

BULLION WEEKLY

A Weekly Report on Gold & Silver

The Week Ahead

- Precious metals to remain jittery ahead of the crucial debt limit announcement on Aug.2
- Deadlock to the deal of debt may support the price to an uphill
- US Non farm payrolls data should be watched keenly

Technical Calls

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
Gold Oct COMEX	1578	1591	1610	1643	1656	1675	Buy at 1618-22 TP 1636 then 1648 strict SL 1603
Gold Oct MCX	22877	23059	23285	23693	23875	24101	Buy at 23450-420 TP 23650 then 23720 Strict SL below 23220
Silver Sept COMEX	3695	3813	3912	4128	4246	4345	Sell at 4050-4030 TP 3870 then 3830 SL above 4150 and Buy at 3810-3830 TP 4075 then 4120 SL below 3760
Silver Sept MCX	55061	56596	57750	60439	61974	63128	Sell at 59300-200 TP 57000 SL above 60450 and Buy at 56800-57000 TP 59830 then 60800 SL Below 55900

Outlook

The week gone by Gold futures elevated to a record \$1634.90 on demand for an investment haven amid mounting concerns on the US debt impasse and signs of faltering economy. Week ahead is crucial for the bullion as the US Congress heads in to weekend deadlocked on debt plan and may be forced to increase the limit on August 2. Anticipation and speculation might therefore lead the bullions to be volatile. We take our call on bullions to retreat to start the week although possibilities to end up with a weekly gain can't be ruled out

The U.S. Treasury's ability to pay back its obligations terminates on August 2, and with debt negotiations at a clear, heavily entrenched impasse over how to deal with the \$14.3 trillion debt ceiling – **a simple debt ceiling raise, to cut spending or to raise revenue, or some mix of the three – financial markets are likely to become increasingly jittery over the coming days.**

The senate rejected House Republicans' plan to raise the US debt limit as the nation nears Aug.2 deadline to avoid default. The house approved the plan projected by the speaker John Boehner which would have enhanced the debt limit by \$900 billion but a second increase will only be allowed in the early next year iff Congress made further spending cuts and sent a balanced budget to the states for endorsement. Senate majority leader is working on its own debt ceiling proposal and the House plans a vote again on Sunday. Gold has been bid higher underscoring the disappointing gross domestic product of the US. Slower growth is therefore likely to maintain the lower interest rate for an extended period which in turn would keep easy money available to bid up commodities higher.

From the economic data front, the payrolls data are likely to improve this time and with other releases might support the dollar to revive from its two months low. So, bullions may feel the pressure. According to the P-V-O analysis, it has been observed that gold's price rise is well supported by the volumes and open interest for a continued four weeks, while the same is seen in silver too. But the past week silver price slid merely by 0.04% with fall in both participation and carrying positions which also indicates bull trend may continue.

Overall, an ultimate result in raising the US debt for the time being is likely to fetch a soft patch upon bullions but the effect will be due for longer term. So, week ahead with expectation of volatile gold and silver, it is recommended to be short till Aug 2 decision (a raise of limit is to put the metals under stress) after which it is the payroll data on Friday to put bit pressure. In between, since the massive size of \$14.3 trillion debt has been built up by over the years and has accelerated drastically recently, no one can now think of that this will ever be reduced to zero. Rather, US perhaps go on running deficits of this size or higher for ever as because the gap between spending and income being so enormous. The possibility that if the debt ceiling is not raised that Social Security payments are not made in August is really beginning to bring the financial mess in which the US finds itself into the forefront of debt default and also brings boon for the precious metals.

