KARVY COMTRADE LIMITED

Aug 13, 2011

BULLION WEEKLY

A Weekly Report on Gold & Silver

The Week Ahead

- Precious metals to maintain rally- Gold may outperform silver
- Euro area GDP should be closely watched
- Slowing US housing sector may boost the precious metals prices

Technical Calls

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
Gold Oct COMEX	1537	1608	1674	1811	1882	1948	Sell 1765-70 TP 1735 then 1715 Strict SL 1792
Gold Oct MCX	23017	23858	24774	26531	27372	28288	Sell at 26000-050 TP 25640 then 25500 Strict SL 26320
Silver Sept COMEX	3392	3547	3729	4067	4222	4404	Buy at 3800-3820 TP 4100 then 4180 SL 3755.
Silver Sept MCX	53134	54960	56848	60562	62388	64276	Buy at 58000-58200 TP 60300 SL 57150

Outlook

The week gone by, Gold advanced, heading for the biggest three day gain and hitting record high one after another to cross the $1800 mark. The US debt ceiling standoff has been dominating the markets along with almost daily ups and downs in the Euro zone's debt crisis which especially affected the precious metals prices flared up by the slumping global equities and speculation about a rating down gradation of France. However, at the mid week CME has raised the margins on gold contract by 22 percent. The speculators now need to put up $7425 per contract instead of $6075 .Hedging margin has also increased by 22% to $5500 from $4500. The Shanghai Gold Exchange also boosts the trade margin to 11% from 10%. Gold retreat a bit therefore to settle on a weekly gain of 5.50%. ***Week ahead, the flight to safety will keep upward pressure on precious metals and with global debt concern battered world financial situation increasingly dangerous and vulnerable, may keep investors on the edge and quick run for safety.*** For sure, there will however be short term ups and downs based on news of every day.

Giving more importance to the economic releases, as Aug 15 is holiday, the US market performance is likely to be felt on next day opening. After a descend move in dollar, it is expected to revive next week on anticipation of a high long term TIC flow on belief that the US will be reviving and foreign funds can flow in to the bonds to support the dollar. Hence Indian gold might feel some downside pressure. However, through out the week, continued weak housing sector and a probable rise in producer prices and consumer prices might make the metal to revive.

The **P-V-O** analysis shows gold's substantial rise for the last six consecutive weeks are also well sustained by the volume and open interest which signals bullishness to persist. However, Silver's last week gain was not actually supported by the traders' participation and eagerness to carry over the positions. This indicates people are not actually ready to hold positions in silver. Hence, this signals modest weakness in silver.

International gold spot price closed $5 higher than the future which indicates "Backwardation" in the market. So, pull back in future prices can be expected. The same has been observed in India also. While the Mumbai gold spot rate settled at Rs. 25815, future price closed at Rs.25640. This $5 is roughly equivalent to Rs.75 above which Indian spot price added Rs.100 as a premium. More importantly, the "Parity Price" so calculated with the US futures closing shows only at Rs. 45 discount from the MCX future closing, even less than the equivalent gap of $5 or Rs.75. Hence, this implies, even if the US future on Monday opens at $1746, it will be exceeding Indian closing, or, Parity price will be at a premium. So, to breach this gap, we may expect the immediate delivery future to open high.

Overall, precious metals prices are likely to shoot up and there after possibility to take correction also lies in to the picture.

