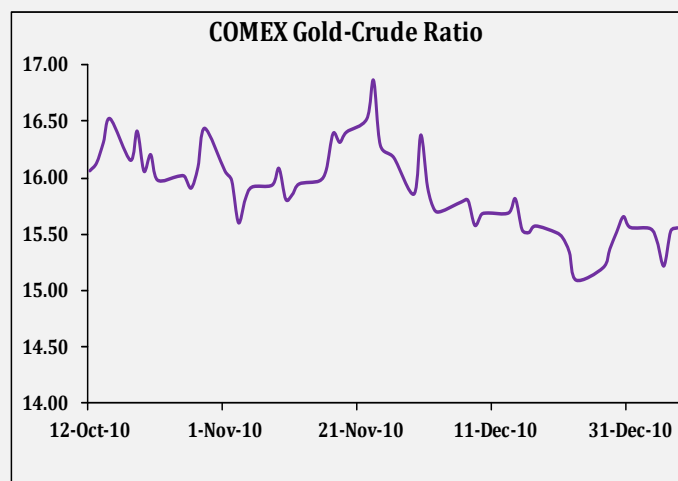


Spot gold closed at \$368.40/oz while February futures ended at \$1369.40/oz. **Markets broke zero-base line and has entered into backwardation**



Spot silver closed at \$28.6675/oz while March futures ended at \$28.671/oz. **Markets closed near zero-base line**

Ratio Charts



COMEX Gold Crude ratio moved higher above 15.50. Gold fell by around 3.60% while crude oil also fell by 4.00 %

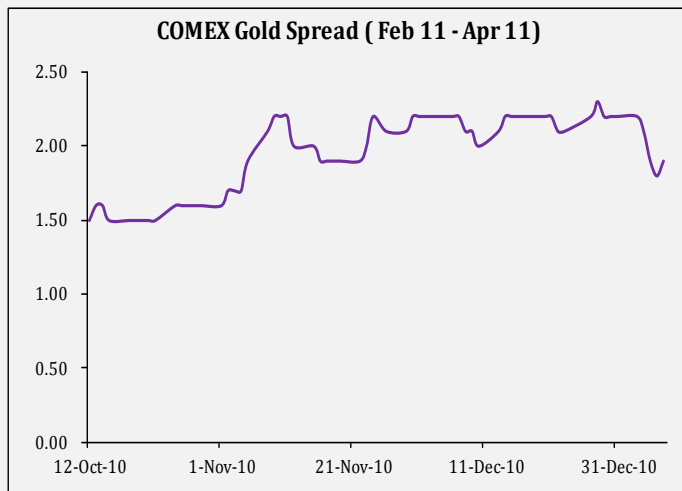


COMEX Gold Silver ratio recovered from its prior week and settled above 46. We expect this ratio to improve further

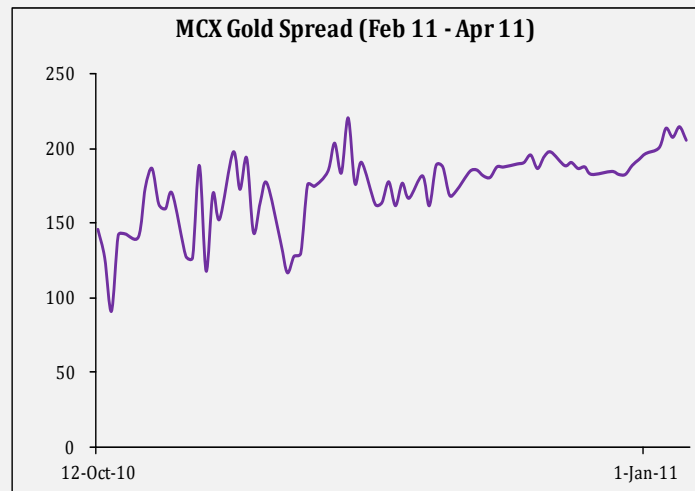
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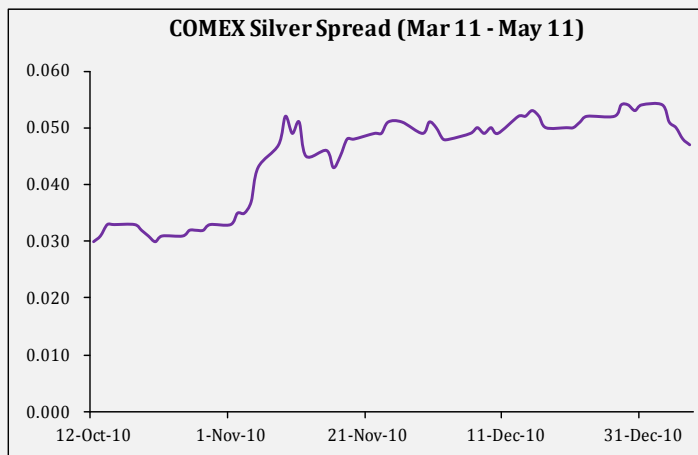
Calendar Spreads



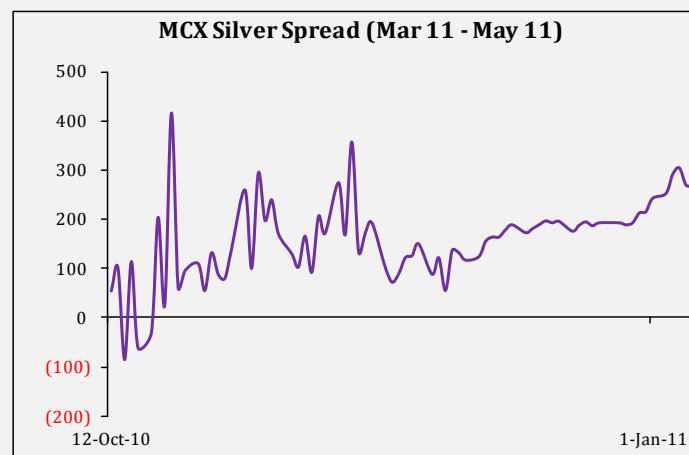
The spread between COMEX Gold Feb'11 and Apr'11 contracts closed below \$2.00. This spread has declined in last two consecutive weeks.



The spread between MCX Gold Feb'11 and Apr'11 contracts closed near 200. However, the spreads have started to decline a tad.



The spread between COMEX Silver Mar'11 and May'11 contracts declined and now trading around 0.0045 levels. This is expected to decline further.



The spread between COMEX Silver Mar'11 and May'11 contracts closed near 290.

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