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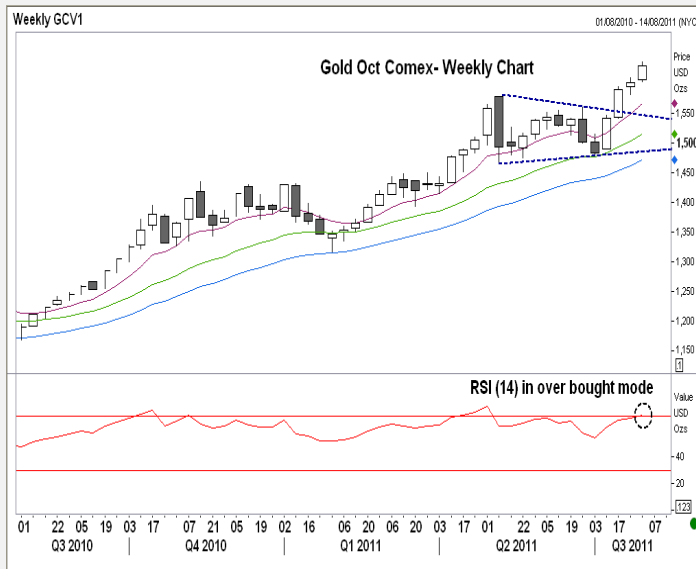
Technical Analysis – Gold

This week Gold Oct futures prices remain volatile but still continuing its bull run as prices settled at \$1629.90 after making new high of \$1636.3.

In this week a small white candle stick is spotted indicating trend to remain positive for the coming week. Market is sustaining far above the short and medium term exponential moving averages (EMA - 8, 21 \$ 34) suggesting short term correction may be possible any time. The momentum indicator RSI (14) entered in an overbought mode and trading at 0.71 suggesting correction may be possible at any time.

In daily chart a long white candle stick is witnessed on Friday signalling bullish mode may be continued for the coming few days. Prices are sustaining above the short term exponential moving average (EMA-8) indicating strength in the trend. However, the short and medium term moving averages are looking very scattered in the daily chart suggesting that the cautiousness to be kept in mind while trading for this week.

From the above analysis we expect gold prices to remain on the higher side in the initial session of the week while it may correct there after.



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Market Round-up: The week gone by precious metals rallied (especially on Friday) amid jittery on US debt ceiling, which is likely to carry on till Aug.2

Economic Events:

- ❖ US House speaker John Boehner fell short of the votes within his own party needed to increase the nation's debt limit after a night of one-on-one appeals to members, canceled a vote on a plan that Senate leaders pledged to defeat
- ❖ Moody's said a possible downgrade for Spain would probably be limited to one notch. Spain, the Euro area's fourth largest economy, is trying to rein in a surge in borrowing costs and convince investors it won't follow Greece, Ireland and Portugal in seeking an international bailout
- ❖ The US economy grew less than forecast in the second quarter and consumers also retrenched their spending. GDP rose at 1.3% annual rate pressurized by slower job and income gains
- ❖ Moody's investors' service cut its rating on Greece's foreign and local currency bond by three notches to "Ca" from "Caa1" which reflects the risk of default
- ❖ The dollar index remained settled 1.93% below previous week amid the US debt concern and the Euro gained 0.26% against dollar amid optimism as the US leaders made the market jittery over raising the limit
- ❖ World equities measured by the MSCI all country world indexes, posted a 3.16% loss while the Asian benchmark index also retreated by 1.63%. On the other hand, the CRB Index, a bellwether for commodities also fell by 1.68%

Precious Metal Show:

- ❖ SPDR gold holdings rose to 1263.57 tons from 1241.76 tons since last week, signaling confidence over the price performance
- ❖ The I-share silver holdings also increased to 9915.86 tons from 9849.17 tons since last week also is indicating a growing investment demand for the metal
- ❖ Gold rose (August Contract), registering new life high of \$1634.90
- ❖ Silver futures for September delivery however lost merely by 0.04%