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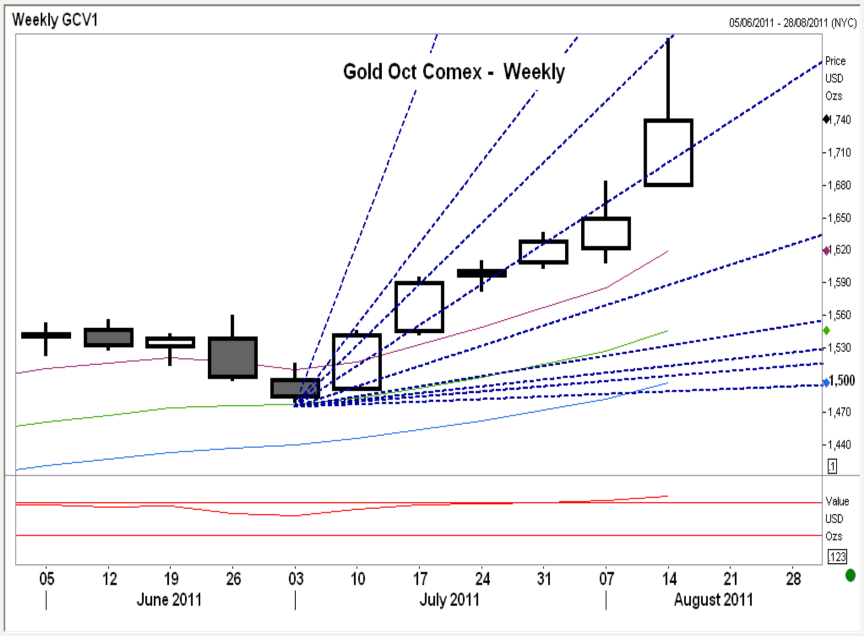
Technical Analysis – Gold

Price towered to $1815.8 this week and settled a $1741.20 for this week in Gold Comex October futures.

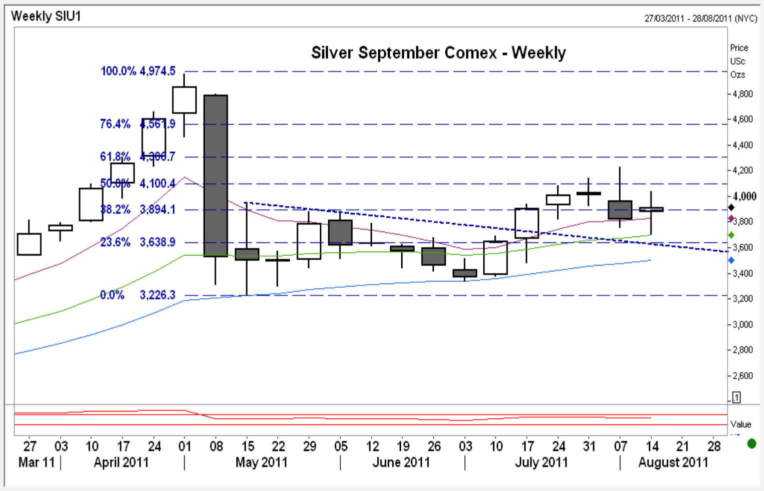


Weekly candle stick formation is white opening marubozu with long upper shadow. This is showing lack of buying interest in at higher levels. Prices are sustaining far above the short and medium term moving averages indicating short term correction might be possible initially for the coming week. As per Gann fan principle, prices are sustaining far above the 45 degree Gann line which is indicating that the current rally in gold prices is over done and we may see some correction for the next week. The momentum indicator RSI (14) is treading in an over bought mode signalling correction in the prices. However, in daily chart prices failed to settled below $1736 which is 23.6% retracement of the recent rally as per Fibonacci principle. This is indicating that the prices may not come down for the coming week as the Bull Run is on the move.

We expect gold prices to remain volatile for the coming week and suggest low risk traders to stay away from the market. Whereas, high risk traders can sell gold with strict stop loss.

Technical Analysis – Silver

Silver (September Comex Futures) prices settled almost flat at 3911.40 cents in comex market after a volatile session. It made a high of 4040cents and a low of 3702.50cents during the week.



A Doji candle stick is witnessed in the weekly chart which is suggesting sideways mode for the week. Prices are sustaining above the short term moving averages indicating strength in the trend. Prices bounced back after taking the support of short term trend line drawn by joining 2 well defined peaks in silver weekly chart. This is indicating the prices may remain higher side for the coming session. Crucial level to watch is 3894cents which is 38.2% natural retracement level of the recent down fall.

For the coming week we expect sideways to positive biased and suggesting low risk investors to stay away from the market.

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Market Round-up: The week gone by Gold surged overnight Wednesday to a record $1,814.95 per ounce, extending its recent record-breaking run as European debt woes flared up, one week after Washington's historic credit rating downgrade by Standard and Poor's. Panic among market players emerged again amid speculation about a downgrade of France's credit rating and the nosedive on global financial markets continued.

