

# BULLION WEEKLY

A Weekly Report on Gold & Silver

## The Week Ahead

- *Gold is likely to perform better than Silver*
- *Lower than estimated US GDP might undermine investors confidence*
- *Libyan unrest and Crude price upsurge will be the mainstream focus for economic tension and Gold's price trajectory*
- **Technical Calls**

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
COMEX April Gold	1364	1377	1393	1422	1435	1451	Buy at 1402-06 TP 1418, 1430/1432 SL 1384.
MCX April Gold	20024	20292	20621	21218	21486	21815	Buy at 20850-880 TP 21200 SL 20620
COMEX March Silver	3817	3553	3697	3577	3313	3457	Sideways
MCX March Silver Mini	46010	47136	48534	51058	52184	53582	Sideways

## Outlook

The week gone by experienced a tight combat between the two precious metals. Both metals have materialized a gain by 2% but Gold remained less volatile than Silver. We on the verge of global recovery are having more faith on Gold than Silver. The main point to ponder is; the convergence of Silver, Gold and Crude price moving along side a static dollar index. Historically the dollar index was having an inverse relationship with both Gold and silver but now they are violating this conventional relationship quite a time. Crude oil prices, meanwhile is trading around its two and half years high supporting Gold. Crude inventory continued to decline which may create supply constraint to take it higher based on which Gold may swim along with Crude. With no sign of improvement in the Middle East; Gold and Silver are likely to find further safe-haven support. Inflation concern and strong retail demand continue to support higher prices with Gold poised to challenge December's all time high of \$1431.30. The US economy grew 2.9%, a flat growth in the fourth quarter adds to the potential that speculators are going to show continued interest in Gold, at least in near term.

## Gold/Silver Ratio

The Ratio as expected slipped to 42.84 from last week's 43. The COMEX Silver contract advanced 1.86% compared to COMEX Gold April contract's gain of 1.49% due to which the ratio has fallen. Week ahead we expect Gold to test its strength to be at around its all time high with crude oil's tall.

## Gold/Crude Ratio

From November, 2010, this ratio averaged out to be 15.14, means one ounce of Gold was able to buy 15.14 barrels of crude oil. Currently this ratio stands at 14.40 implying Crude is too expensive. If the relation in between this two move in tandem, we expect Gold will move up to make this ratio improve.

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## Technical Analysis – Gold

Indecision for the whole week is seen in Come Gold April futures. It settled at \$1409.3 after witnessing a volatile mode; high \$1418.80.

While looking at candle stick formation we conclude that it has traded in the state of consolidation for this week. A trend channel chart formation is patterned in daily chart of Come gold suggesting that the trend might remain in the bullish mode unless and until it does not breach and sustain below \$1398 (the lower trend line support). The level 1398 is also an important level, as it is support level of 45 degree line starting from the low of 1307.45, according to the Gann Fan Theory. As per the trend channel formation resistance is seen at \$1420-24 (upper trend line resistance). It is also previous swing high and therefore a significant level to watch for the coming week. Another technical indicator RSI (14) is at 0.64 indicating upside potentials for the prices. Rising volumes in the rising trend, suggests continuation of bullish mode for the week. Overall, we expect gold prices to remain bullish with limited gains for the coming week and therefore suggest investors to go long for short targets with strict stop loss.

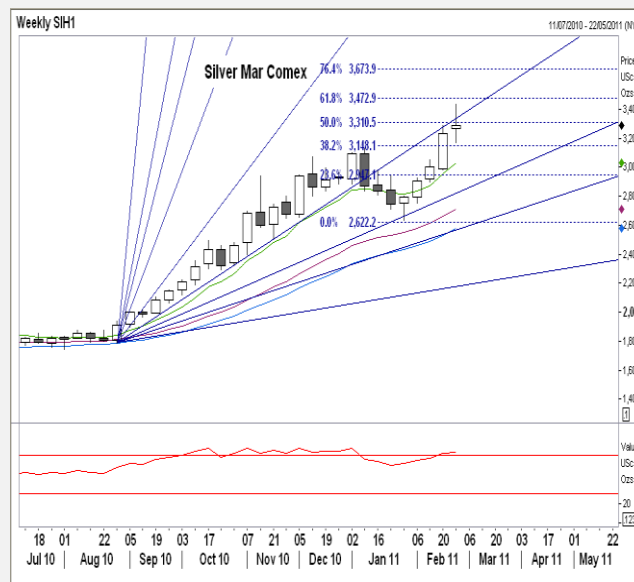


## Technical Analysis – Silver

Come Silver Mar Futures soared this week and continued its sky scrapping style. It made a high of 3433 while in the end of the session it cooled off and settled at 3298.

