KARVY COMTRADE LIMITED

Apr 9, 2011

BULLION WEEKLY

A Weekly Report on Gold & Silver

The Week Ahead

- *Precious Metals to prolong their rally- Silver investment demand may surpass gold to outperform*
- *Libyan issue may take a back seat although any unwinding happening will be important*
- *EBA's stress test to maintain a minimum 5% Tier 1 capital adequacy ratio will be watchful*

Technical Calls

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
COMEX June Gold	1396	1413	1443	1491	1507	1538	Buy at $ 1458-1462 TP $1485 SL $1435
MCX June Gold	21061	21209	21062	21063	21211	21064	Buy at 21250-220 TP 21480/21600 SL below 21080
COMEX May Silver	3548	3664	3863	4178	4294	4493	Buy at 39.80-39.70 TP 41.20/41.65 SL Below 38.20
MCX May Silver	53552	54771	57150	60748	61967	64346	Buy at 59400-500 TP 61250/61500 SL below 58200.

Outlook

The week gone by, with the weakness in the dollar, the market was jittery about holding paper currencies and inclining to the metals. Gold, silver rose to record high as a weakening dollar boosted demand for precious metals as an alternative and an inflation hedge. Silver climbed above $40/Oz to a 31-year high while gold rose to $1476.40 an ounce. The week ahead we are holding the same stance, i.e. bullish.

Europe's effort to return to fiscal health is dogged by the threat of higher borrowing costs after the European Central Bank lifted its main interest rate for the first time in almost three years. The European Banking Authority had set 5% core Tier 1 capital adequacy ratio for stress test which will be implied upon 90 banks, might impact upon investors confidence after Portugal's financial aid. Industrial use of silver may climb to a record high this year according to GFMS while the investment demand for silver rose by 40% last year. Also, I-share holdings have actually grown up by 2.48% this year till date is indicating a rising investment demand. The IMF in September 2009 agreed to dispose 403.3 MT of bullion as a plan to shore up its finances and lent at a reduced rate to low income countries, by which they are now to allocate $2.79 billion profit from gold sale. By the time, more than half of the amount is acquired by the central banks of India, Mauritius, Bangladesh and Sri-lanka, implying that Central banks of the Asian countries are net buyers of gold which may enhance the demand as a store of value.

According to the P-V-O analysis, gold for the last three weeks has seen a continuous increase in prices well poised by uphill participations and traders' intension to stick on to the holdings. Hence, bullish view is confirmed. However, silver's price rise is not actually supported by volume and open interest but strong industrial demand, a weaker dollar and ample liquidity may continue to support silver prices.

Gold/Silver Ratios

The Gold Silver Ratio continued its descent as the white metal climbed to its most expensive level vis-à-vis the yellow metal. Presently it is at 36.30. Week ahead we expect silver to surpass gold once again and hence this ratio may come down further. Silver will be having a margin over gold due to its industrial demand and its cheaper availability with same functionality to protect wealth against attrition.

Technical Analysis – Gold

Gold June Comex Futures continued its cheerful rally (in line with our expectation) this week after 4 -5 weeks of consolidation. For this week it made a high of $1476 and settled almost near to the high at $1474.

In weekly chart it made a long white candle stick with high volumes, indicating bullishness to be continued for the coming week also. Market is trading over and above the short and medium term exponential moving averages suggesting bullishness in the trend. In daily an ascending triangle bullish continuation chart pattern is witnessed is an indication of upside view for the coming few days. The target price as per the chart pattern is coming at $1500. Same pattern is observed in the technical indicator RSI (14) which is treading at 0.69 indicating an upside potential for prices. Immediate resistance is seen at $1489 which is 76.4% projection of the range $1310-1447-1382 as per fibonacci projection principle, signalling bullishness for the coming week. Overall, we expect gold prices to remain higher for the coming week and recommend buying.

Technical Analysis – Silver

This week silver prices traded upside and settled at 3773.2cents as on April 1st 2011, it made a high of 3798cents.

In the weekly chart a ***small white candle stick*** is witnessed with long lower shadow suggests entrance of bulls at lower levels. For this week market settled above 3747cents that is 38.2% projection of the range 2640-3674-3356.50cents as per ***fibonacci projection principle***. That means market is expected to remain bullish till 3867.5cents that is 50 % projection of the given range for the coming week. ***Moving average principle*** also reveals that the market might remain bullish as it is sustaining well above the short and medium term moving averages indicating strength in the trend.

For the coming week we expect bullish mode in silver and recommend going long.

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Market Round-up: The week gone by precious metals had a meticulous performance well embedded by ECB's much anticipated rate hike and a trailing European debt issue.