Economic Events:

- Italian Prime minister approved 45.5billiob Euros in deficit cuts to balance the budget and try to convince investors that the country can tame the region's debt
- Italy seeks to ease labor market laws, sell local services and possibly raise the capital gains tax to eliminate the budget deficit and secure ECB's support for its bonds after Italian borrowing costs reached the Euro area's high last week.
- French government categorically denied that it might be the next major country to lose its cherished AAA status and the ratings agencies said they did not plan to downgrade. And Societe Generale denied it was facing trouble over its exposure to Greece
- The dollar index lost the confidence after the down gradation and lost 0.77% throughout the week after US trade deficit widened to $53.1 billion in June. Both imports and exports declined as global demand slowed. Although the retail numbers are good, consumer confidence number is horrible.
- The Fed decided to maintain its ultra low interest rate for at least another two years and hinted to take more measures if the economic condition requires.
- US stocks fell for a third straight week including the biggest one day drop since 2008, as S&P's reduction in the nation's credit rating and Europe's debt crisis fueled concern the economy will falter. World equities measured by the MSCI all country world indexes, posted a loss of 1.11% loss while the Asian benchmark index also retreated by 3.30%,. On the other hand, the CRB Index, a bellwether for commodities also fell by a mere 0.08%

Precious Metal Show:

- SPDR gold holdings slid to 1260.17 tons from 1286.29 tons last week as some profit taking came after the margin has raised
- The I-share silver holdings also decreased to 9772.56 tons from10010.45 tons last week, is indicating a less demand in investment
- Gold rose (Oct Contract), registering new life high of $1815.80
- Silver futures for September delivery also gained 2.36%

Price Performance - Gold

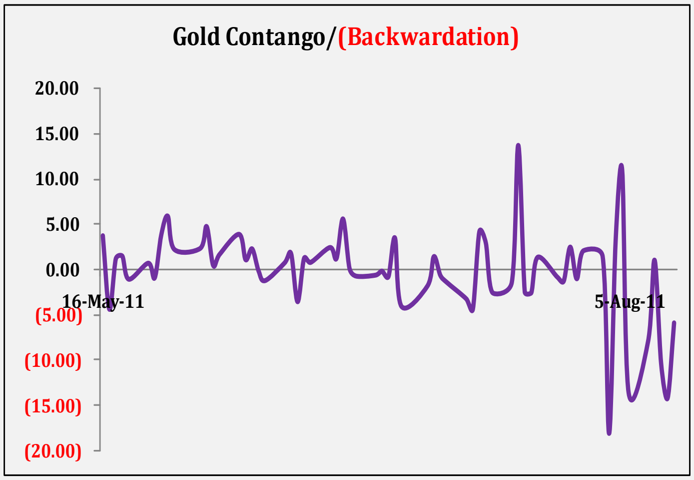
Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX ($/oz)	Gold (Oct 11)	1678.70	1815.80	1678.70	1741.00	5.50%	87809	24.10%	27207	13.96%
	Gold (Dec 11)	1681.70	1817.60	1681.70	1742.60	5.50%	1512857	42.34%	366701	-1.83%
MCX (₹/10gm)	Gold (Oct 11)	24700	26457	24700	25640	4.01%	485984	71.00%	12095	-6.06%
	Gold (Dec 11)	25200	26782	25103	25871	3.62%	24502	83.23%	1577	16.47%

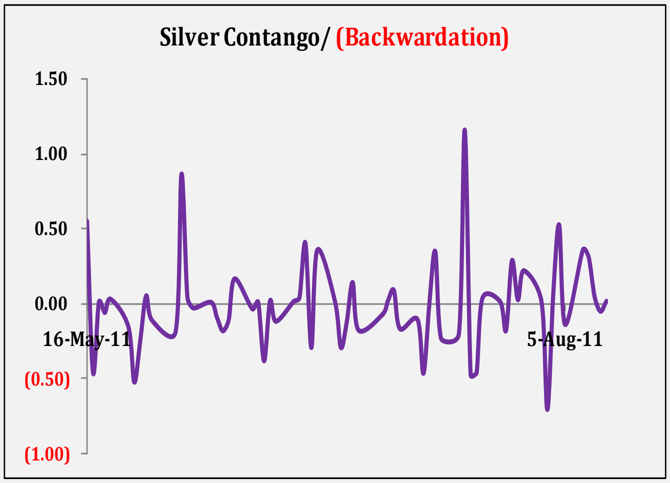
Price Performance – Silver

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)	38.83	40.40	37.03	39.11	2.36%	315103	-13.21%	42280	-21.06%
	Silver (Dec 11)	38.92	40.41	37.06	39.15	2.37%	78354	89.89%	42026	32.33%
MCX (₹/kg)	Silver (Sep 11)	58770.00	60499	56785	58914	0.92%	472537	-30.69%	14013	-13.29%
	Silver (Dec 11)	60499.00	63690	58007	59831	0.56%	18834	-28.35%	5009	34.18%