A high wave candle stick formation with a very long upper shadow is witnessed in the weekly chart suggesting that there is a great amount of indecision in the market. Sometimes it may signal a possible reversal. However, rising volumes suggest continuation of bullish mode for the coming week. As per the Gann Fan principle, prices are resisting at 45 degree trend line shown in the chart above. This week prices fails to close above 3300 i.e. 50% Fibonacci projection of the range 1707-3125-2636 suggesting to stay cautious for coming week. The technical indicator RSI (14) is trading at 0.74 indicating an overbought mode and also on the verge of forming a negative divergence with prices and so one need to be cautious while trading at these levels.

Overall we expect silver to trade in sideways for the coming week.



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**Market Round-up:** The week gone by was guided by varied economic releases, Libyan turbulence and some unexpected moves in global equities along with volatility in precious metals

## Economic Events:

- ❖ Risk aversion from the short term investors and speculators remained a matter of concern- Gold travelled steady
- ❖ Last week most of the global economic releases remained affirm for the economic recovery. The stock market of course has fared just fine in recent days digesting that reality. But DJIA soon after ticking one month high of 12391.25 shattered. Overall the index return settled at a loss of 2.10% for the last week due to economic unrest at Middle east
- ❖ Asian equities exhausted, to name a few, Indian SENSEX shatter 4%, Japan's NIKKEI and China's Hang-Sang crushed by more than 2.50% each. Europe FTSE compared to other major countries suffered little less, by 1.34% - Gold realized the opportunity of investors fear not to be in riskier zone
- ❖ Deepening Libyan unrest kept investors back from investing in equities despite lucrative economic outlook- Made Gold more worthy on a weekly dollar index weakness of 0.5%

**Precious Metal Show:** The dual show between Gold and Silver carried on this week also

- ❖ SPDR gold holdings curtailed by 0.9427% to 1211.56813 tons, from the last week's 1223.09807 tons
- ❖ The I-share silver holdings have affixed some more to its current holdings of 10666.35 tons, 1.40% up from the last week
- ❖ In COMEX Gold both April and June contracts experienced huge additional participation. While MCX June has added more contracts, the April contract has seen more of seizing open positions
- ❖ COMEX and MCX Silver however felt some heat. The near term contract has seen more of closing positions due to realizing profit, while May contract attracted investors on an anticipation of global recovery

## 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)	1408.00	1418.80	1390.10	1409.30	1.49%	676309	21.19%	331257	4.05%
	Gold (June 11)	1392.50	1420.00	1392.10	1410.70	1.48%	48267	420.40%	62483	15.28%
MCX (₹/10gm)	Gold (April 11)	20560.00	21157.00	20560.00	20918.00	1.80%	162271	17.54%	12259	-13.70%
	Gold (June 11)	20913.00	21466.00	20884.00	21229.00	1.91%	6544	44.14%	1763	8.09%

