

BULLION WEEKLY

A Weekly Report on Gold & Silver

The Week Ahead

- *Gold-Bullion is expected to remain impulsive- Buy may emerge at lower level*
- *Conventional economic releases are expected to be positive for both U.S and Euro-zone: **Chaos in the global economy***
- *Employment report is to be watched thoroughly: **Nonfarm payrolls improving by 130K may not have significant impact on unemployment rate***

Technical Calls

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
COMEX April Gold	1253	1281	1298	1343	1371	1388	Buy in the range 1330 TP 1352/1358 SL 1312.
MCX April Gold	19384	19635	19908	20432	20683	20956	Buy in the range 20130-160 TP 20250 / 320 SL 20020
COMEX March Silver	31.37	29.64	29.76	28.15	26.42	26.54	Buy 27.20-27.50 TP 28.50/29.30 SL 26.80
MCX March Silver	39699	40490	41769	43839	44630	45909	Buy 1st lot at 42800-850, 2nd lot in the range 42600-650 TP 43800/44200 with SL 41480.

Outlook

The results of economic events and indicators had hardly any major impact on bullion market especially on gold. In fact the commodities within the peer group of precious metal have performed variably. Before we look into the next week's economic events we would certainly look at

Date	Economic Data	Expected	Previous
Monday Jan 31	Personal Income Personal Spending	0.40% 0.50%	0.30% 0.40%
Friday Feb 04	<i>EMPLOYMENT REPORT – Detail is shown in the below mentioned table</i>		

the derivative analysis (P-V-OI) of February and April (COMEX) contracts ahead of the former contract's expiry on 5th February 2011. The data for February and April suggests that there has been a position shifting from February to April contract, proven by massive decline in open interest at February contract. Now, if we look at the April contract the volume and the OI have risen along with price recovery which may support gold to trade further higher in the next week. However, we need to closely watch the next week's economic events. There are host of economic data expected from U.S and Euro-zone which are mostly expected to be bullish for their economies. In this regard gold being a safe haven commodity is likely to see heavy volatility. While emphasizing on few economic indicators like, personal (income & spending) employment report (change in non-farm payroll, private pay roll, unemployment rate) and ISM data are likely to improve and may support U.S economy. Meanwhile, the data from Euro-zone are also expected to be positive and thereby may support euro to recover against the greenback. These hosts of economic data would certainly make a chaos in the bullion market. However, gold is likely to improve as lower levels buying by the investors, ETFs may emerge. Moreover, short term traders can look to by in April contract.

Silver: Silver prices are also expected to trade higher in the next week ahead of positive data from across the globe. Moreover, the base metal complex is likely to rise that may also support silver to trade. As discussed above Silver is likely to trade higher than gold and in this regard the ratio is likely to decline in the next week. **Stance:** Intense volatility is expected on gold price trend. However, we would recommend taking at lower levels for the week ahead.

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Technical Analysis – Gold

April contract gold prices have completed its weekly closing almost unchanged after a smart rebound on last Friday and settled at \$1341.70. Weekly candle stick is a **'Long Legged Doji'** that is an important trend reversal pattern is seen in the weekly chart of Comex gold. However, the characteristics of this candle stick pattern says the both of its upper and lower shadows are of equal length but this time it is a long lower shadow than the upper one means entrance of buyers at support level may be witnessed. Support level



here means **34-weekly EMA** at \$1305. The number \$1305 is also an important level to watch as it is a support level for **long term trend line** drawn by joining 2 well defined troughs \$681.60 and \$1043.75. For this time gold prices fails to settled below \$1327 i.e. 38.2% natural retracement of the recent rally (range \$1156.55-\$1432) as per **Fibonacci principle**. This is indicating that the trend is still in the bullish mode. In daily chart of Comex Gold a **'Piercing Line bottom'** trend reversal candle Stick pattern is witnessed suggesting that bears are losing their confidence and revaluating their short positions and potential buyers start thinking to take long position. From the above analysis we expect gold prices to remain highly volatile (as February expiry is due this week). However, trend could be in the positive note.