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 (Oct 11)	1607.50	1636.30	1603.80	1629.90	1.70%	57199	264.74%	24705	40.79%
	Gold (Dec 11)	1612.00	1637.50	1605.00	1631.20	1.71%	641663	267.40%	370297	71.33%
MCX (₹/10gm)	Gold (Oct 11)	23410	23649	23241	23543	0.57%	57249	196.64%	9065	63.42%
	Gold (Dec 11)	23860	23947	23542	23833	0.54%	1742	55.67%	1134	27.99%

Price Performance - Silver

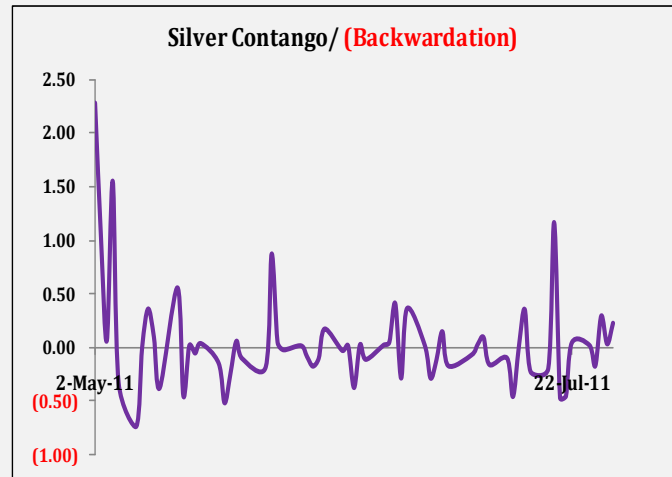
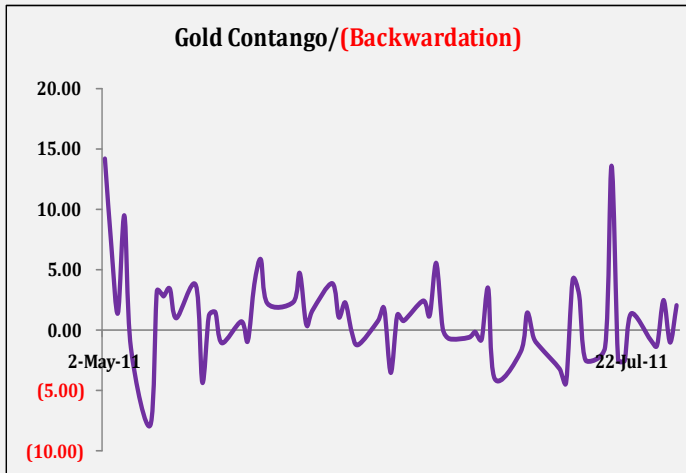
Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX (\$/oz)	Silver (Sep 11)	40.35	41.47	39.30	40.11	-0.04%	290432	-14.46%	58905	-1.16%
	Silver (Dec 11)	40.47	41.47	39.33	40.13	-0.03%	15810	-27.46%	31437	10.93%
MCX (₹/kg)	Silver (Sep 11)	59625.00	60819	58130	59111	-0.63%	572927	-11.48%	16687	24.49%
	Silver (Dec 11)	61141.00	61837	58170	60608	-0.42%	19263	-15.66%	2830	13.56%