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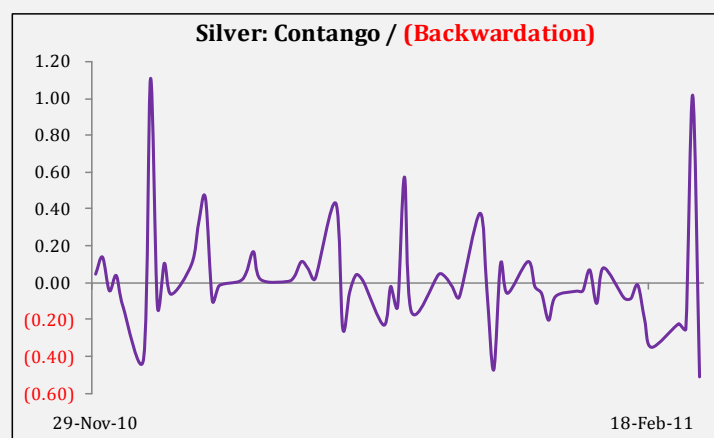
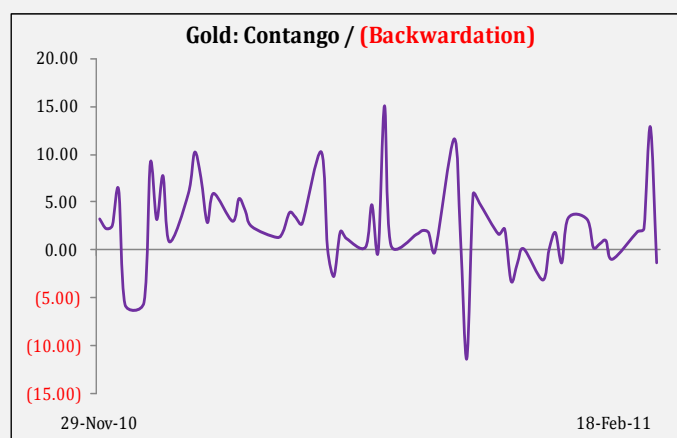
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## Price Performance - Silver

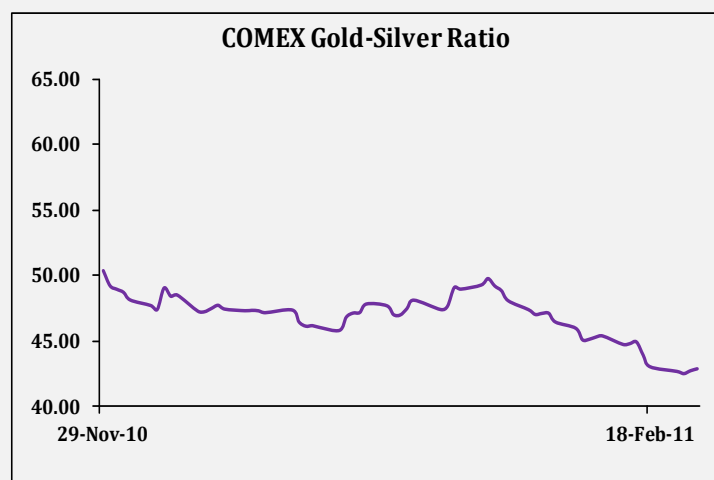
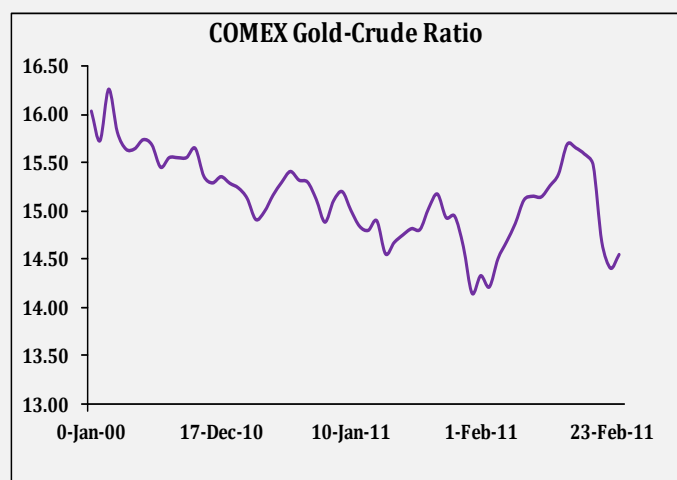
Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX (\$/oz)	Silver (Mar 11)	33.86	34.33	31.70	32.90	1.86%	344775	2.63%	14259	-71.96%
	Silver (May 11)	32.69	34.32	31.71	32.92	1.98%	196032	122.36%	74124	37.82%
MCX (₹/kg)	Silver (Mar 11)	48626.00	50785.00	48621.00	49552.00	2.09%	492431	24.45%	12640	-35.64%
	Silver (May 11)	49345.00	51490.00	49345.00	50283.00	2.13%	78188	170.29%	8541	22.77%

