

BULLION WEEKLY

A Weekly Report on Gold & Silver

The Week Ahead

- Precious Metals to resume rally- Gold may overrule silver
- The US monthly budget will be keenly watch- dollar's fate can be the deciding factor for the metal's move

Technical Calls

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
COMEX June Gold	1329	1396	1444	1559	1625	1673	Buy at 1485-90 TP 1511/13 SL 1468 Sell at 1515 TP 1480 SL 1535
MCX June Gold	20188	20915	21382	22576	23303	23770	Buy at 21780 TP 22100/23150 SL 21620 Sell at 22120-100 TP 20920 SL 22220
COMEX July Silver	1433	2368	2948	4464	5399	5979	Buy at 3520-50 TP 3820/3900 SL 3380
MCX July Silver	27913	39942	47043	66173	78202	85303	Buy at 54500-800 TP 59000 SL 53000

Outlook

The week gone by, precious metals were forfeited. Profit booking from investors and large fund managements took place while successive increase in margin requirements by the CME led speculators to unwind their positions. Week ahead, we will hold our stance to be "Bullish followed by Bearish".

The auspicious occasion "Akshaya Tritiya" has infused buying spree among the investors after gold dropped 4.51% to Rs.21641, providing breather to spot buyers. Gold ETFs also recorded a total volume of 1.5 tons by early evening on Friday's trade. E-gold sales on the Financial Technologies- promoted NSEL are expected to touch Rs.250 crore and E-silver sales at Rs.450 crore. Total gold holding under E-gold contracts has, therefore, surged to 89 tons in one year after the contract was launched on the last Akshaya Tritiya. The ECB President Jean Claude Trichet commented that they do not expect any rate hikes soon. This sank the Euro from \$1.4925 to \$1.4311 and thereby led the dollar to gain. The fall quicken on the news that Greece was about to leave the Euro although at the evening the Prime minister dismissed the claim.

The global central banks demand is coming up. Coming to the economic data releases, next week brings the Bank of England's inflation report which will be keenly watched. The US monthly budget (May 11) may be the crucial one to determine the dollar's fate, a betterment of which can give a boost to the dollar, which is likely to happen. Hence, at the beginning of the week bullion prices may see some price betterment followed by a detriment in prices.

While analyzing the P-V-O, it has been observed that the last week in gold, traders' participation has increased largely as compared to the last four week's volume while they showed reluctance to carry over positions for the next week due to the ambiguity in price moves. So, open interest has fallen largely. This implies, speculators who were short (as prices came down) have already unwound their positions. This might be indicating that investors are willing to take new positions at lower levels. The same has been observed in silver but open interest has still not fallen to that level what actually should had been. This might be indicating that speculators are willing to see further down fall.

At present, after the last week's correction, the precious metals prices are now below their real prices (inflation adjusted) as calculated from 1980 which is calculated to be at \$1527 and \$39 for gold and silver respectively. Hence at this undervalued situation bargain buying may set back.

Gold/Silver Ratio

The Gold Silver Ratio has lifted to over 42.27 from last week's 32.02 as silver has disposed largely against the gold. The degree to which silver has exhausted in the last week was the largest fall in a week for the year till date which has made this ratio to improve. Week ahead, gold is likely to surmount over silver as explained in the P-V-O analysis. Most importantly, the US budget on mid week may determine dollar's fate (expectedly dollar will appreciate) which may strain on the bullions. Hence at the beginning of the week we may see some price promotion followed by price ebb. Hence, buying gold and selling silver can be the suitable strategy to reap the benefit of a progressing ratio.

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Technical Analysis – Gold

A drastic down fall witnessed this week in bullion prices. Comex Gold June futures made a low of 1462.50 this week and settled after a slight recovery at 1491.60 from the week's low.

A **long black candle stick** is witnessed with long lower shadow indicating entrance of bulls at lower level. However, a bearish engulf candle sticks are patterned which is a trend reversal pattern but for confirmation we need one more bearish candle stick along with the pattern. **PVO analysis** suggests that volume increased with declining prices while the open interests are negative indicating a slight bounce back can be seen from lower levels. Prices failed to settle below short term **Exponential Moving Average (EMA)-8** indicating strength in the trend. Market maintaining the support of 1462.50 **short term trend lines** (drawn by joining 2 well defining troughs of 1310.9 and 1382.4 and another trend line drawn by joining 2 well defined peaks of 1430 and 1436.7). One more tool **fibonacci principle** suggests that prices failed to close below 1474.50 which is 38.2% natural retracement of the range 1304.50-1577.40. The **technical indicator RSI (14)** is at 0.63 declined from 0.78 that is suggesting that the cautious mode to be kept for the coming week.