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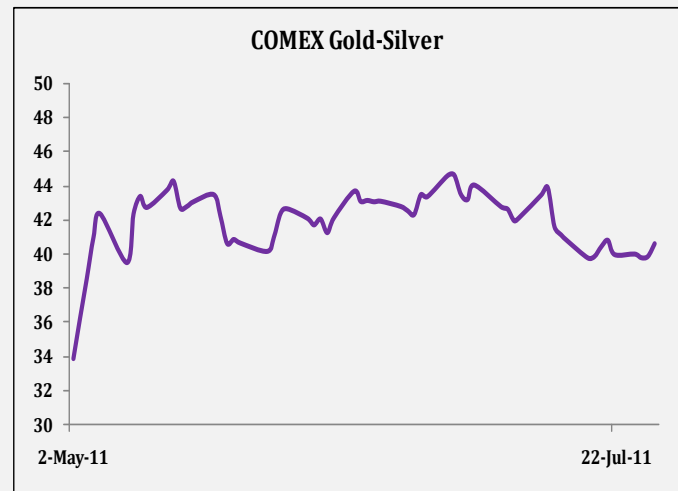
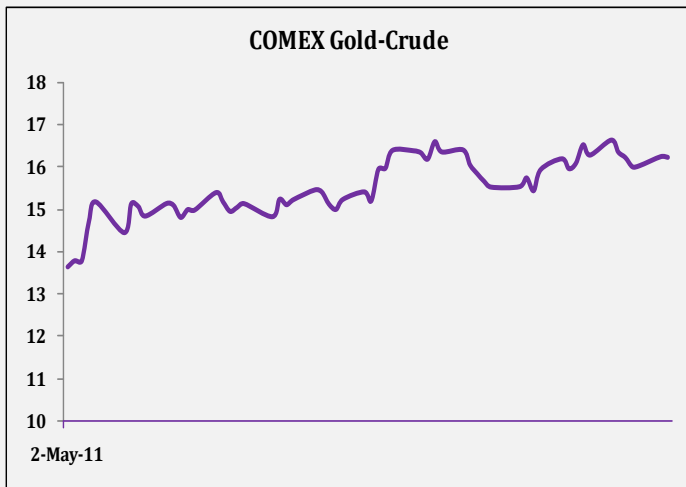
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Chart Updates - Contango & Backwardation

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



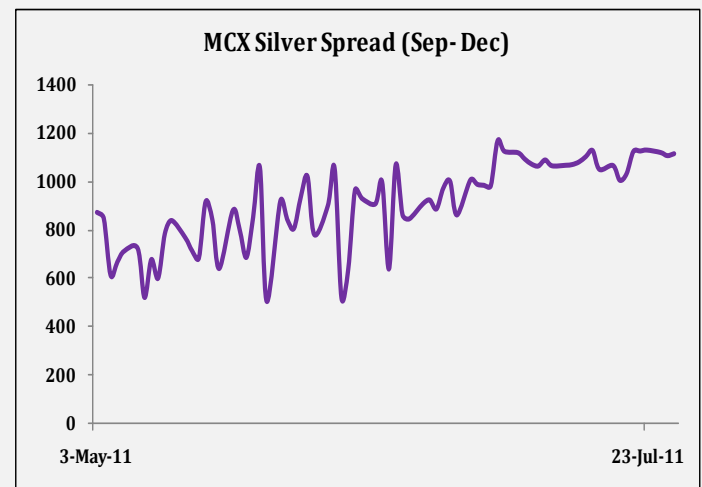
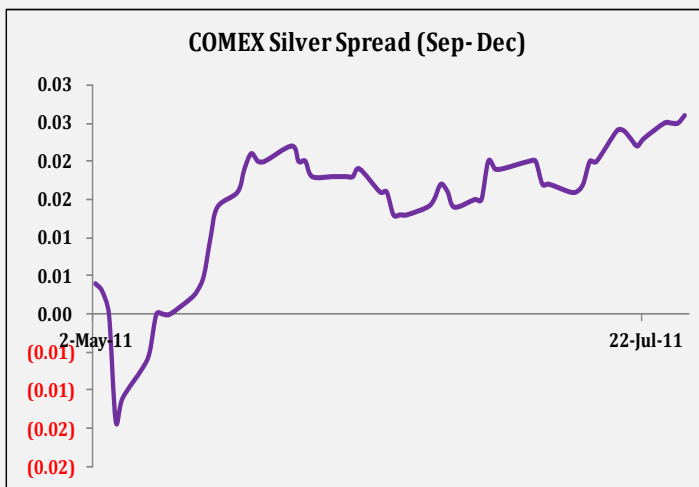
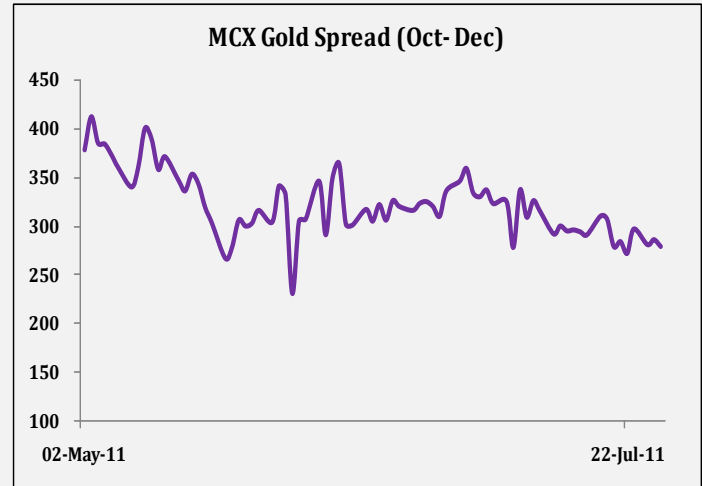
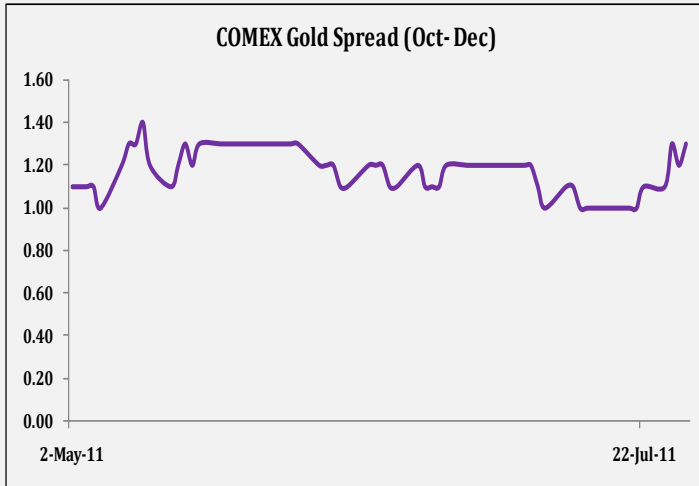
Ratio Charts



