KARVY COMTRADE LIMITED

Aug 20, 2011

BULLION WEEKLY

A Weekly Report on Gold & Silver

The Week Ahead

- Precious metals to maintain rally although volatility can not be excluded
- US GDP should be keenly watched
- Inflation concern and global equities performance to play major role to decide the metals' price move

Technical Calls

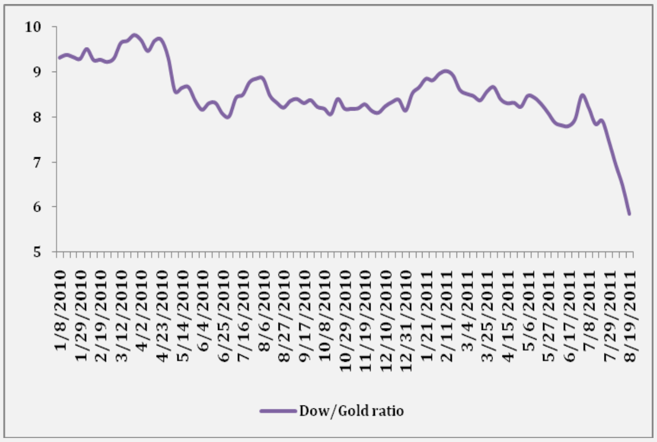
Commodity	S3	S2	S1	R1	R2	R3	Recommendation
Gold Oct COMEX	1610	1670	1760	1909	1968	2059	Buy at 1845 TP 1880 then 1910 SL 1812
Gold Oct MCX	24180	24955	26413	28646	29421	30879	Buy at 27400 TP 28200 SL 26820
Silver Sept COMEX	3548	3708	3976	4404	4564	4832	Buy at 4150-120 TP 4380 then 4500 SL 3980
Silver Sept MCX	54254	56702	61463	68672	71120	75881	Buy 1st lot at 65500 and 2nd lot at 64000 TP 68800 then 70000 SL below 62400

Outlook

The week gone by, precious metals rallied, especially Gold making a habit of a new high on a new day, outstripped $1880, while silver also zoomed amid global weakening growth and bleeding global equities. Investors are at a stake from declining equities, depreciating currencies and accelerating consumer prices, which may force ***Gold to grow in the next week also***. Central banks in developed countries are also swapping out major currencies for gold in their reserves, driving up demand for the metal.

From the economic data front, Friday US GDP will be the matter of concern which is at present estimated lower after the financial turmoil has weakened the economy's growth outlook. Personal consumption, a part of which is although expected to come at an incremental rate according to the Bloomberg survey, our analysis suggests the reverse. Since unemployment is at a high level with an increase in jobless claims applications and rise in PPI, CPI, consumption is quite foreseeable to drop. At least, the equities slump and after incurring a huge losses, additional consumptions is likely to hurt except the autonomous part of it. All these could be reflected in an increase in GDP price index; in short; buoyancy in price level or a likely costly living index. So, an increased concern of inflation will be likely to bid gold higher. According to the above analysis, it can be said that the dollar will be impacted negatively once the GDP growth lowered. Also, the US treasuries yield touched five decades low which may prompt investors to loose their faith on the reserve currency as refuge. So, dollar may again continue its descending move for the week ahead, which is again a bullish factor for the precious metals.

Government-run gold importer State Trading Corporation (STC) expects a 25 percent jump in its imports to 125 tonnes in the year to March 2012 due to surging investment demand, its top official said on Friday. A temporary dip in demand due to higher prices might again be resumed as the festive season starts. Imports in India, the world's largest consumer of the metal, rose 34.9 percent in the first half of the year to 553 tonnes after a surge of 72 percent in 2010 to 959 tonnes and a 38 percent rise in investment demand. This clearly indicates that the excess demand will play a key role for the metal to grow.



According to **P-V-O analysis** it has been seen that a seven week's rally of gold is well supported by the volumes and open interest which indicates that the Bull Run will continue. However, silver's rally is quite under suspicion as the rally was not being carried up by volumes and open positions. So, cautiousness in silver should be there.

