

# BULLION WEEKLY

A Weekly Report on Gold & Silver

## The Week Ahead

- **Gold being safe haven has lost its appeal.** This statement looks more appropriate for the coming week too
- **Conventional economic releases are needed to be focused.** Housing data from U.S
- **PVO does not suggest down trend to prolonged** –In short term gold may trade lower

## Technical Calls

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
COMEX Feb Gold	1307	1331	1346	1360	1384	1407	Sell at \$1372-1368 TP \$1335 Strict SL\$1395.
MCX Feb Gold	19803	19997	20126	20255	20449	20643	Sell below Rs.20180 TP Rs.20070/020 Strict SL Rs.20270
COMEX Mar Silver	25.97	27.02	27.72	28.42	29.47	30.52	Sell at \$28.72-28.70 TP at \$27.05 Strict SL at \$29.50
MCX Mar Silver	41395	42452	43154	43856	44913	45970	Sell Rs.44250-220 TP Rs.42800 Strict SL Rs.44800

## Outlook

### **Gold being safe haven has lost its appeal.**

*This statement looks more appropriate for the coming week too.* If we look at the last week's performance, undoubtedly the above statement can be applied onto gold. As discussed in the round up section the

Portugal's bond sales have made gold to decline though euro gained by 3.37 per cent to settle at \$1.3388. Apparently, U.S dollar index has also declined by 2.40 and ended at 79.06. Meanwhile, gold is floating between economic releases and surprised events. Gold has also been deviated from the precious metals group performance. These factors clearly indicate a marginal recovery on the global economy is making gold to doldrums. Moreover, the data released in the last week from U.S were impressive for the economy which in turn made gold to decline. Likewise, few more important data are expected in the coming week in the form of housing data and manufacturing data (U.S) which are again probable to be good for the economy. Going by the conventional approach we may expect these data may create further damaging move for the gold. Nevertheless, actual are need to be looked at. Another important aspect, the gold holding at SPDR Gold trust has also declined to 1,259.33 tons down from the previous week's data. Meanwhile, People's Bank of China (PBC) has surprisingly increased its reserve ratio by 50 basis point to 19 per cent may also dampen demand on commodity and also on gold. Certainly, we may expect further down trend to continue in the coming. Although economic releases from euro-zone are expected to be good for the economy but its impact on gold may not be noticeable. To make our study more accurate, we may have to look at the market participation: This analysis can be made by looking at the price-volume-Open interest of the current future contract. The PVO analysis suggests hefty profit booking is witnessed in the market and is likely to continue in the initial part of the next week. However, the losses may recover towards the end of next week (**Price-Volume-OI: -0.99%, 58.97% & -9.42% respectively**)

**Looking at the above analysis we expect the gold to remain lower in the coming week. However, a substantial decline on gold prices may create fresh demand point for the long term investor.**

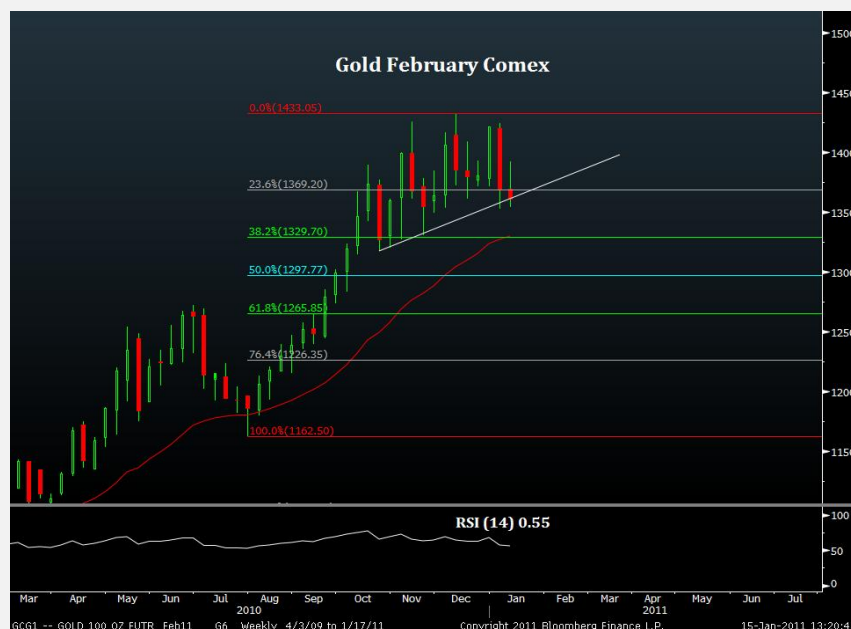
Date	Economic Data	Expected	Previous
<b>Tuesday Jan 18</b>	US- Empire Manufacturing	12	10.57
<b>Wednesday Jan 19</b>	US-Housing Starts	-0.90%	3.90%
	US- Building Permits MOM%	2.00%	-4.00%