Economic Events:

- ECB has raised its benchmark lending rate by 25 basis points while bank of Japan and England kept their overnight lending rate intact at the prior level
- Japan has facilitated a credit program worth 1 Trillion Yen to help the companies affected by the quake while economic assessment was downgraded by the BOJ officials
- Global equities performed green, namely Indian SENSEX advanced 0.16%, Japan's NIKKEI moved up by 0.61% while China's Hang-Sang has added most by 2.49%. Europe FTSE has added 0.76% while the DJIA increased by 0.03%

Precious Metal Show:

- SPDR gold holdings has added some amount to its current holdings of 1217.2 from last week's 1211.22 tons, although concern remains about investment demand since the holdings this year till date has seen the longest run out by 4.96% since inception
- The I-share silver holdings improved to 11192.8 from last week's 11139.52 tons
- Gold has made a five straight day gain to slam new record high for consecutive five days- its like "a new day, a new high". However the rupee gain is comparatively lower than the dollar gain as rupee has appreciated by 1.14% against the benchmark
- Silver also had a great combat with gold in registering record highs to cross the level $40, actually led by an increasing investment demand. Till date the ETF holdings has increased by 2.48% over the last year

Price Performance - Gold

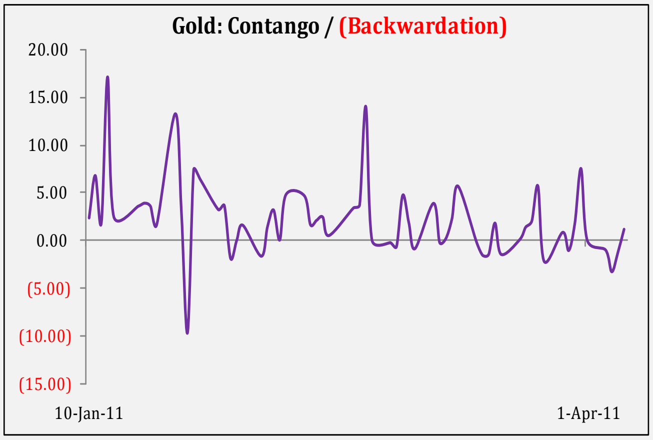
Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX ($/oz)	Gold (June 11)	1430.00	1476.40	1429.10	1474.10	3.16%	603500	-14.27%	362266	5.26%
	Gold (Aug 11)	1432.20	1477.70	1431.40	1475.40	3.15%	25573	92.90%	37166	4.94%
MCX (₹/10gm)	Gold (June 11)	20959.00	21358.00	20915.00	21344.00	1.90%	129059	83.86%	10911	13.99%
	Gold (Aug 11)	21269.00	21669.00	21215.00	21632.00	1.77%	3230	107.05%	1336	78.13%

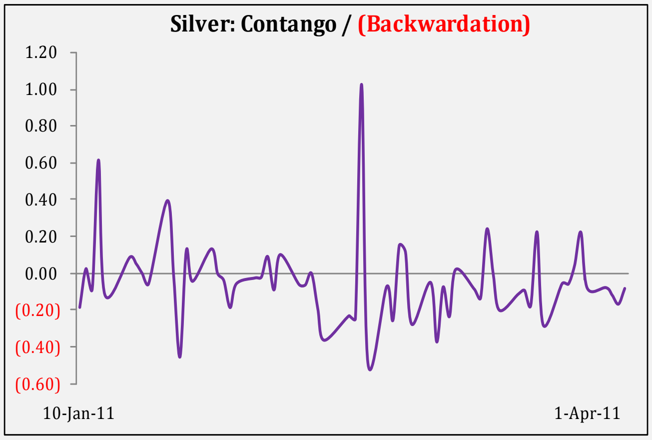
Price Performance - Silver

Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX ($/oz)	Silver (May 11)	37.85	40.96	37.81	40.61	7.62%	328126	4.47%	69555	-3.45%
	Silver (July 11)	37.85	40.98	37.85	40.64	7.63%	33097	33.21%	29034	24.97%
MCX (₹/kg)	Silver (May 11)	55991.00	59589.00	55991.00	59484.00	6.44%	390275	2.49%	16599	14.98%
	Silver (July 11)	56709.00	60380.00	56709.00	60288.00	6.66%	19871	34.36%	3533	14.93%