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DOW/GOLD Ratio

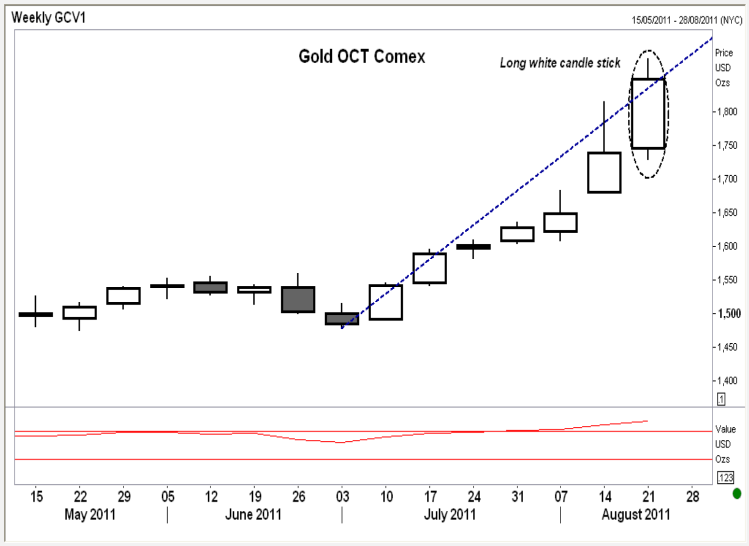
A measure of the US stock market's valuation in ounces of gold – has sunk as equities have plunged but gold prices have jumped so far this summer. Dropping below 6 on last closing, the ratio has not been this low since 2010. Expectedly, this ratio to sink little more as with a prolonged ultra low interest rate and dismal financial sector is likely to bid the metal high. Even with notionally “risk free” asset like treasuries, which also have sank, is making room for the metal to attract wealth from slumping equities.

Overall, precious metals are likely to maintain the rally for the coming week although volatility can not be excluded.

Technical Analysis – Gold

Gold Futures in Comex platform shines as never before. This week it made a high of $1878.80 and settled at $1850.10.

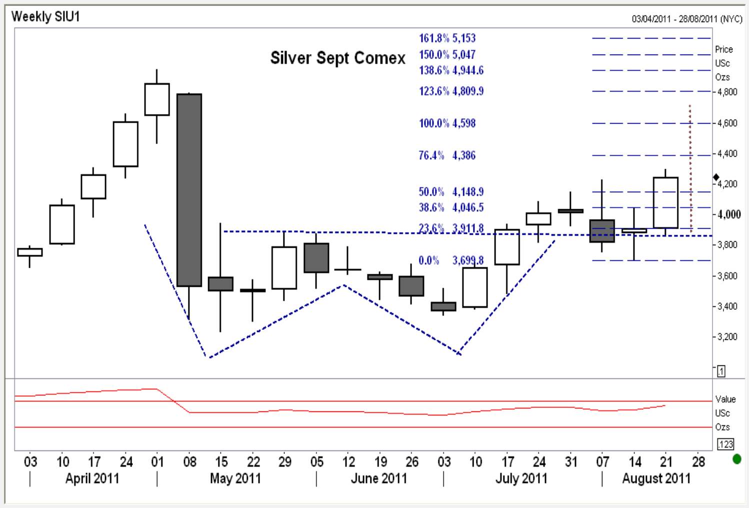
In the weekly chart a long white candle stick is witnessed suggesting bullish mode to be continued for the coming week also. Recently the rally witnessed in the gold prices is far above the 45 degree Gann line which is indicating that the traders should stay cautious for this week. However, for the coming week crucial level to watch is $1880 which is 150% projections of the range $1317.60-1579.2-1468 if market breaches the said resistance levels then next level is seems to be at 1910 which is 161.8% projection of the give range. If we talk about the support levels it is at $1815 which is 123.6% projection of the given range as well as previous swing high. However, we are not getting any trend reversal signal in the chart and therefore we expect positive mode in the gold prices and suggest buying for the coming week.



Technical Analysis – Silver

Silver prices are also surge towards upside this week and settled at 4243.20cents. During the week it made a low of 3869cents.