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## Technical Analysis – Gold

An inverted hammer candle stick emerged after a Bearish engulf (trend reversal) candle stick in the weekly chart of COMEX Gold thereby signifying continuation of the corrective mode for the coming week also. In the last week gold prices closed below \$1368 23.6% retracement of the range \$1156.55-1413.30 as per Fibonacci principle. This suggests that the gold prices are expected to remain downside till the next support level of \$1331 (38.2% natural retracement of the given range). This number is \$1331 is also a significant level to watch as it is a pervious swing low and 25 – period EMA. Prices closed below the short term trend line (drawn by joining 2 troughs of 1317.4-1331.10) support of \$1365 that is also suggesting bearishness in the trend. Volumes are higher for this week indicating the bearish mode for the coming week also. The RSI (14) is trading 0.55 and is expected to tread till 0.50 previous swing low levels. From the above analysis we expect that the gold prices may remain bearish for the coming week but there are chances of reversal from the given support level of \$1331 that is crucial support level to watch as there might be some active buying seen at these levels.



## Technical Analysis – Silver

Silver prices traded in a volatile mode in this week and settled lower at \$ 28.32 this week. In weekly chart of COMEX Silver, an inverted Hammer candle stick pattern is spotted indicating bearish mode for the coming week. In last week we have seen that silver prices closes below 45 degree line as per the Gann Fan principle (the rally which it has been following since the low of cents 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 cents 25.00. However, it's a time to remain cautious for the coming week as silver prices fails to breach the previous week's low and also the level 28.1 that is 23.6% retracement level of the range 17.17 - 31.25 as per the Fibonacci principle. The technical indicator RSI (14) is trading at 0.64 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.**

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**Market Round-up: The week gone by has been full of events:**

❖ **Economic Events:**

- The Portuguese, Spanish and Italian government bond sales turned out well: €1.25Billion
- People's Bank of China hiked reserve ratio by 50 basis point: 19 per cent
- U.S trade balance (deficit) came in better than expectation: -\$38.7 Billion
- Bank of England (BOE) and European Central Bank (ECB) kept interest rate unchanged: 0.5% and 1.00% respectively
- Fitch Ratings downgraded Greece's credit rating to BB-plus from BBB-minus: Junk territory

❖ **Precious Metal Show:**

- Precious metals group (Gold, Silver, Platinum and Palladium) have fetched very impartial return in the last week. Among which gold hit the most and declined by 0.57 per cent
- Gold and Silver has returned by -0.57 and -0.42 per cent respectively whereas palladium and platinum have moved higher by 6.00 and 2.27 per cent
- Gold being safe haven has lost its appeal: *Bond sales have made euro to gain but no impact on gold*
- SPDR gold holdings have declined in the last week and stood at 1,259.33 tons
- I-Shares silver holding were down in the last week and ended at 10,725.73 tons
- At MCX the February contract gold prices settled at Rs. 20,255 down by **0.56** per cent (COMEX: -0.61%)

**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)	1369.80	1392.90	1354.60	1360.50	-0.61%	809452	-8.90%	277338	-12.89%
	Gold (Apr 11)	1372.80	1394.70	1356.40	1362.30	-0.62%	127286	52.40%	112754	51.18%
MCX (₹/10gm)	Gold (Feb 11)	20412.00	20514.00	20191.00	20245.00	-0.64%	177297	-17.36%	21098	-0.40%
	Gold (Apr 11)	20626.00	20708.00	20417.00	20455.00	-0.61%	7919	-4.85%	5202	23.45%