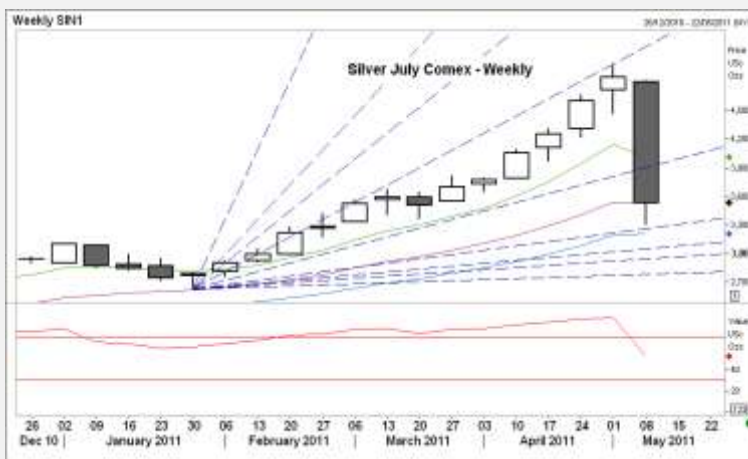


From the above analysis we expect a short term bounce back in gold prices so we recommend buying at lower levels. However we expect the trend may remain weak further and therefore suggesting selling on the higher level.

Technical Analysis – Silver

A long liquidation is seen in silver prices for this week after a cheerful rally in Silver. Comex silver July contract prices settled at 3528.7 after making a high of 4819; low 3303.50.

In daily chart prices are currently trading far then the short term and medium term Exponential Moving Averages which is an indication of short term bounce back till 4000 the moving averages in the prices. In weekly chart we have seen that the silver prices are following the 45 degree Gann line from the low of 2645 as per Gann fan principle. But for this week it breached the said trend line and also settled below the next 26.25 degree Gann line however it took the support of 18.75 degree Gann line and settled above indicating that the prices may remain on the bounce back mode till 3830 which is the resistance level of 26.25 degree Gann line. The technical indicator RSI (14) is at 0.52, from the last week is fallen down drastically from 0.88 signalling bearishness in the trend.



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Market Round-up: The week gone by precious metals had an awful performance on the back of profit booking and unwinding of positions by the speculators at a large extent

Economic Events:

- ❖ The bank of England kept the benchmark rate at record low of 0.5% to stimulate the growth during the government's fiscal squeeze. ECB also kept its benchmark rate unchanged at 1.25%.
- ❖ Soros Fund Management sold precious metals holdings because of reduced risk of inflation. They hold shares in SPDR trust and i-share gold trust amounting 508800 ounces. Booking profits led other investors to do the same, leading a price fall for the bullions
- ❖ The CME has raised initial margin for silver within a quick succession from \$16200 to \$21600 (with effective from May 9, 2011). Speculators were bound to unwind their positions after this combative decision has been announced, silver got a big hit
- ❖ The Central banks of Mexico, Russia and Thailand have increased their gold reserves valued at \$6 billion after the dollar plunged to its two years lowest
- ❖ Global equities performed mostly at a negative namely Indian SENSEX lost the most by 3.23%, Japan's NIKKEI moved up by a paltry 0.10% while China's Hang-Sang has shattered 2.37%. Europe FTSE shattered 1.53% and the DJIA lost by 1.34%

Precious Metal Show:

- ❖ SPDR gold holdings fell to 1205.38 tons from the last week's 1229.64 tons (1.97%) after the sell off came in
- ❖ The I-share silver holdings had seen a run out of more than 6% from last week's 11021.34 tons to 10268.92 tons
- ❖ Gold rebounded at the last session, halting a three day slide, but overall in both COMEX and MCX the immediate June delivery plummeted more than 4%
- ❖ Silver futures fell, capping the biggest weekly plunge of the year following increases in margin requirements. The COMEX immediate delivery shattered 28% while the same in the MCX lost more than 23%

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)	1566.80	1577.40	1462.50	1491.60	-4.16%	1243427	59.40%	320462	-8.07%
	Gold (Aug 11)	1565.60	1577.70	1464.10	1492.90	-4.16%	56950	80.49%	79291	11.43%
MCX (₹/10gm)	Gold (June 11)	22770	22835	21641	21846	-4.27%	228726	33.98%	12598	-14.80%
	Gold (Aug 11)	22770	23124	21913	22120	-4.31%	11105	55.71%	3169	13.10%