It made a long white candle stick during last week suggesting continuation of bullish mode for the day. Prices are sustaining above the short and medium term moving averages indicating strength in the trend. Double bottom trend reversal chart pattern is witnessed in the weekly chart, and prices are sustaining above the neckline resistance level. The target price of this pattern is coming at 4730cents. Intermediate resistance is seen at 4386cents which is 76.4%projection of the range 3339.5-4229.50-3702.50cents then 4598cents which is 100% projection of the given range. The RSI (14) is at 0.62 rising from the low of 0.53 is suggesting upside potentials for the commodity.



For the coming week we expect silver prices to remain on the higher side only and recommend buying for the week.

Market Round-up: The week gone by Gold rallied to surpass $1880 amid weakening global economy and bleeding equities. Silver also maintained the rally even better than gold.

Economic Events:

- US manufacturing slashed and the consumer prices rose followed from a rise in PPI, raised the concern of higher inflation
- Amid the impasse of European debt crisis, German chancellor and French President proposed a financial transaction tax and rejected selling Euro bonds amid signs that the region's debt crisis is escalating
- US treasury 10 year yields posted the biggest loss slumping to five decade's low as the Net TIC flows reduced and raising concern over the economy's ability to pay long term debt
- The Yen rallied to the strongest level since five decade as the US economic slowdown and Europe's debt crisis stocked concern global growth is slumping, bolstering the refuge appeal for Japan's currency. The benchmark dollar index therefore slid by 0.69% against the majors, continuing a descend move for a sixth straight week. The Euro advanced against the dollar erasing earlier losses amid speculation that the Fed will consider measures to help ease financial turmoil
- US stocks fell for a fourth straight week as the weak economic releases failed to lure investors' confidence. World equities measured by the MSCI all country world indexes, posted a loss of 4.16% while the Asian benchmark index declined, capping a fourth straight weekly slump by 1.96% as the global stock rout continued amid signs that the world economy is slowing,. On the other hand, the CRB Index, a bellwether for commodities gained by 0.90%

Precious Metal Show:

- SPDR gold holdings increased to 1290.76 tons from 1260.17 tons last week, indicating increase in investment demand
- The I-share silver holdings decreased to 9745 tons from 9772.56 last week
- Gold rose (Oct Contract), registering new life high of $1878.80
- Silver futures for September delivery also gained 8.48%

Price Performance - Gold

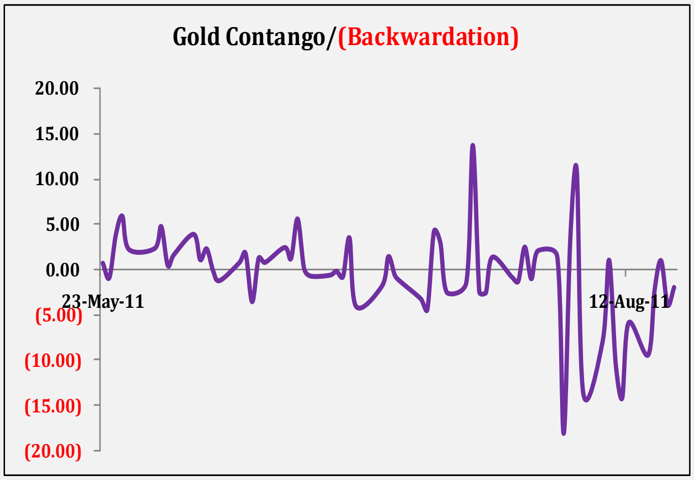
Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX ($/oz)	Gold (Oct 11)	1744.50	1878.80	1729.40	1850.10	6.27%	73095	-16.95%	27404	1.53%
	Gold (Dec 11)	1747.10	1881.40	1730.80	1852.20	6.29%	914351	-40.30%	368836	1.53%
MCX (₹/10gm)	Gold (Oct 11)	25729	27962	25729	27550	7.25%	340983	-30.24%	12580	7.46%
	Gold (Dec 11)	26145	28201	26005	27802	7.39%	17688	-29.32%	1856	21.86%

