

BULLION WEEKLY

A Weekly Report on Gold & Silver

The Week Ahead

- *Precious Metals to bounce back; Gold may outperform Silver*
- *A negative real rate of interest for the US is undermining growth- Precious metals may take the cue from thereon*
- *Libyan concern may add some more flavor in to the price movement*

Technical Calls

| Commodity | S3 | S2 | S1 | R1 | R2 | R3 | Recommendation |
|------------------|-------|-------|-------|-------|-------|-------|--|
| COMEX April Gold | 1334 | 1357 | 1387 | 1440 | 1463 | 1492 | Sideways |
| MCX April Gold | 19898 | 20183 | 20503 | 21108 | 21393 | 21713 | Sideways |
| COMEX May Silver | 40.94 | 38.00 | 39.45 | 37.96 | 35.02 | 36.47 | Buy at 34.70 34.50 TP 36.45 STRICT SL 34.00. |
| MCX May Silver | 48432 | 49901 | 51407 | 54382 | 55851 | 57357 | Buy at 52600-52500 TP 54420 SL 51650 |

Outlook

The week gone by Silver has retreated at a faster rate than Gold as we had foreseen. The unrest in the Middle East is flaring again, sharing the news spotlight with the tragedy in Japan, and that is expected to underpin gold prices going into next week. The U.S. recovery is limping as the Housing starts for February dropped 22.5 percent against a rise of 18 percent in the previous month, undermining confidence that was in the recovery picking up momentum. So, the Fed was right to hold interest rates at their lows and indicate they are continuing to use Q.E. There is a need to combat inflation with higher interest rates. So, real interest rates drop further into negative territory, while growth is further undermined. However, the week ahead economic releases in terms of job creation and consumption pattern from the US seem to be admirable one which may restrict some gain.

While analyzing the P-V-O, the decline in price with a large fall in volume and open interest for both Gold and Silver confines that the short term traders might have liquidated their position to take a fresh stance at a relatively lower price. In short this is also pointing a Bullish view.

Gold/Silver Ratio

The ratio as we expected, has improved from 39.57 to 40.99 as Silver retreated at a faster rate than Gold to revive the ratio. The week ahead we expect this ratio to improve as Silver's industrial demand is expected to come down due to the State's diminishing industrial production data.

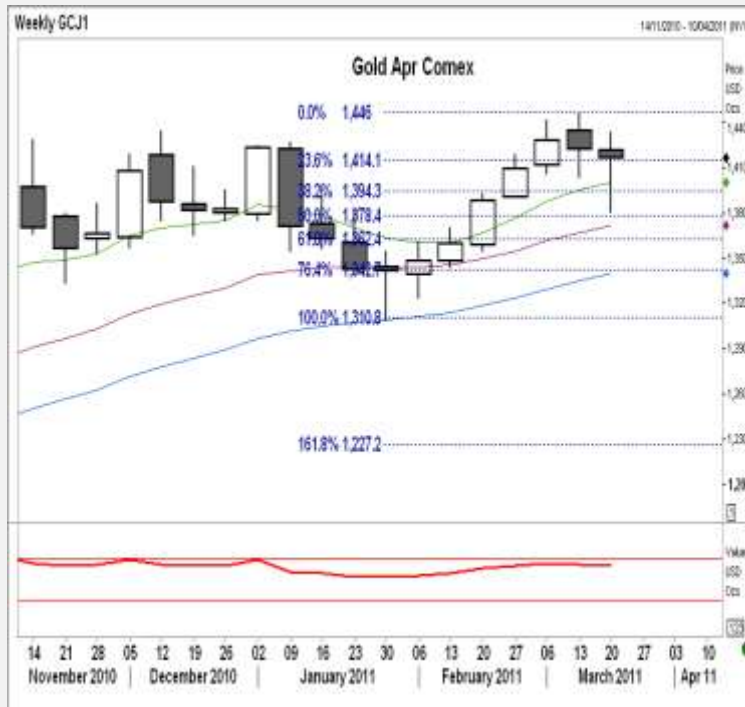
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Technical Analysis – Gold

Prices took the smart correction this week as per our expectation and settled flat at \$1416.10 (as on 18th March 2011) after making a low of \$1380.70 in Comex Gold April Futures.