Price Performance - Silver

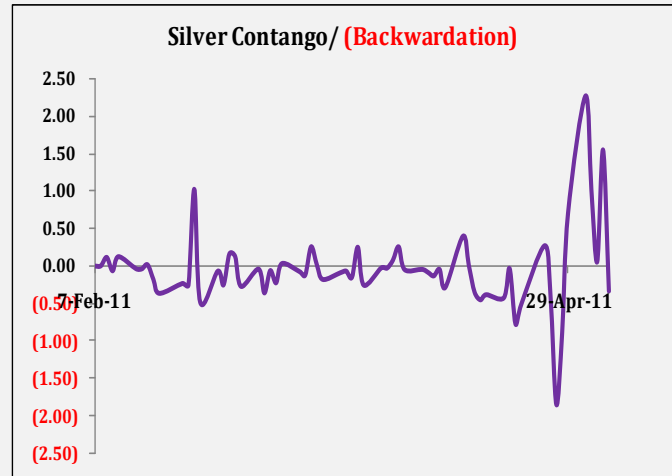
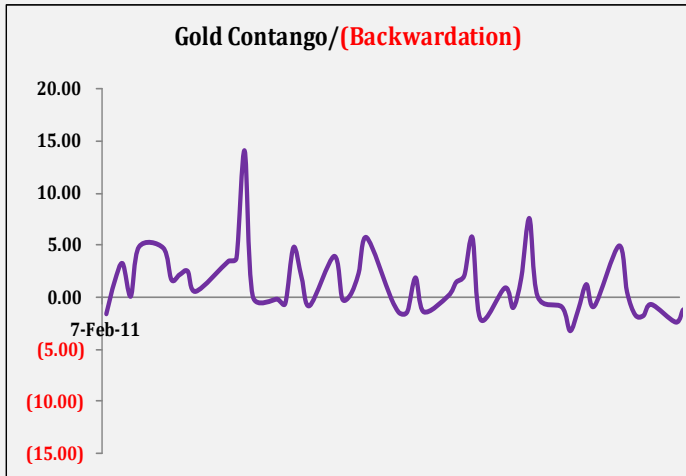
Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX (\$/oz)	Silver (July 11)	48.09	48.19	33.04	35.29	-27.39%	868527	51.69%	77140	-4.08%
	Silver (Sep 11)	47.92	47.99	33.12	35.29	-27.39%	19238	62.51%	10393	-0.05%
MCX (₹/kg)	Silver (July 11)	71100.00	71100	51970	54296	-23.90%	679316	217.07%	14457	-7.02%
	Silver (Sep 11)	69155.00	75543	67511	72036	-23.86%	27349	175.97%	2271	31.58%

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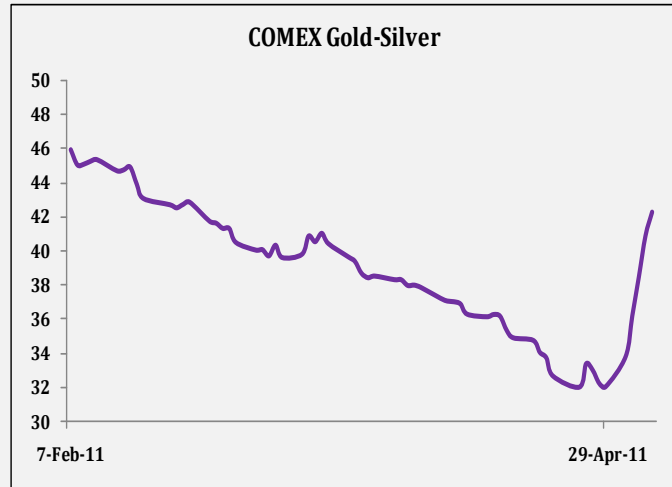
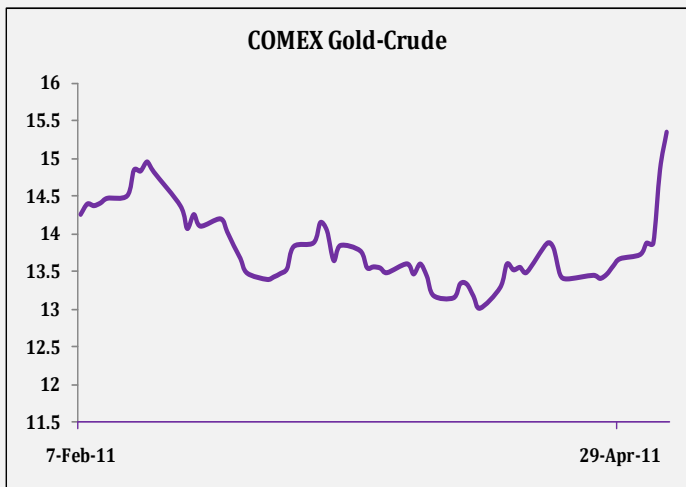
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Chart Updates - Contango & Backwardation