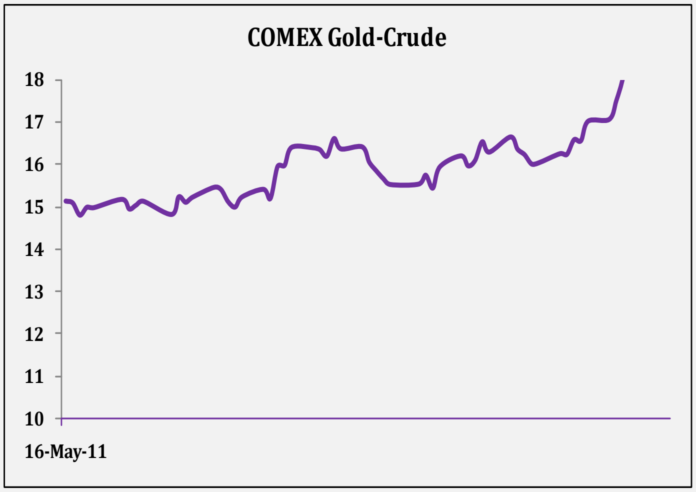
Chart Updates – Contango & Backwardation

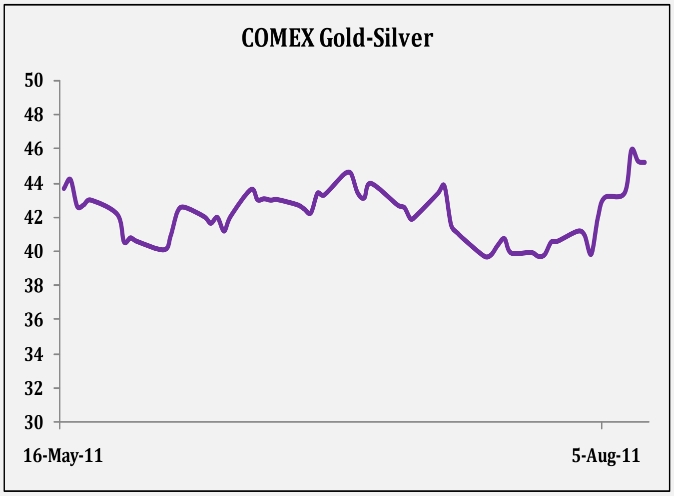
Backwardation is a market where spot prices exceed future prices while ***Contango*** indicates future prices exceeding spot prices.