A 'Long Legged Doji' candle stick is witnessed with significantly small or a horizontal line as a real body and long upper-lower shadow. But here we have long lower shadow this means entrance of buyer at the lower levels suggesting that the trend is still not weak. This week prices corrected almost near to the 1376.8 that is 50% retracement to the range 1307.50-1446.05 but fails to close below 1413.4 that is 23.6% retracement of the given range. This signals that the traders are still not confident on the selling side. During the week, prices touched the short term Exponential Moving Average (8) at \$1400 and settled higher suggesting the correction phase is over. However, trend is still not looking bullish as in daily chart prices closed below the lower trend line of the trend channel pattern.



For the coming week we expect indecision in the trend and suggest low risk traders to stay way from the market while high risk traders can go long with strict stop loss.

Technical Analysis – Silver

Silver prices also took the correction in line with our last week expectation and settled marginally lower at 35.05 ; low 33.56.

Second High Wave candle stick formation along first one suggesting indecision at higher levels. As per Fibonacci principle market fails to close below the 23.6% retracement of the range 26.4-36.7. This suggests that the prices may remain on the higher side for this week. The technical indicator RSI (14) is at 0.74 suggesting that the prices are on the overbought mode therefore we recommend to stay cautious at higher levels. The moving average principle reveals that the correction phase is over as prices rebound after touching the 8 period exponential moving averages.



We expect market to rebound in the coming week and recommend to go long for short targets with strict stoploss.

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Market Round-up: The week gone by was driven by manifold economic releases, an aggravated Libyan concern and Japan remaining in the forefront

Economic Events:

- ❖ Libyan unrest again came in to the front page after Quadaffi's forces dropped bomb near Benghazi
- ❖ The Dollar Index continued to debase through out the week to settle at 1.38% down from the prior week
- ❖ Global equities shattered, namely Indian SENSEX lost 1.62%, Japan's NIKKEI being mostly hampered by 10.22% due to the calamity and China's Hang-Sang has declined by 4.084%. Europe FTSE came down by 1.90% while the DJIA fell by 1.54%

Precious Metal Show:

- ❖ SPDR gold holdings has added up to 1226.39 Tons from the last week's 1215.47 tons
- ❖ The I-share silver holdings have eroded some amount to its current holdings of 10945.21 tons, 0.11% down from the last week
- ❖ Gold did not act as a safe-haven during the Japanese earthquake, tsunami and nuclear worries. Prices fell during the early part of the week as to investors selling gold to raise cash in order to shore up positions in other markets that were falling after the news in Japan. By Friday, gold rebounded with other markets
- ❖ In COMEX Gold April contract experienced decline traders participation while they also squared off their position as prices came down. The same was followed in the MCX
- ❖ The COMEX and MCX Silver May contract shattered 2.44% and 2.11% respectively as the short term traders did not show keenness to carry on their position with participation also came down largely

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) | 1421.90 | 1433.50 | 1380.70 | 1416.10 | -0.40% | 743189 | -7.37% | 224972 | -16.36% |
| | Gold (June 11) | 1423.20 | 1434.40 | 1382.40 | 1417.50 | -0.40% | 74528 | -31.31% | 141085 | 15.14% |
| MCX (₹/10gm) | Gold (April 11) | 20990.00 | 21074.00 | 20469.00 | 20822.00 | -0.72% | 168273 | -6.64% | 10966 | -16.79% |
| | Gold (June 11) | 21301.00 | 21368.00 | 20800.00 | 21103.00 | -0.80% | 8972 | 25.45% | 3216 | 26.27% |