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



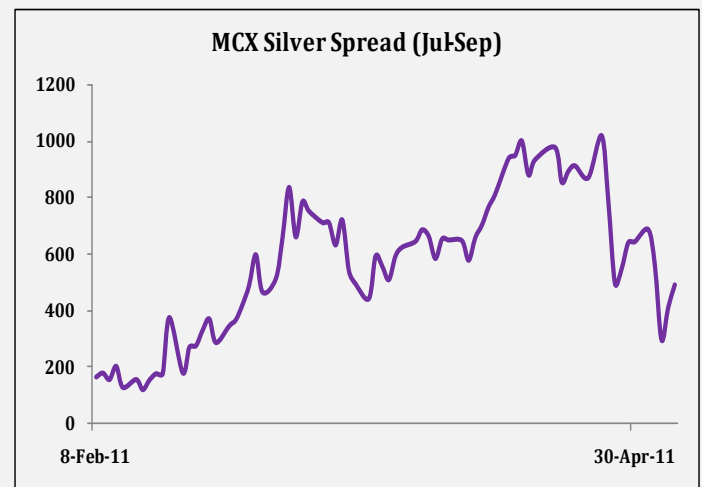
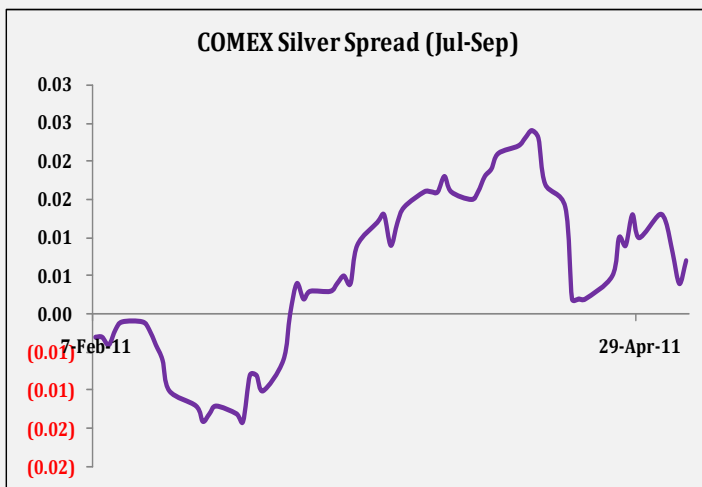
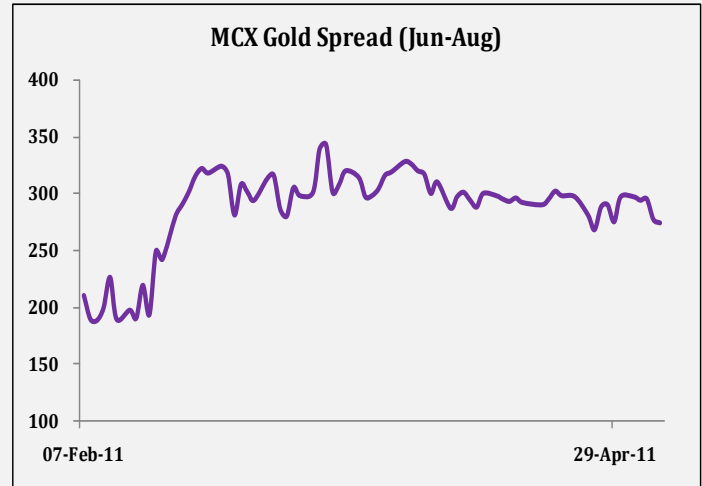
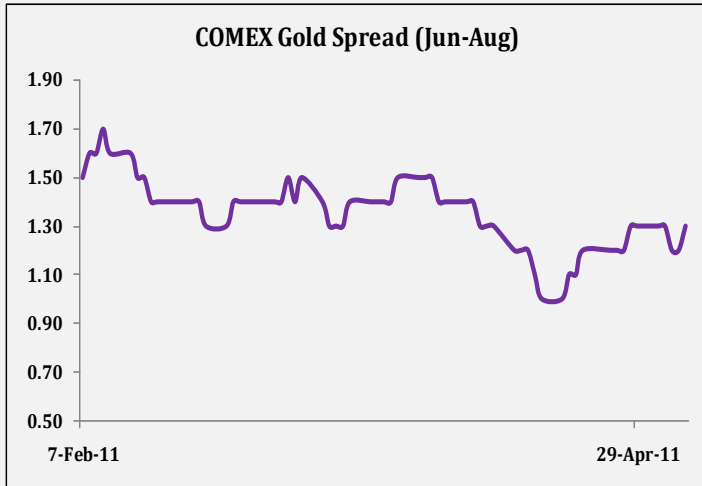
Ratio Charts



