

# BULLION WEEKLY

A Weekly Report on Gold & Silver

## The Week Ahead

- *Precious Metals to retreat; Silver at a faster rate than Gold*
- *Better than estimated economic releases might boost risk appetite for the investors*
- *Japan's earthquake wreaked havoc nervousness- may lead the local currency to gain strength*

## Technical Calls

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
COMEX April Gold	1385	1392	1400	1422	1435	1445	Sell below 1410 TP 1392/1385 SL 1430
MCX April Gold mini	2025 4	2051 8	2074 7	21240	2150 4	21733	Sell 1ST LOT at 21020-050 (ADD 2ND LOT ON BREAK OF 20830) TP 20750, 20680 SL 21270
COMEX May Silver	3380	3430	3500	3620	3680	3722	Sell at 3600-3620 TP 3430 SL above 3680
MCX Mar Silver Mini	4947 0	5067 5	5235 7	55244	5644 9	58131	Sell at 53700-800 TP 52800/52200 SL 54500.

## Outlook

The week gone by Gold slid back on the back of Dollar Index's gain of 0.49%. With the US economic outlook seeming to be fair enough we keep our view on Gold to retreat in the coming week. The Price-Volume-Open Interest Analysis has indicated that with increase in volumes and open interest (COMEX June and MCX April contract) prices has come down in both the COMEX and MCX. So we will be carrying a bearish outlook for the said contracts. While in case of Silver, in the COMEX division prices have moved up with increase in volume and a fall in open interest, implying that traders are participating largely but they are not willing to hold their positions, which may again be a bearish view for the Silver. On 15<sup>th</sup> March the Federal Open Market Committee is expected to keep their interest rate unchanged at 0.25% which is a good signal for the economy to boost the business sentiments and corporate activities.

However, Obama's preparation on taping the nation's strategic oil reserve to deal with any disruption in energy supply, may again fuel crude prices. On top of the conflict in Libya, earthquake made a panic in Japan with a Tsunami possibly the coasts of 20 countries. This new fact may stimulate commodities. But over all the Libyan issue is not likely to affect the market at a greater extent than the most recent Japan's sufferings. So, going with the expected economic releases relating to the favorable situation, we are holding our stance as bearish for both Gold and Silver.

## Gold/Silver Ratio

The Ratio as expected slipped to 39.57 from last week's 40.44. The COMEX Silver May contract advanced 1.74% compared to COMEX Gold April contract which has lost 0.48% due to which the ratio has fallen. Week ahead we expect this ratio to improve a bit as Gold and Silver to retreat on the base of economic outlook but the extent of loss in Silver might be more than Gold as the equities market globally is seeming to be bearish and a less supportive base metals may influence a rapid decline in Silver.

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## Technical Analysis – Gold

Marginal downside closed in gold indicating cautiousness for higher levels. Comex Gold April futures traded in indecision in the initial session of the week and then settled down at 1419.6

In the daily chart, trend channel chart pattern is formed with the higher volume at breakout point of \$1428, which is indicating bearish mode for coming few days. Also at the upside, 2 similar tops with the negative RSI (14) are at 0.64 divergence is witnessed suggesting downside view in gold prices. However, the double top chart pattern is not yet confirmed as the prices fails to close below the neckline support of \$1410.

In weekly chart, a high wave candle stick is formed with short real body and long upper-lower shadow. This type of candle stick renders indecision in the trend and sometime suggests trend reversal. But, here volumes have increased by around 12% from last week suggests selling pressure might be there at higher levels. The technical indicator RSI (14) in weekly chart is trading at 0.62 and negative divergence formed which is also an indication of bearish mode for the coming week.

For the coming week we expect gold prices might see some correction and therefore recommend selling.

## Technical Analysis – Silver

Comex Silver March Futures settled at 3593.50 with marginal gains the week.

A high wave candle stick formation at upper levels with increasing volume signals trend reversal in the weekly chart. The technical indicator RSI (14) is at 0.70 that is an over bought mode and this indicates the there might be some correction in the prices at higher levels. The moving average principle reveals that the prices are currently trading over and above the short and medium term moving averages suggests that the trend is still strong but there might be some correction takes place at higher levels as prices are trading too far away from the 3253 short term (8) exponential moving average. The silver prices are rising continuously from 7 consecutive weeks so for the coming week we may expect some correction in the silver.

This week we expect correction in silver prices and suggest selling on higher side in silver.