**Price Performance - Silver**

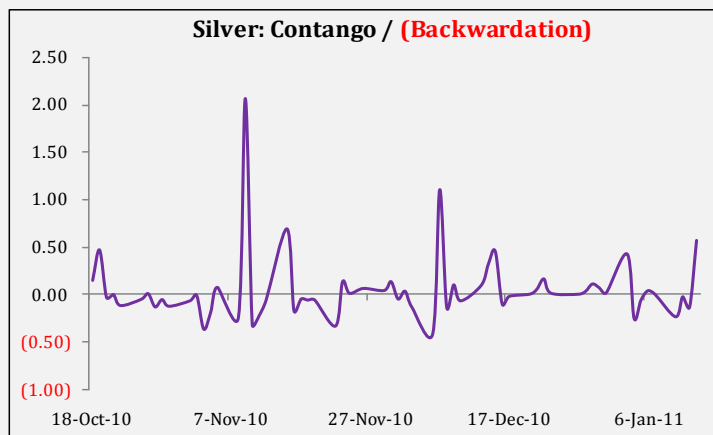
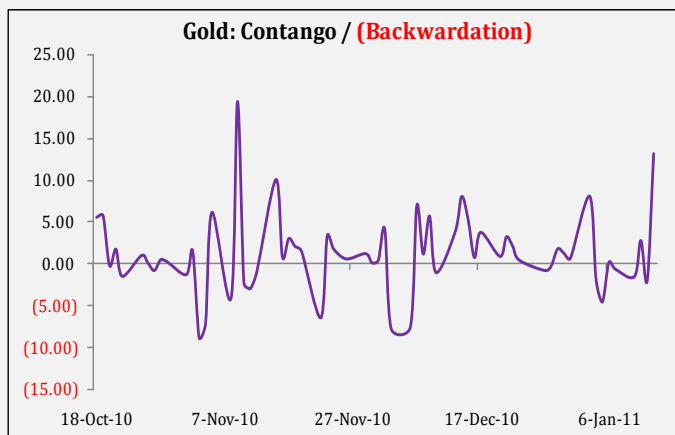
Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX (\$/oz)	Silver (Mar 11)	28.75	29.85	28.10	28.32	-1.22%	289108	-18.12%	73626	-2.22%
	Silver (May 11)	28.79	29.88	28.18	28.36	-1.23%	6930	-34.55%	14747	-0.03%
MCX (₹/kg)	Silver (Mar 11)	44400.00	45269.00	43510.00	43783.00	-1.04%	404457	-23.10%	25159	22.71%
	Silver (May 11)	44732.00	45561.00	43805.00	44100.00	-0.96%	13450	-25.29%	2600	11.83%

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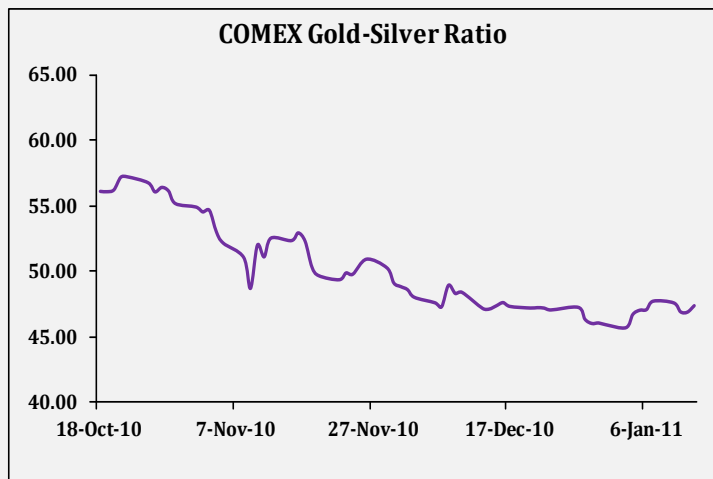
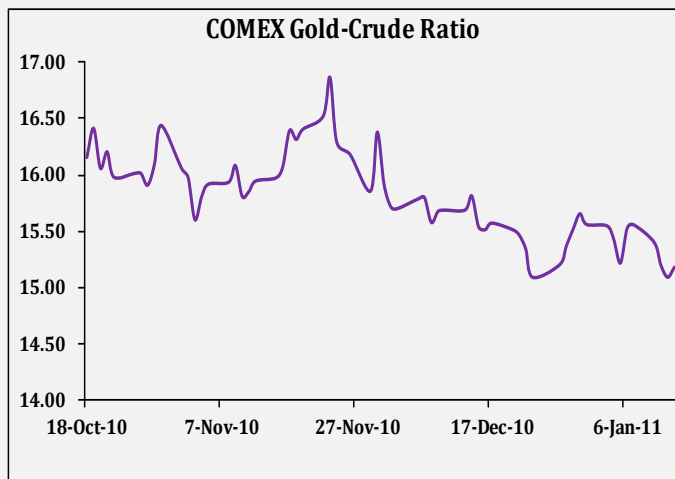
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## Chart Updates - Contango & Backwardation