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Calendar Spreads



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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
05/07/2011	00:30	US	Consumer Credit	MAR	\$5.000B	\$7.617B
05/09/2011	11:30	GE	Exports SA (MOM)	MAR	1.10%	2.70%
05/09/2011	11:30	GE	Imports SA (MOM)	MAR	0.80%	3.70%
05/09/2011	11:30	GE	Current Account (EURO)	MAR	14.0B	8.9B
05/09/2011	11:30	GE	Trade Balance	MAR	14.4B	12.1B
05/09/2011	14:00	EC	Sentix Investor Confidence	MAY	15	14.2
05/10/2011	07:30	CH	Trade Balance (USD)	APR	\$3.20B	\$0.14B
05/10/2011	07:30	CH	Exports YOY%	APR	29.50%	35.80%
05/10/2011	07:30	CH	Imports YOY%	APR	28.90%	27.30%
05/10/2011	18:00	US	Import Price Index (MOM)	APR	1.80%	2.70%
05/10/2011	19:30	US	Wholesale Inventories	MAR	1.00%	1.00%
05/11/2011	07:30	CH	Consumer Price Index (YOY)	APR	5.20%	5.40%
05/11/2011	07:30	CH	Producer Price Index (YOY)	APR	7.00%	7.30%
05/11/2011	07:30	CH	Industrial Production (YOY)	APR	14.60%	14.80%
05/11/2011	07:30	CH	Retail Sales (YOY)	APR	17.60%	17.40%
05/11/2011	11:30	GE	Consumer Price Index (MOM)	APR F	0.20%	0.20%
05/11/2011	11:30	GE	Consumer Price Index (YOY)	APR F	2.40%	2.40%
05/11/2011	11:30	GE	Wholesale Price Index (MOM)	APR	--	1.30%
05/11/2011	11:30	GE	Wholesale price Index (YOY)	APR	--	10.90%
05/11/2011	15:00	UK	Bank of England Inflation Report			
05/11/2011	18:00	US	Trade Balance	MAR	-\$47.0B	-\$45.8B
05/11/2011	23:30	US	Monthly Budget Statement	APR	-\$62.30	-\$188.2B
05/12/2011	05:20	JN	Trade Balance - BOP Basis	MAR	¥305.0B	¥723.3B
05/12/2011	13:30	EC	ECB Publishes May Monthly Report			
05/12/2011	14:00	UK	Industrial Production (MOM)	MAR	0.80%	-1.20%
05/12/2011	14:00	UK	Manufacturing Production (MOM)	MAR	0.30%	0.00%
05/12/2011	14:30	EC	Euro-Zone Ind. Prod. s/a (MOM)	MAR	0.30%	0.40%
05/12/2011	18:00	US	Initial Jobless Claims	7-May	428K	474K
05/12/2011	18:00	US	Continuing Claims	30-Apr	3698K	3733K
05/12/2011	18:00	US	Producer Price Index (MOM)	APR	0.60%	0.70%
05/12/2011	18:00	US	Producer Price Index (YOY)	APR	6.50%	5.80%
05/12/2011	18:00	US	Advance Retail Sales	APR	0.60%	0.40%
05/13/2011	11:30	GE	GDP s/a. (QOQ)	1Q P	0.90%	0.40%
05/13/2011	18:00	US	Consumer Price Index (MOM)	APR	0.40%	0.50%
05/13/2011	18:00	US	Consumer Price Index (YOY)	APR	3.10%	2.70%
05/13/2011	19:25	US	U. of Michigan Confidence	MAY P	70	69.8

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