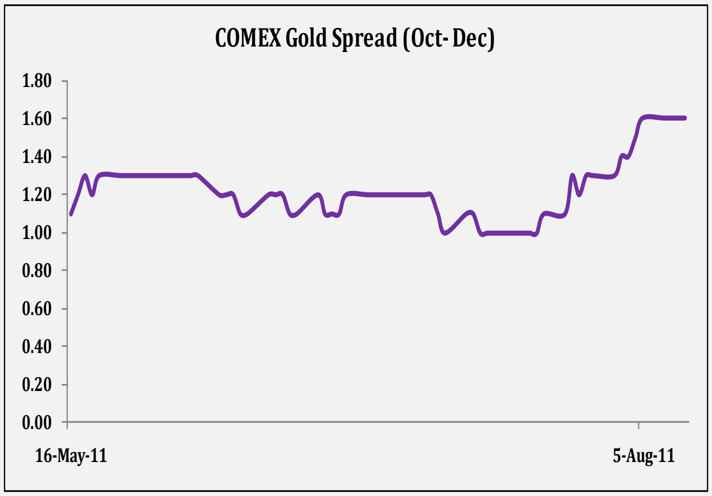


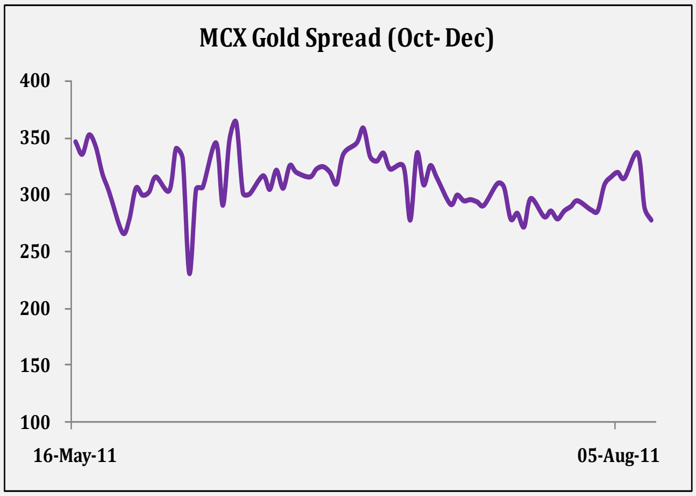
Ratio Charts

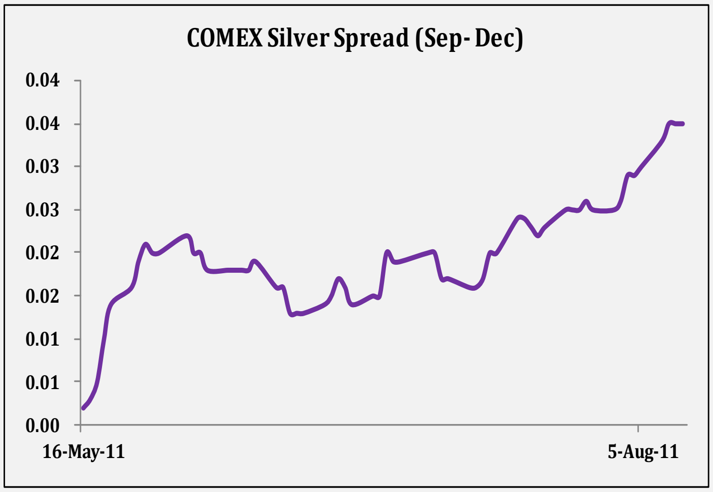


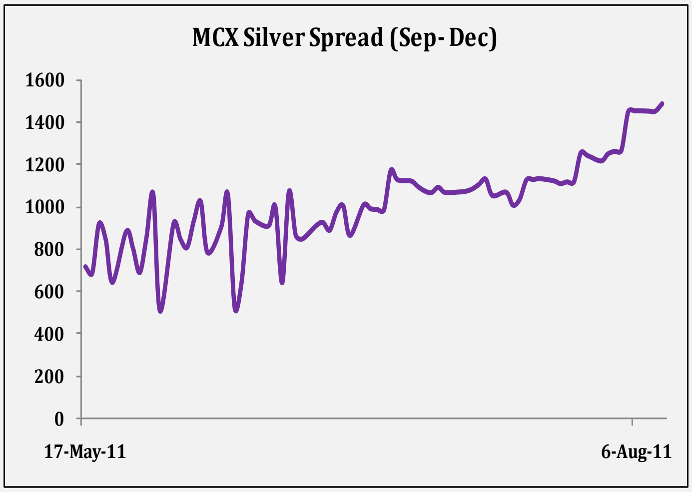


Calendar Spreads

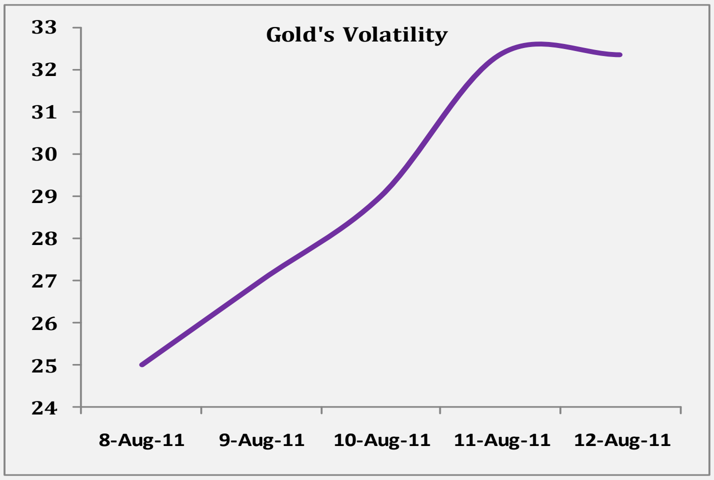


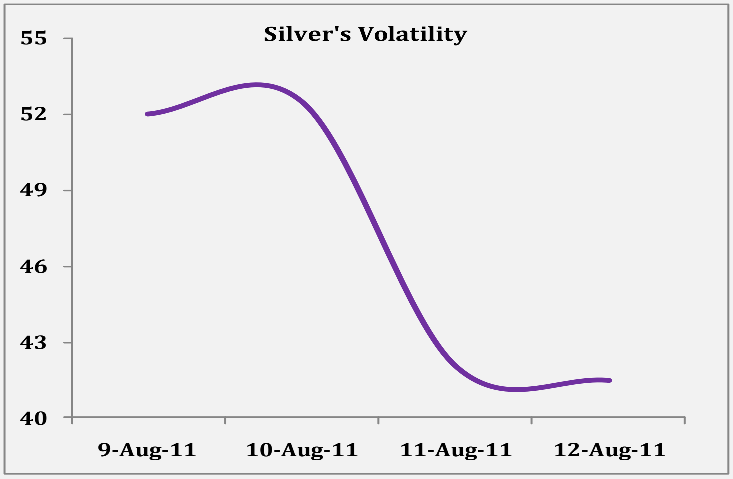






Volatility at MCX (%)





DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date Time	Region	Event	Period	Survey	Prior
08/15/2011 05:20	JN	Nominal GDP (QOQ)	2Q P	-1.40%	-1.30%
08/15/2011 05:20	JN	GDP Annualized	2Q P	-2.50%	-3.50%
08/15/2011 05:20	JN	Gross Domestic Product (QOQ)	2Q P	-0.60%	-0.90%
08/15/2011 18:00	US	Empire Manufacturing	AUG	0	-3.76
08/15/2011 18:30	US	Net Long-term TIC Flows	JUN	$32.6B	$23.6B
08/15/2011 18:30	US	Total Net TIC Flows	JUN	- -	-$67.5B
08/15/2011 19:30	US	NAHB Housing Market Index	AUG	15	15
08/16/2011 11:30	GE	GDP s/a. (QOQ)	2Q P	0.50%	1.50%
08/16/2011 14:00	UK	CPI (MOM)	JUL	-0.10%	-0.10%
08/16/2011 14:30	EC	Euro-Zone GDP s/a. (QOQ)	2Q A	0.30%	0.80%