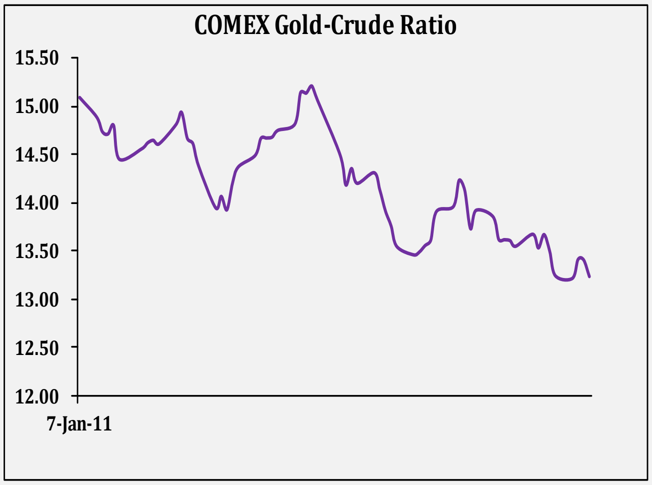
Chart Updates – Contango & Backwardation

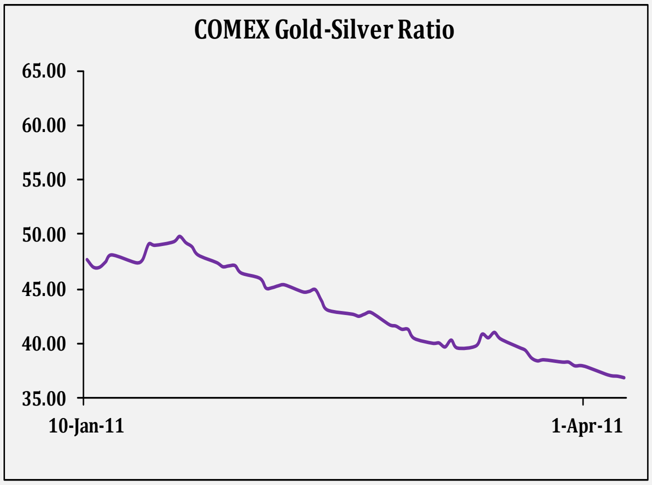
Backwardation is a market where spot prices exceed future prices while ***Contango*** indicates future prices exceeding spot prices.