## Chart Updates - Contango & Backwardation

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



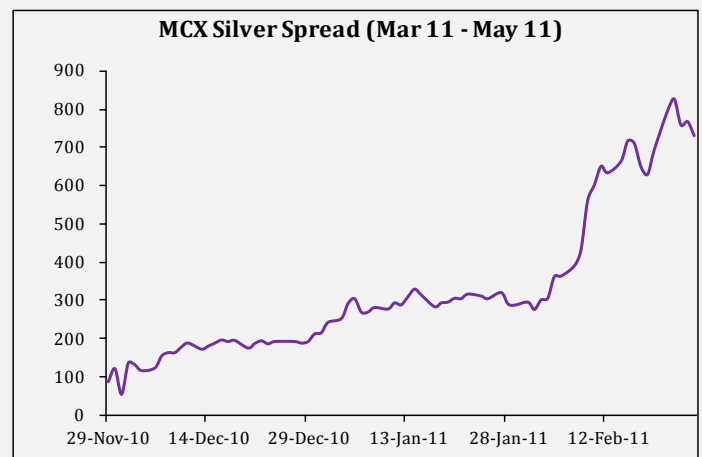
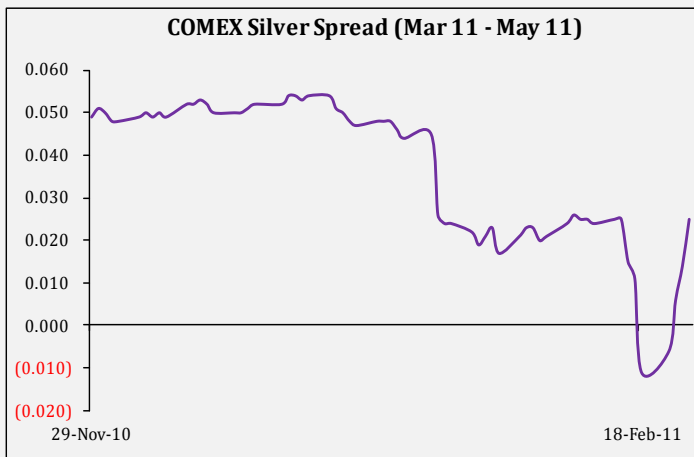
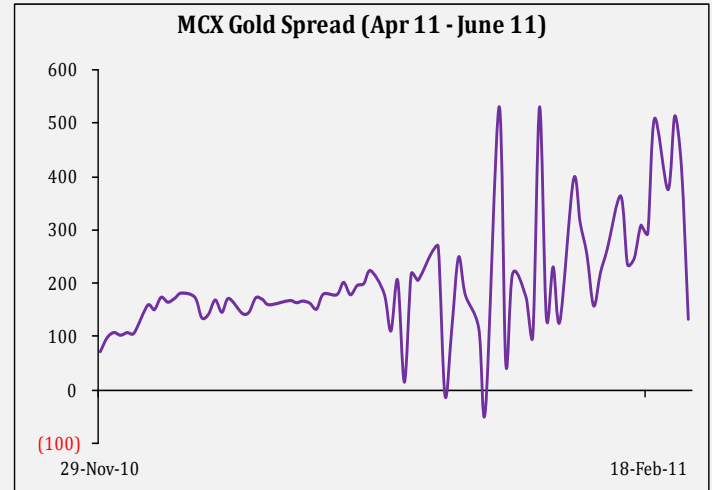
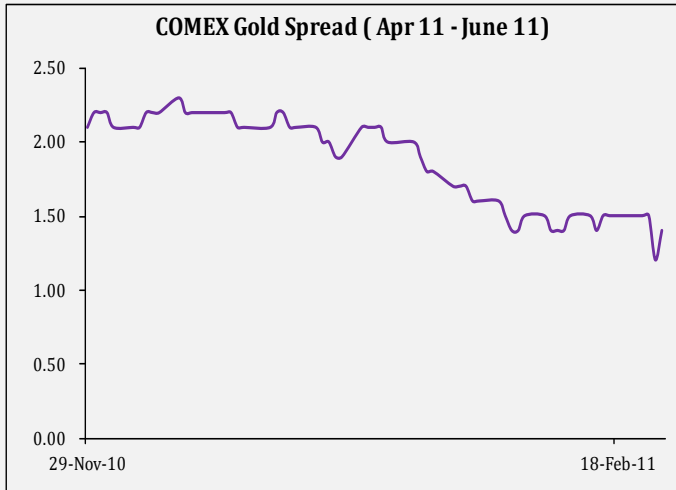
## Ratio Charts