Price Performance - Silver

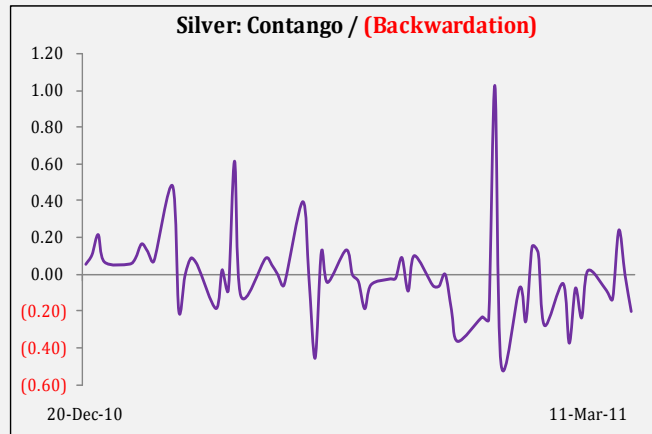
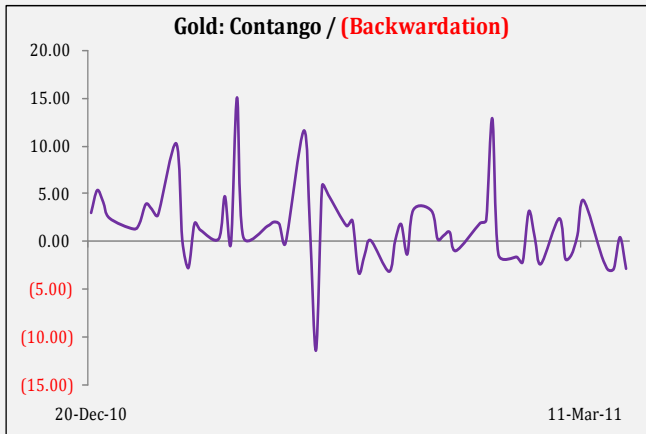
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|---------------|------------------|----------|----------|----------|----------|-------------------|--------|---------------------|--------------------|----------------|
| COMEX (\$/oz) | Silver (May 11) | 35.94 | 36.51 | 33.57 | 35.06 | -2.44% | 353365 | -9.88% | 77020 | -9.79% |
| | Silver (July 11) | 35.98 | 36.50 | 33.62 | 35.07 | -2.41% | 13285 | 31.30% | 13874 | 9.38% |
| MCX (₹/kg) | Silver (May 11) | 53982.00 | 54345.00 | 51370.00 | 52913.00 | -2.11% | 514477 | -10.37% | 14829 | -4.98% |
| | Silver (July 11) | 54800.00 | 55140.00 | 52164.00 | 53430.00 | -2.56% | 19384 | -18.66% | 2454 | 7.58% |

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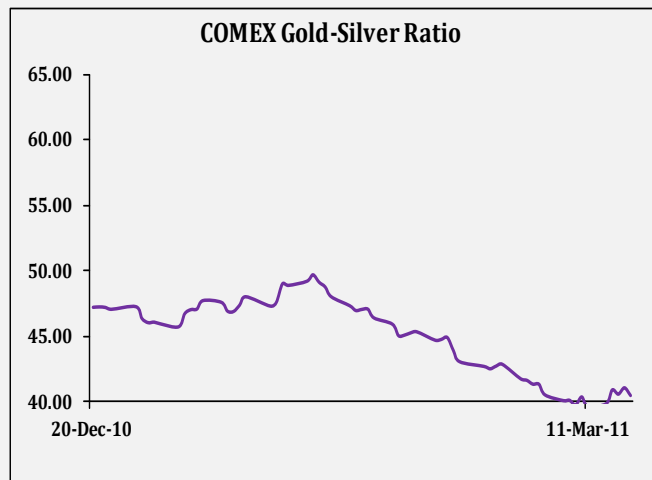
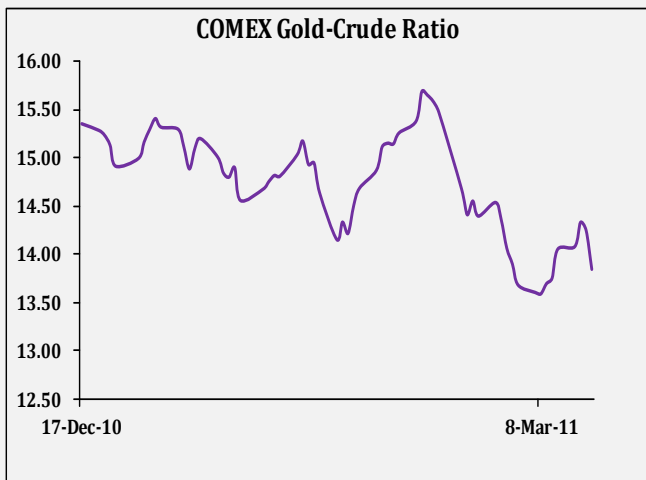
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Chart Updates - Contango & Backwardation