Technical Analysis – Silver

Silver march futures prices rebounded drastically after making new low of \$26.30 and settled higher at \$27.919 this week. In the weekly chart of silver, a Bullish Hammer candle stick is spotted. This type of candle emerges at the bottom of the trend and it is an important trend reversal pattern. According to Gann Fan principle, silver prices were in the strong uptrend as they were following



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45 degree Gann line. From the last few weeks we have seen that silver prices were closed below 45 degree line as per the Gann Fan principle (the rally which has been following since the low of \$ 17.70 in august 2010). But for this time it fails to close below 26.5 degree Gann line indicating that the bullish trend is still intact. As per Fibonacci principle bullish mode is still not over in silver as prices fails to close below 27.9 i.e. 23.6% retracement of the range \$17.05-\$31.25. We expect silver prices to trade in a volatile to bullish mode for the coming week and therefore suggest low risk investors to stay out of the market while high risk investors can enter in the market with strict stop loss.

Market Round-up: *Eventful week has engrossed the market behavior*

❖ Economic Events:

- **S&P downgraded Japan's credit rating from AA to AA-**, surprisingly no major impact on JPY and Nikkei. JPY appreciated by 0.54% against the greenback. Nikkei is the only equity index ended in green by 0.84 per cent
- **No surprises at FOMC meet.** Interest rate kept unchanged
- **US GDP 4QA rose to 3.2% from 2.6%:** Certainly a good sign of economic recovery but less than the market expectation
- **Except Nikkei the entire global equity indices ended in red:** Profit booking on last week's best asset class
- **A minute change on Dollar index:** DXY ended at 78.133 up by around 0.10 per cent. Euro currency ended a tad lower at 0.06 per cent against the greenback

❖ Precious Metal Show: *A mixed performance continued*

- **The PGMs group has continued to give impartial return** in the last week also. Gold, Silver prices have given a return of -0.14 and 1.79 per cent whereas the palladium and platinum have registered a mixed return of -0.67 and -1.67 per cent respectively
- **Gold and Silver ratio (April- March) have declined** in the last week as silver prices have risen more than gold. The gold-silver ratio has declined from 0.49 to 0.48
- **SPDR gold holdings have declined** in the last week and stood at 1224.12 tons
- **I-Shares silver holding were down** in the last week and ended at 10, 426.43 tons

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 (April 11)	1344.90	1354.00	1309.10	1341.70	-0.07%	639730	435.79%	296055	90.11%
	Gold (June 11)	1346.60	1355.50	1310.90	1343.30	-0.08%	25156	36.61%	46607	9.04%
MCX (₹/10gm)	Gold (April 11)	20393.00	20410.00	19766.00	20240.00	-0.49%	42046	177.35%	10400	36.57%
	Gold (June 11)	20590.00	20621.00	19980.00	20436.00	-0.57%	1997	105.03%	1210	-15.33%

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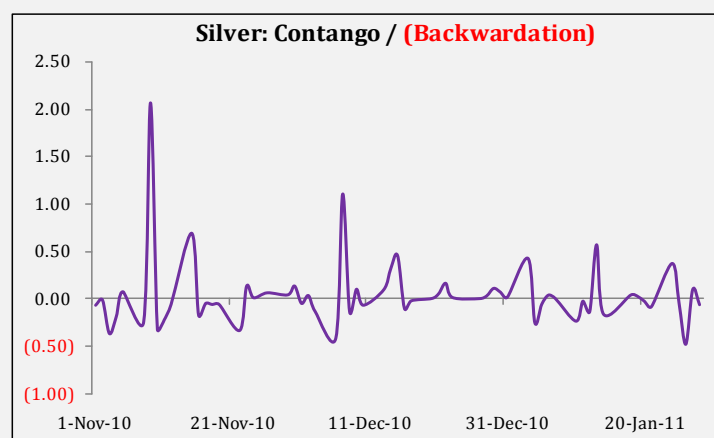
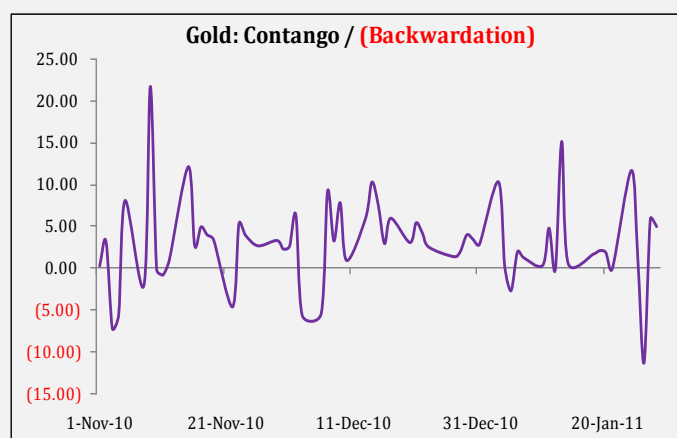
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Price Performance - Silver