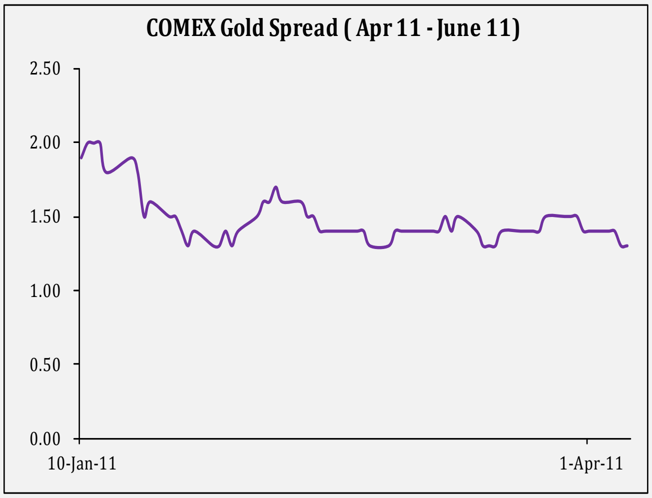


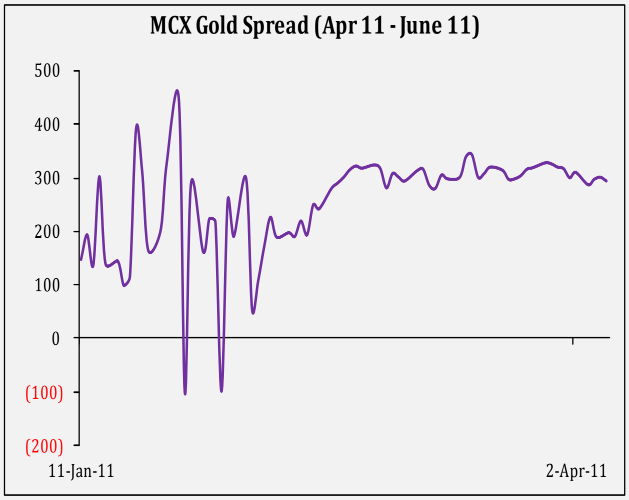
Ratio Charts

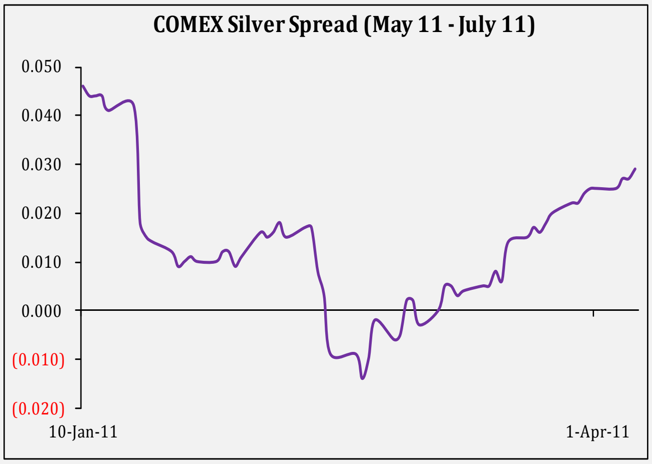


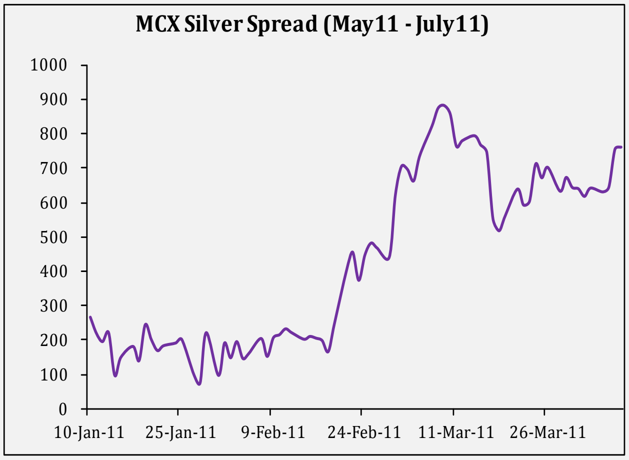


Calendar Spreads









DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date Time	Region	Event	Period	Survey	Prior
4/10/2011 7:30	CH	Trade Balance (USD)	MAR	-$3.35B	-$7.30B
04/10/2011 07:30	CH	Exports YOY%	MAR	23.40%	2.40%
04/10/2011 07:30	CH	Imports YOY%	MAR	20.60%	19.40%
04/12/2011 11:30	GE	Consumer Price Index (MOM)	MAR F	0.50%	0.50%
04/12/2011 14:00	UK	CPI (MOM)	MAR	0.60%	0.70%
04/12/2011 14:00	UK	Retail Price Index	MAR	232.8	231.3
04/12/2011 14:30	GE	Zew Survey (Current Situation)	APR	85.2	85.4
04/12/2011 14:30	EC	ZEW Survey (Econ. Sentiment)	APR	- -	31
04/12/2011 14:30	GE	ZEW Survey (Econ. Sentiment)	APR	10.6	14.1
04/12/2011 18:00	US	Import Price Index (MOM)	MAR	2.00%	1.40%
04/12/2011 18:00	US	Trade Balance	FEB	-$44.3B	-$46.3B
04/13/2011 11:30	GE	Wholesale price Index (YOY)	MAR	10.70%	10.80%
04/13/2011 14:30	EC	Euro-Zone Ind. Prod. s/a (MOM)	FEB	0.70%	0.30%
04/13/2011 18:00	US	Advance Retail Sales	MAR	0.50%	1.00%
04/13/2011 19:30	US	Business Inventories	FEB	0.80%	0.90%
04/14/2011 18:00	US	Initial Jobless Claims	9-Apr	380K	382K
04/14/2011 18:00	US	Continuing Claims	2-Apr	3703K	3723K
04/14/2011 18:00	US	Producer Price Index (MOM)	MAR	1.10%	1.60%
04/15/2011 07:30	CH	Industrial Production QOQ	MAR	- -	- -
04/15/2011 07:30	CH	Retail Sales (QOQ)	MAR	- -	- -
04/15/2011 07:30	CH	Real GDP YOY	1Q	9.40%	9.80%
04/15/2011 07:30	CH	Consumer Price Index (YOY)	MAR	5.20%	4.90%
04/15/2011 07:30	CH	Producer Price Index (YOY)	MAR	7.20%	7.20%
04/15/2011 07:30	CH	Industrial Production (YOY)	MAR	14.00%	14.90%
04/15/2011 10:00	JN	Industrial Production (MOM)	FEB F	- -	0.40%
04/15/2011 10:00	JN	Capacity Utilization (MOM)	FEB	- -	3.60%
04/15/2011 14:30	EC	Euro-Zone CPI (MOM)	MAR	1.30%	0.40%
04/15/2011 14:30	EC	Euro-Zone Trade Balance s/a	FEB	-3.6B	-3.3B
04/15/2011 18:00	US	Consumer Price Index (MOM)	MAR	0.50%	0.50%
04/15/2011 18:00	US	Empire Manufacturing	APR	17.8	17.5
04/15/2011 18:30	US	Total Net TIC Flows	FEB	- -	$32.5B
04/15/2011 18:30	US	Net Long-term TIC Flows	FEB	- -	$51.5B
04/15/2011 18:45	US	Industrial Production	MAR	0.50%	-0.10%
04/15/2011 18:45	US	Capacity Utilization	MAR	77.40%	76.30%
4/15/2011 19:25	US	U. of Michigan Confidence	APR P	69	67.5

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