**Market Round-up:** The week gone by was guided by a blend of economic releases and at the fag end of the week it was only Japan in the news made the market topsy-turvy

## Economic Events:

- ❖ Libyan tension eroded- Gold retreated on the Greenback's gain of 0.49%



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- ❖ Crude prices through out the week remained bearish for Gold
- ❖ Global equities shattered, namely Indian SENSEX lost 1.71%, Japan's NIKKEI and China's Hang-Sang has declined by 4.11% and 0.68% respectively. Europe FTSE came down by 2.70% while the DJIA fell by 1.03%

## Precious Metal Show:

- ❖ SPDR gold holdings has added up to 1215.47 Tons from the last week's 1210.62 tons
- ❖ The I-share silver holdings have affixed some more to its current holdings of 10974.06 tons, 1.66% up from the last week
- ❖ In COMEX Gold April contract experienced decline in numbers of additional participation, but the investors have participated at a greater extent in the near month contract with holding on to the position.
- ❖ MCX and the COMEX Silver May contract has tallied to a large number of participations but in COMEX investors were not likely to hold on positions while in MCX exactly opposite has happened

## 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)	1435.00	1445.70	1403.00	1421.80	-0.48%	788767	-0.11%	280580	-10.91%
	Gold (June 11)	1436.10	1447.20	1404.50	1423.20	-0.48%	100099	62.57%	108305	31.09%
MCX (₹/10gm)	Gold (April 11)	21111.00	21274.00	20781.00	20957.00	-0.67%	177995	7.89%	13124	2.32%
	Gold (June 11)	21469.00	21570.00	21080.00	21254.00	-0.67%	7028	-3.34%	2538	22.79%

## Price Performance - Silver

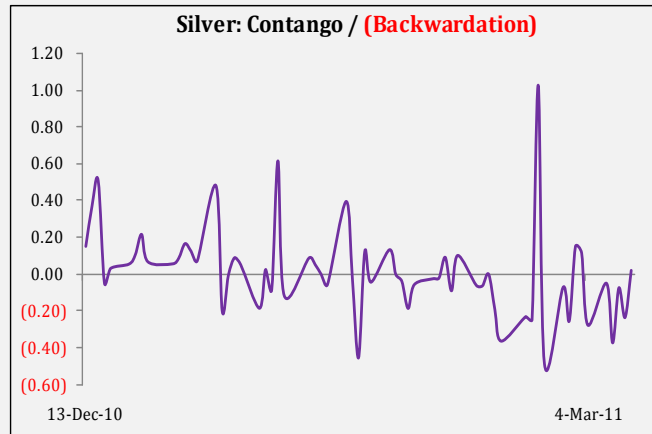
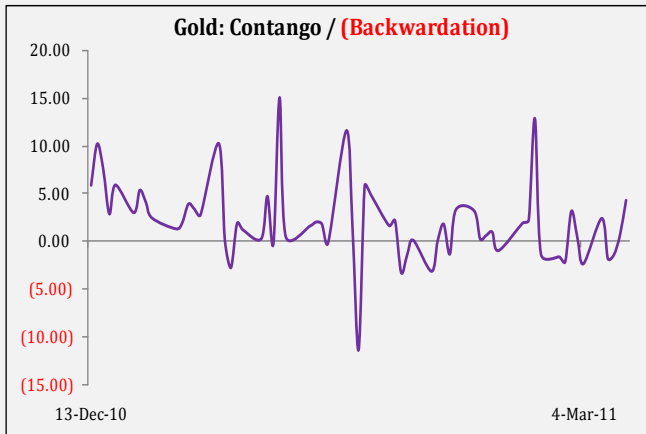
Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX (\$/oz)	Silver (Mar 11)	35.64	36.75	34.05	35.94	1.72%	388772	33.86%	79555	-7.94%
	Silver (May 11)	35.62	36.73	34.07	35.94	1.74%	10061	23.42%	12472	-3.76%
MCX (₹/kg)	Silver (Mar 11)	53500.00	54767.00	51880.00	54047.00	1.18%	569487	55.97%	15893	-15.01%
	Silver (May 11)	54200.00	55545.00	52621.00	54810.00	1.22%	23592	99.29%	2269	20.05%