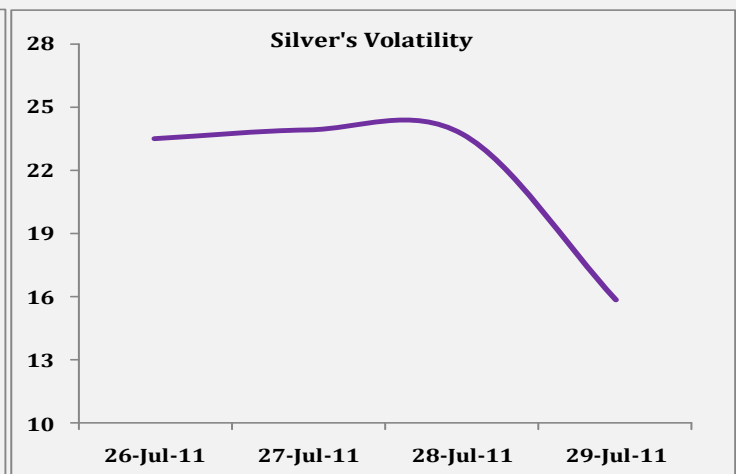
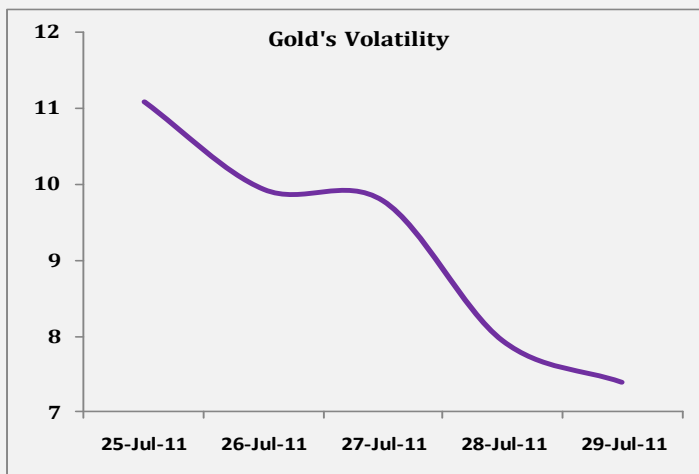
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Calendar Spreads