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



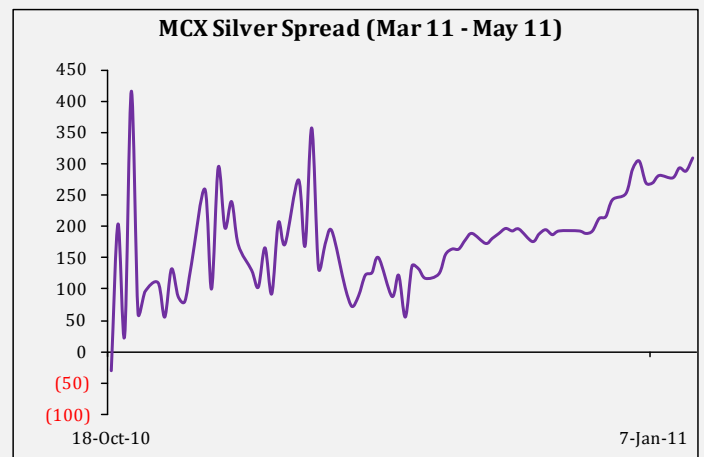
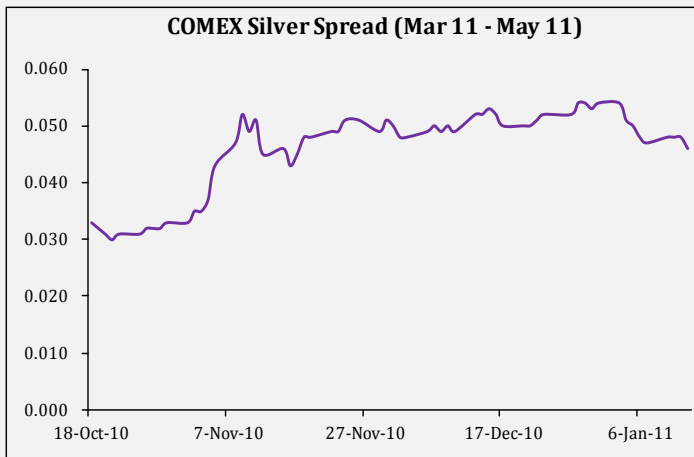
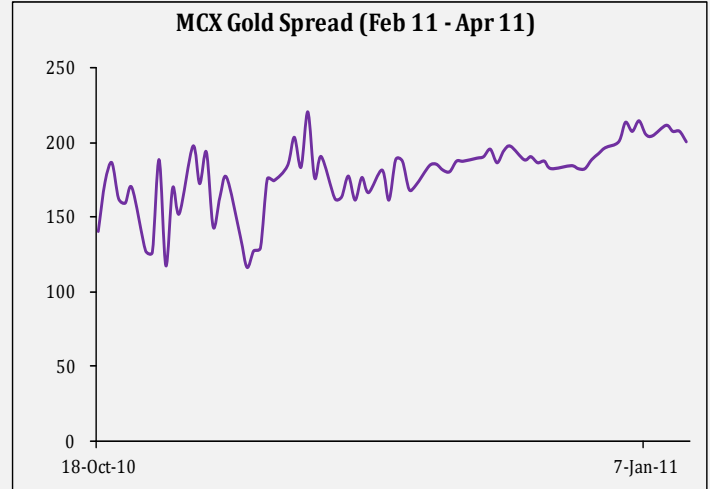
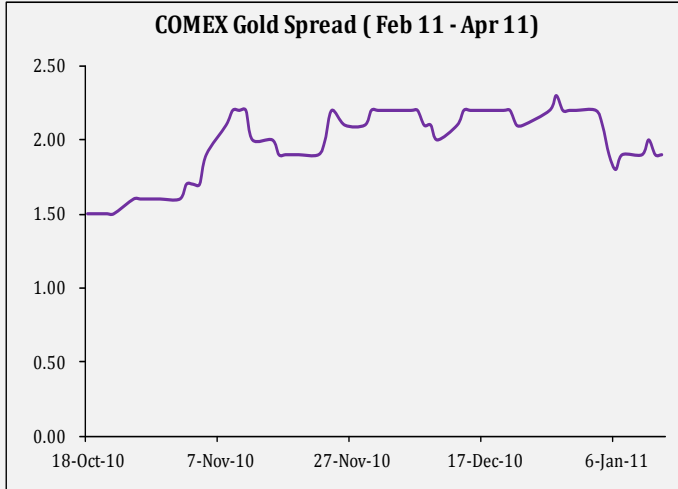
## Ratio Charts



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## Calendar Spreads



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