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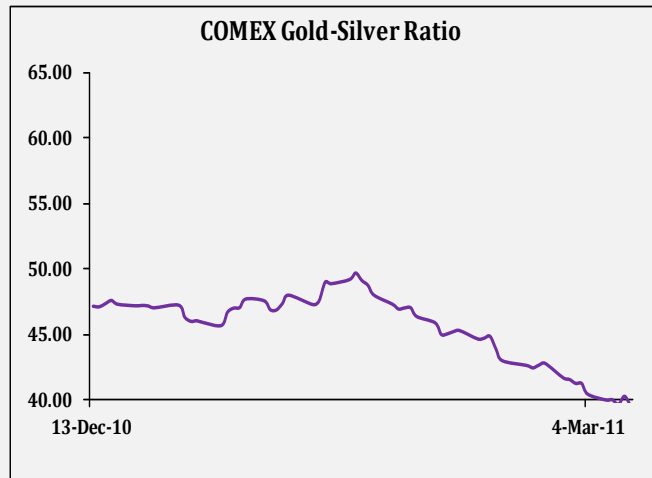
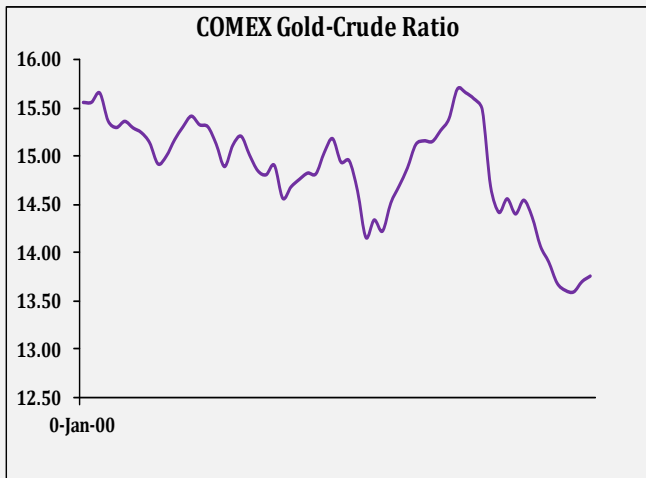
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## Chart Updates - Contango & Backwardation

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



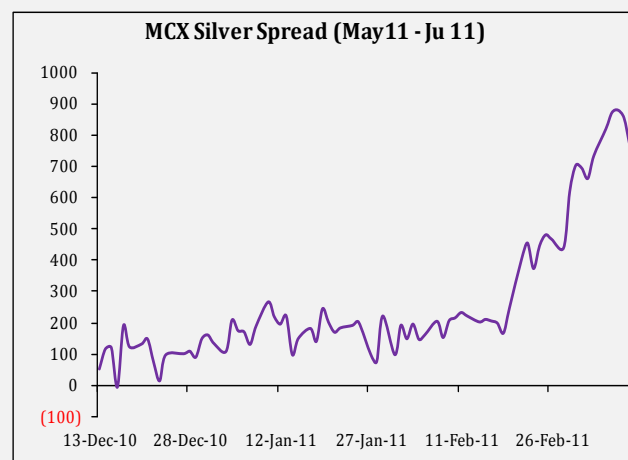
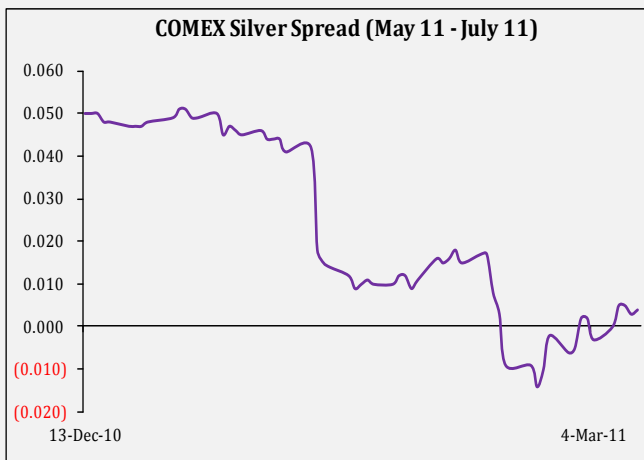
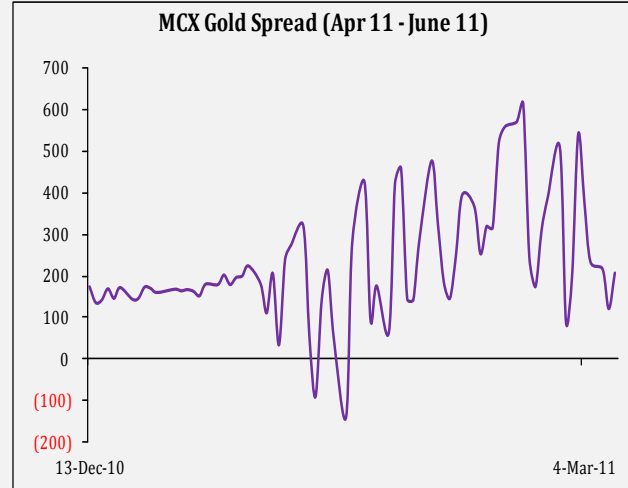
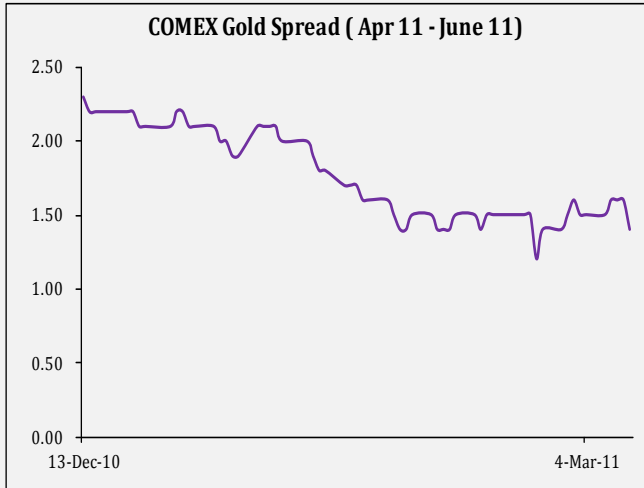
## Ratio Charts