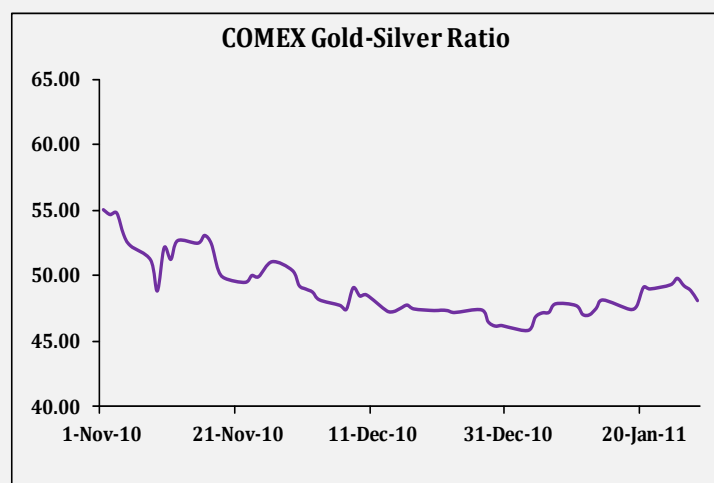
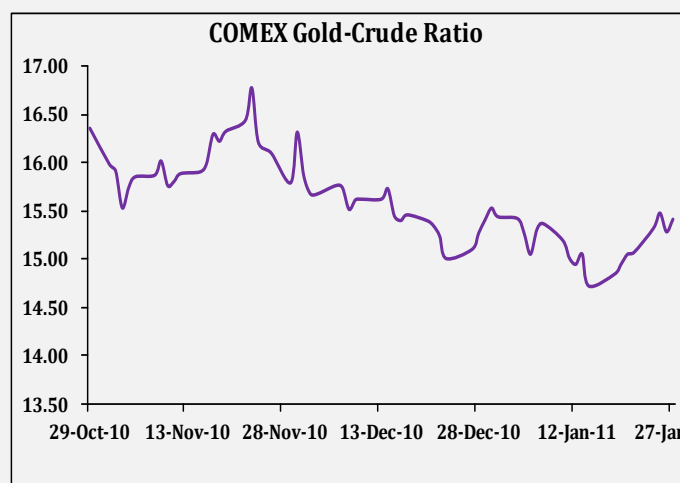
Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX (\$/oz)	Silver (Mar 11)	27.50	28.03	26.30	27.92	1.79%	314057	8.02%	64946	-7.58%
	Silver (May 11)	27.50	28.05	26.40	27.94	1.77%	16445	-23.97%	21550	8.94%
MCX (₹/kg)	Silver (Mar 11)	42820.00	43350.00	41280.00	43315.00	1.42%	383388	-5.30%	23164	-14.42%
	Silver (May 11)	43211.00	43653.00	41600.00	43631.00	1.41%	20559	6.80%	3478	19.11%