Volatility at MCX (%)



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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
08/01/2011	06:30	CH	PMI Manufacturing	JUL	50.2	50.9
08/01/2011	08:00	CH	HSBC Manufacturing PMI	JUL	--	50.1
08/01/2011	13:25	GE	PMI Manufacturing	JUL F	52.1	52.1
08/01/2011	13:30	EC	PMI Manufacturing	JUL F	50.4	50.4
08/01/2011	14:00	UK	PMI Manufacturing	JUL	51	51.3
08/01/2011	14:30	EC	Euro-Zone Unemployment Rate	JUN	9.90%	9.90%
08/01/2011	19:30	US	Construction Spending MoM	JUN	0.10%	-0.60%
08/01/2011	19:30	US	ISM Manufacturing	JUL	54.5	55.3
08/01/2011	19:30	US	ISM Prices Paid	JUL	64	68
08/02/2011	14:00	UK	PMI Construction	JUL	53.1	53.6
08/02/2011	14:30	EC	Euro-Zone PPI (MoM)	JUN	0.10%	-0.20%
08/02/2011	18:00	US	Personal Income	JUN	0.20%	0.30%
08/02/2011	18:00	US	Personal Spending	JUN	0.10%	0.00%
08/03/2011	02:30	US	Total Vehicle Sales	JUL	11.80M	11.41M
08/03/2011	02:30	US	Domestic Vehicle Sales	JUL	9.30M	8.95M
08/03/2011	06:30	CH	China Non-manufacturing PMI	JUL	--	57
08/03/2011	08:00	CH	China HSBC Services PMI	JUL	--	54.1
08/03/2011	13:25	GE	PMI Services	JUL F	52.9	52.9
08/03/2011	13:30	EC	PMI Composite	JUL F	50.8	50.8
08/03/2011	13:30	EC	PMI Services	JUL F	51.4	51.4
08/03/2011	14:00	UK	PMI Services	JUL	53.2	53.9
08/03/2011	14:30	EC	Euro-Zone Retail Sales (MoM)	JUN	0.50%	-1.10%
08/03/2011	17:45	US	ADP Employment Change	JUL	100K	157K
08/03/2011	19:30	US	ISM Non-Manf. Composite	JUL	53.7	53.3
08/03/2011	19:30	US	Factory Orders	JUN	-0.80%	0.80%
08/04/2011	16:30	UK	BOE ANNOUNCES RATES	4-Aug	0.50%	0.50%
08/04/2011	17:15	EC	ECB Announces Interest Rates	4-Aug	1.50%	1.50%
08/04/2011	18:00	US	Initial Jobless Claims	30-Jul	405K	398K
08/04/2011	18:00	US	Continuing Claims	23-Jul	3695K	3703K
08/05/2011	15:30	GE	Industrial Production MM (sa)	JUN	0.10%	1.20%
08/05/2011	18:00	US	Change in Nonfarm Payrolls	JUL	90K	18K
08/05/2011	18:00	US	Change in Private Payrolls	JUL	115K	57K
08/05/2011	18:00	US	Change in Manuf. Payrolls	JUL	10K	6K
08/05/2011	18:00	US	Unemployment Rate	JUL	9.20%	9.20%
08/05/2011		JN	BOJ Target Rate	5-Aug	--	0.10%

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