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



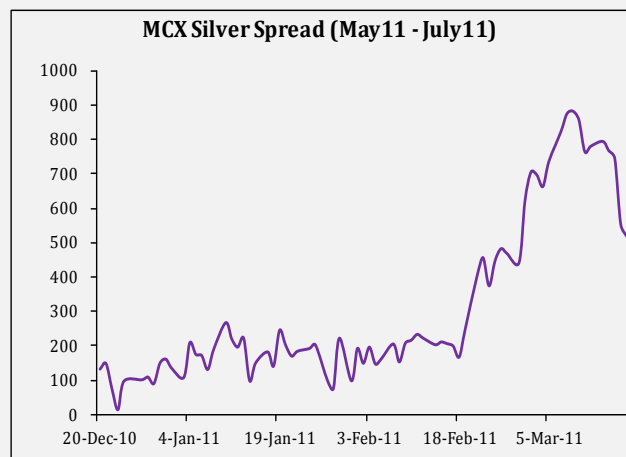
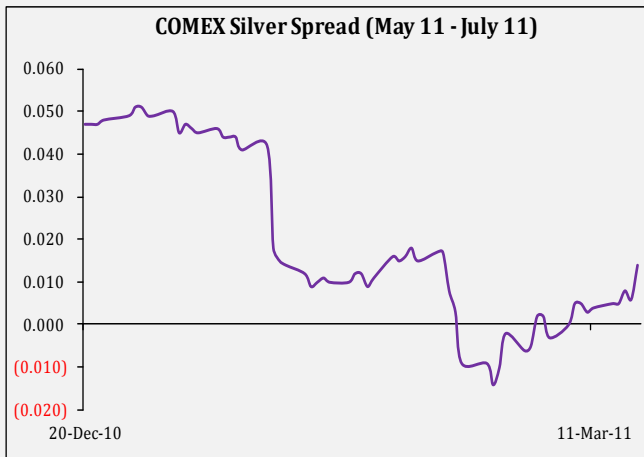
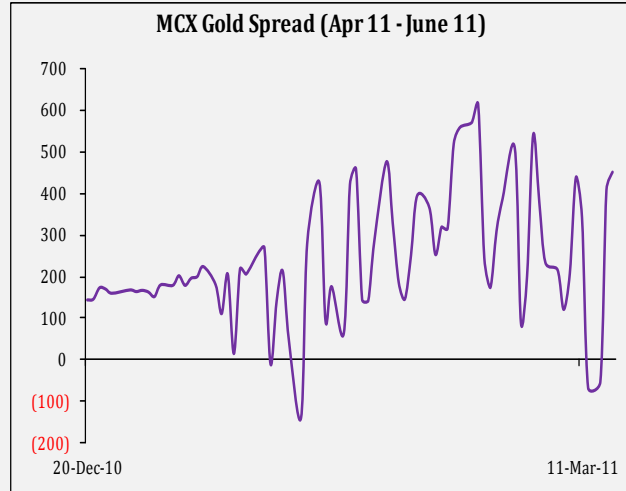
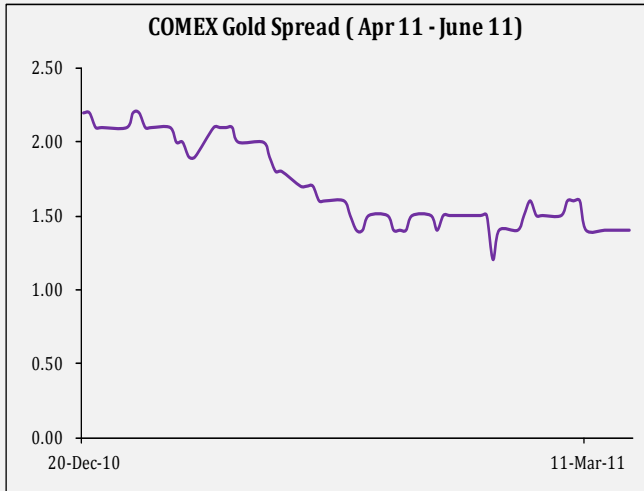
Ratio Charts