Chart Updates - Contango & Backwardation

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



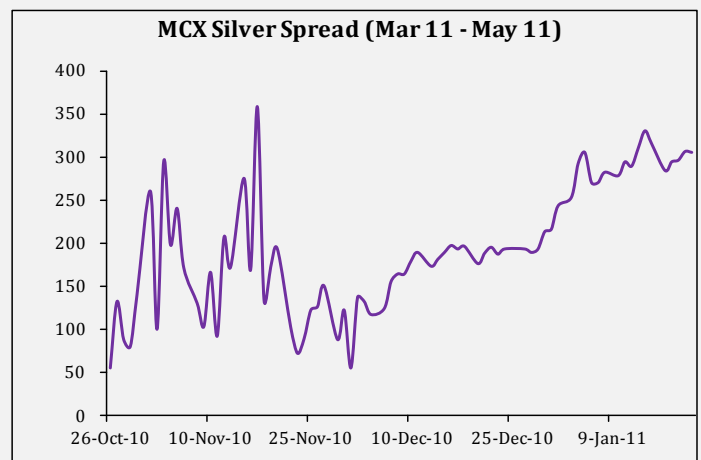
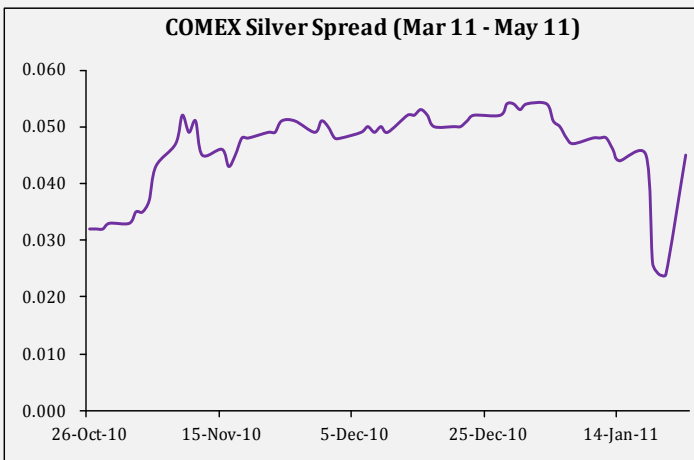
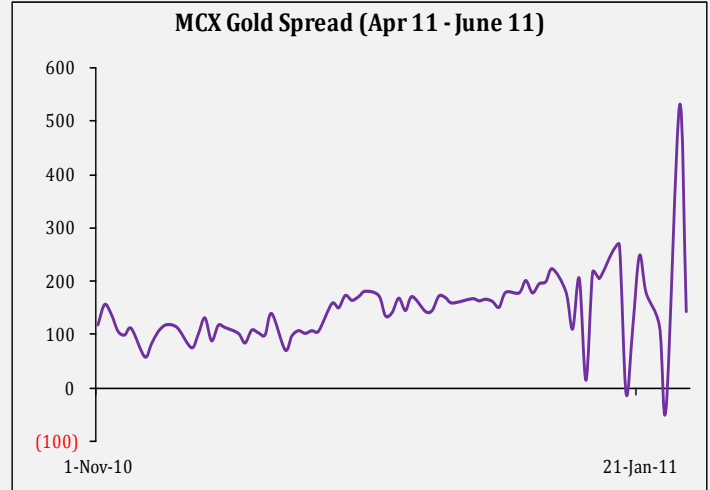
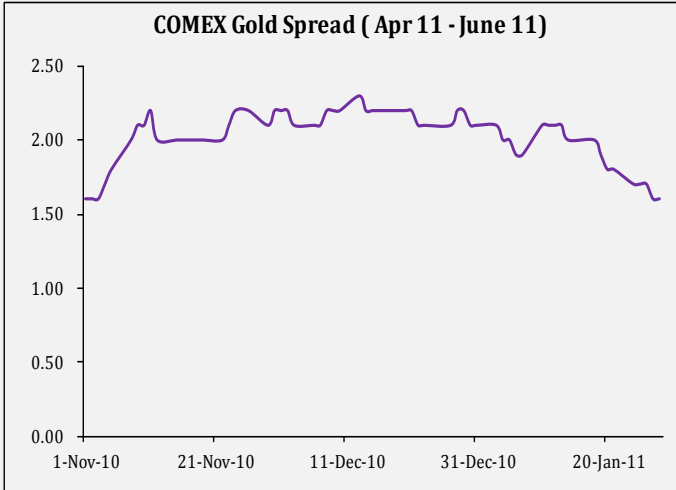
Ratio Charts