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## Calendar Spreads



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## DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
03/14/2011	10:00	JN	Industrial Production (MoM)	JAN F	--	2.40%
03/14/2011	10:00	JN	Industrial Production YOY%	JAN F	--	4.70%
03/14/2011	10:00	JN	Capacity Utilization (MoM)	JAN F	--	3.00%
03/14/2011	10:30	JN	Consumer Confidence	FEB	--	41.1
03/14/2011	10:30	JN	Consumer Confidence Households	FEB	41.5	41.1
03/14/2011	12:00	IN	Monthly Wholesale Prices YoY%	FEB	7.80%	8.23%
03/15/2011	15:30	EC	Euro zone Employment (QoQ)	4Q	--	0.00%
03/15/2011	15:30	EC	Euro zone Employment (YoY)	4Q	--	-0.20%
03/15/2011	15:30	GE	Zew Survey (Current Situation)	MAR	86	85.2
03/15/2011	15:30	EC	ZEW Survey (Econ. Sentiment)	MAR	--	29.5
03/15/2011	15:30	GE	ZEW Survey (Econ. Sentiment)	MAR	16	15.7
03/15/2011	18:00	US	Empire Manufacturing	MAR	16.1	15.43
03/15/2011	18:00	US	Import Price Index (MoM)	FEB	0.90%	1.50%
03/15/2011	18:00	US	Import Price Index (YoY)	FEB	6.40%	5.30%
03/15/2011	19:30	US	NAHB Housing Market Index	MAR	17	16
03/15/2011	23:45	US	FOMC Rate Decision	15-Mar	0.25%	0.25%
03/16/2011	15:30	EC	Euro-Zone CPI (MoM)	FEB	0.40%	-0.70%
03/16/2011	15:30	EC	Euro-Zone CPI (YoY)	FEB	2.40%	--
03/16/2011	18:00	US	Housing Starts	FEB	570K	596K
03/16/2011	18:00	US	Building Permits	FEB	570K	562K
03/16/2011	18:00	US	Housing Starts MOM%	FEB	-4.40%	14.60%
03/16/2011	18:00	US	Building Permits MOM%	FEB	1.20%	-10.40%
03/16/2011	18:00	US	Producer Price Index (MoM)	FEB	0.70%	0.80%
03/16/2011	18:00	US	Producer Price Index (YoY)	FEB	4.70%	3.60%
03/16/2011	18:00	US	PPI Ex Food & Energy (YoY)	FEB	1.80%	1.60%
03/17/2011	18:00	US	Consumer Price Index (YoY)	FEB	2.00%	1.60%
03/17/2011	18:00	US	Initial Jobless Claims	12-Mar	390K	397K
03/17/2011	18:00	US	Continuing Claims	5-Mar	3750K	3771K
03/17/2011	18:45	US	Industrial Production	FEB	0.60%	-0.10%
03/17/2011	18:45	US	Capacity Utilization	FEB	76.50%	76.10%
03/17/2011	19:30	US	Leading Indicators	FEB	1.00%	0.10%
03/17/2011	19:30	US	Philadelphia Fed.	MAR	29.7	35.9
03/18/2011	12:30	GE	Producer Prices (MoM)	FEB	0.70%	1.20%

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