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Calendar Spreads



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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

| Date | Time | Region | Event | Period | Survey | Prior |
|------------|-------|--------|------------------------------------|--------|--------|---------|
| 03/21/2011 | 19:30 | US | Existing Home Sales | FEB | 5.12M | 5.36M |
| 03/21/2011 | 19:30 | US | Existing Home Sales M/M | FEB | -4.50% | 2.70% |
| 03/22/2011 | 19:30 | US | House Price Index M/M | JAN | -0.20% | -0.30% |
| 03/22/2011 | 19:30 | US | Richmond Fed Manu fact. Index | MAR | 22 | 25 |
| 03/23/2011 | 15:30 | EC | Industrial New Orders SA (M/M) | JAN | 1.20% | 2.10% |
| 03/23/2011 | 16:30 | US | MBA Mortgage Applications | 18-Mar | -- | -0.70% |
| 03/23/2011 | 19:30 | US | New Home Sales | FEB | 290K | 284K |
| 03/23/2011 | 19:30 | US | New Home Sales M/M | FEB | 2.10% | -12.60% |
| 03/23/2011 | 20:30 | EC | Euro-Zone Consumer Confidence | MAR A | -11 | -- |
| 03/24/2011 | 08:00 | CH | HSBC Flash China Manufacturing PMI | MAR | -- | -- |
| 03/24/2011 | 12:00 | IN | Food Articles WPI Y/Y | 12-Mar | -- | 9.42% |
| 03/24/2011 | 12:00 | IN | Fuel Power Light WPI Y/Y | 12-Mar | -- | 12.79% |
| 03/24/2011 | 12:00 | IN | Primary Articles WPI Y/Y | 12-Mar | -- | 12.31% |
| 03/24/2011 | 14:00 | GE | PMI Manufacturing | MAR A | 61.9 | 62.7 |
| 03/24/2011 | 14:00 | GE | PMI Services | MAR A | 58.4 | 58.6 |
| 03/24/2011 | 14:30 | EC | PMI Composite | MAR A | 57.7 | 58.2 |
| 03/24/2011 | 14:30 | EC | PMI Manufacturing | MAR A | 58.2 | 59 |
| 03/24/2011 | 14:30 | EC | PMI Services | MAR A | 56.3 | 56.8 |
| 03/24/2011 | 18:00 | US | Durable Goods Orders | FEB | 1.10% | 2.70% |
| 03/24/2011 | 18:00 | US | Initial Jobless Claims | 19-Mar | 383K | 385K |
| 03/24/2011 | 18:00 | US | Continuing Claims | 12-Mar | 3715K | 3706K |
| 03/25/2011 | 12:30 | GE | Import Price Index (M/M) | FEB | 1.00% | 1.50% |
| 03/25/2011 | 12:30 | GE | Import Price Index (Y/Y) | FEB | 11.60% | 11.80% |
| 03/25/2011 | 18:00 | US | GDP Q/Q (Annualized) | 4Q T | 3.00% | 2.80% |
| 03/25/2011 | 18:00 | US | GDP Price Index | 4Q T | 0.40% | 0.40% |
| 03/25/2011 | 18:00 | US | Personal Consumption | 4Q T | 4.10% | 4.10% |
| 03/25/2011 | 19:25 | US | U. of Michigan Confidence | MAR F | 68 | 68.2 |

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