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Calendar Spreads



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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
31/01/2011	15:30	EC	Euro-Zone CPI Estimate (YoY)	JAN	2.40%	2.20%
31/01/2011	19:00	US	Personal Income	DEC	0.40%	0.30%
31/01/2011	19:00	US	Personal Spending	DEC	0.50%	0.40%
31/01/2011	19:00	US	PCE Core (MoM)	DEC	0.10%	0.10%
31/01/2011	19:00	US	PCE Core (YoY)	DEC	0.80%	0.80%
31/01/2011	19:00	US	PCE Deflator (YoY)	DEC	1.30%	1.00%
31/01/2011	20:15	US	Chicago Purchasing Manager	JAN	65	66.8
31/01/2011	21:00	US	Dallas Fed Manufacturing Activity	JAN	15	12.8
01/02/2011	06:30	CH	PMI Manufacturing	JAN	53.5	53.9
01/02/2011	08:00	CH	HSBC Manufacturing PMI	JAN	--	54.4
01/02/2011	14:25	GE	Unemployment Rate (s.a)	JAN	7.50%	7.50%
01/02/2011	14:25	GE	PMI Manufacturing	JAN F	60.2	60.2
01/02/2011	14:30	EC	PMI Manufacturing	JAN F	56.9	--
01/02/2011	15:00	UK	PMI Manufacturing	JAN	57.9	58.3
01/02/2011	15:30	EC	Euro-Zone Unemployment Rate	DEC	10.10%	10.10%
01/02/2011	20:30	US	Construction Spending MoM	DEC	0.10%	0.40%
01/02/2011	20:30	US	ISM Manufacturing	JAN	57.5	57
01/02/2011	20:30	US	ISM Prices Paid	JAN	73.5	72.5
02/02/2011	03:30	US	Domestic Vehicle Sales	JAN	9.60M	9.46M
02/02/2011	03:30	US	Total Vehicle Sales	JAN	12.70M	12.53M
02/02/2011	15:30	EC	Euro-Zone PPI (MoM)	DEC	0.80%	0.30%
02/02/2011	18:45	US	ADP Employment Change	JAN	150K	297K
03/02/2011	06:30	CH	China Non-manufacturing PMI	JAN	--	56.5
03/02/2011	14:25	GE	PMI Services	JAN F	60	60
03/02/2011	14:30	EC	PMI Composite	JAN F	--	56.3
03/02/2011	14:30	EC	PMI Services	JAN F	55.2	--
03/02/2011	15:30	EC	Euro-Zone Retail Sales (MoM)	DEC	0.50%	-0.80%
03/02/2011	18:15	EC	ECB Announces Interest Rates	3-Feb	1.00%	1.00%
03/02/2011	19:00	US	Initial Jobless Claims	29-Jan	--	454K
03/02/2011	19:00	US	Continuing Claims	22-Jan	--	3991K
03/02/2011	19:00	US	Nonfarm Productivity	4Q P	2.00%	2.30%
03/02/2011	20:30	US	ISM Non-Manufacturing Composite	JAN	57	57.1
03/02/2011	20:30	US	Factory Orders	DEC	1.30%	0.70%
04/02/2011	19:00	US	Change in Nonfarm Payrolls	JAN	130K	103K
04/02/2011	19:00	US	Change in Private Payrolls	JAN	150K	113K
04/02/2011	19:00	US	Change in Manufacturing Payrolls	JAN	10K	10K
4/2/2011	19:00	US	Unemployment Rate	JAN	9.50%	9.40%

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