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## Calendar Spreads



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## DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
02/28/2011	12:30	GE	Import Price Index	JAN	1.00%	2.30%
02/28/2011	12:30	GE	Import Price Index	JAN	11.20%	12.00%
02/28/2011	15:30	EC	Euro-Zone CPI (MoM) JAN -	JAN	-0.60%	0.60%
02/28/2011	15:30	EC	Euro-Zone CPI (YoY) JAN	JAN	2.40%	2.40%
02/28/2011	19:00	US	Personal Income JAN 0.40% - -	JAN	0.40%	0.40%
02/28/2011	19:00	US	Personal Spending JAN 0.40% -	JAN	0.40%	0.70%
02/28/2011	20:30	US	Pending Home Sales MoM JAN	JAN	-2.50%	2.00%
02/28/2011	20:30	US	Pending Home Sales YoY JAN - -	JAN	- -	-3.60%
02/28/2011	21:00	US	Dallas Fed Manf. Activity FEB	FEB	14.1	10.9
03/01/2011	06:30	CH	PMI Manufacturing FEB 52.1 - -	FEB	52.1	52.9
03/01/2011	08:00	CH	HSBC Manufacturing PMI FEB	FEB	52.5	54.5
03/01/2011	14:25	GE	PMI Manufacturing FEB F 62.6	FEB F	62.6	62.6
03/01/2011	14:30	EC	PMI Manufacturing FEB F 59 - -	FEB F	59	59
03/01/2011	15:00	UK	PMI Manufacturing FEB 61 - -	FEB	61	62
03/01/2011	15:00	UK	Net Consumer Credit JAN 0.2B	JAN	0.2B	0.2B
03/01/2011	15:00	UK	Mortgage Approvals JAN 42.9K	JAN	42.9K	42.6K
03/01/2011	15:30	EC	Euro-Zone CPI Estimate (YoY)	FEB	2.40%	2.40%
03/01/2011	15:30	EC	Euro-Zone Unemployment Rate	JAN	10.00%	10.00%
03/01/2011	20:30	US	Construction Spending MoM	JAN	-0.50%	-2.50%
03/01/2011	20:30	US	ISM Manufacturing FEB 60.5 - -	FEB	60.5	60.8
03/02/2011	03:30	US	Domestic Vehicle Sales FEB	FEB	9.70M	9.59M
03/02/2011	03:30	US	Total Vehicle Sales FEB 12.67M	FEB	12.67M	12.53M
03/02/2011	15:30	EC	Euro-Zone PPI (MoM) JAN	JAN	1.00%	0.80%
03/02/2011	15:30	EC	Euro-Zone PPI (YoY) JAN	JAN	5.70%	5.30%
03/02/2011	18:45	US	ADP Employment	FEB	185K	187K
03/03/2011	06:30	CH	China Non-manufacturing PMI	FEB	- -	56.4
03/03/2011	14:25	GE	PMI Services FEB F 59.5 - -	FEB F	59.5	59.5
03/03/2011	14:30	EC	PMI Composite FEB F 58.4 - -	FEB F	58.4	58.4
03/03/2011	14:30	EC	PMI Services FEB F 57.2 - - 57.2	FEB F	57.2	57.2
03/03/2011	15:30	EC	Euro-Zone GDP s.a. (QoQ) 4Q P	4Q P	0.30%	0.30%
03/03/2011	15:30	EC	Euro-Zone GDP s.a. (YoY) 4Q P	4Q P	2.00%	2.00%
03/03/2011	15:30	EC	Euro-Zone Retail Sales (MoM)	JAN	0.40%	-0.60%
03/03/2011	15:30	EC	Euro-Zone Retail Sales (YoY)	JAN	0.00%	-0.90%

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