08/16/2011 14:30	EC	Euro-Zone Trade Balance s/a	JUN	0.0B	-0.6B
08/16/2011 18:00	US	Import Price Index (MOM)	JUL	-0.10%	-0.50%
08/16/2011 18:00	US	Housing Starts	JUL	600K	629K
08/16/2011 18:00	US	Building Permits	JUL	605K	624K
08/16/2011 18:45	US	Industrial Production	JUL	0.50%	0.20%
08/16/2011 18:45	US	Capacity Utilization	JUL	77.00%	76.70%
08/17/2011 13:30	EC	ECB Euro-Zone Current Account SA	JUN	- -	-5.2B
08/17/2011 14:30	EC	Euro-Zone CPI (MOM)	JUL	-0.60%	0.00%
08/17/2011 18:00	US	Producer Price Index (MOM)	JUL	0.10%	-0.40%
08/18/2011 05:20	JN	Merchnds Trade Balance Total	JUL	¥69.3B	¥70.7B
08/18/2011 18:00	US	Consumer Price Index (MOM)	JUL	0.20%	-0.20%
08/18/2011 18:00	US	Initial Jobless Claims	13-Aug	400K	- -
08/18/2011 18:00	US	Continuing Claims	6-Aug	3700K	- -
08/18/2011 19:30	US	Leading Indicators	JUL	0.20%	0.30%
08/18/2011 19:30	US	Philadelphia Fed.	AUG	3.5	3.2
08/18/2011 19:30	US	Existing Home Sales	JUL	4.90M	4.77M

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