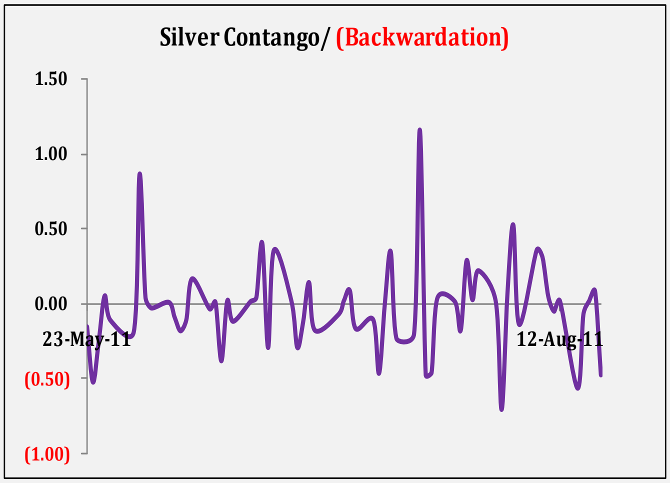
Price Performance – Silver

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)	39.08	42.97	38.69	42.43	8.48%	234872	-25.59%	37707	-10.79%
	Silver (Dec 11)	39.10	43.01	38.78	42.47	8.48%	76016	-3.29%	47117	10.60%
MCX (₹/kg)	Silver (Sep 11)	59300.00	64500	59151	64139	9.23%	327415	-31.02%	12860	-6.55%
	Silver (Dec 11)	61000.00	61864	58267	60007	9.23%	21460	12.89%	4849	-3.43%

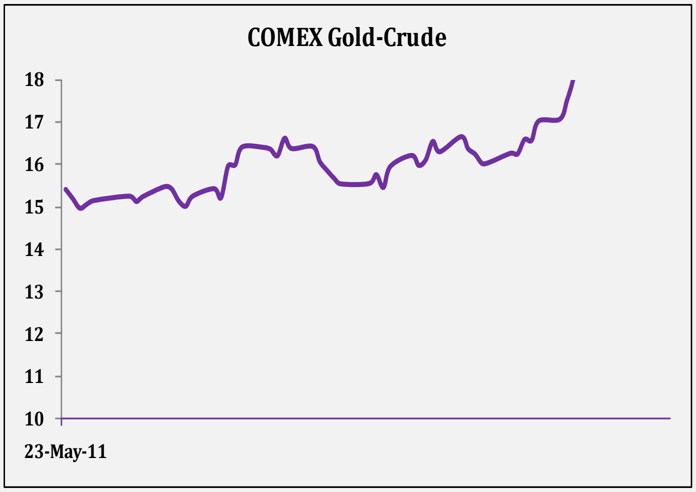
Chart Updates – Contango & Backwardation

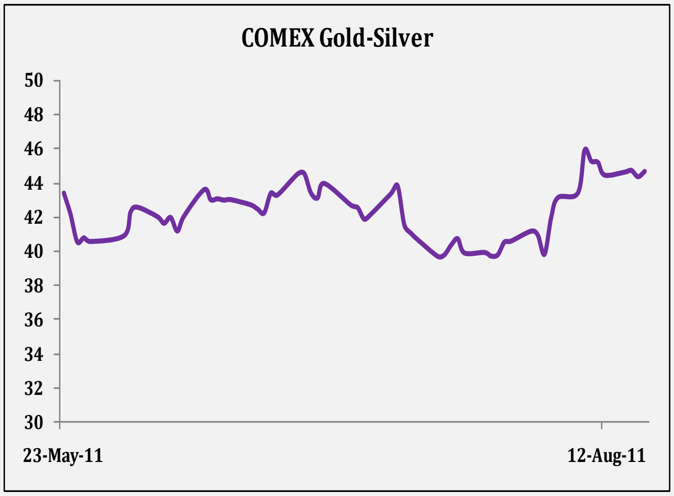
Backwardation is a market where spot prices exceed future prices while ***Contango*** indicates future prices exceeding spot prices.



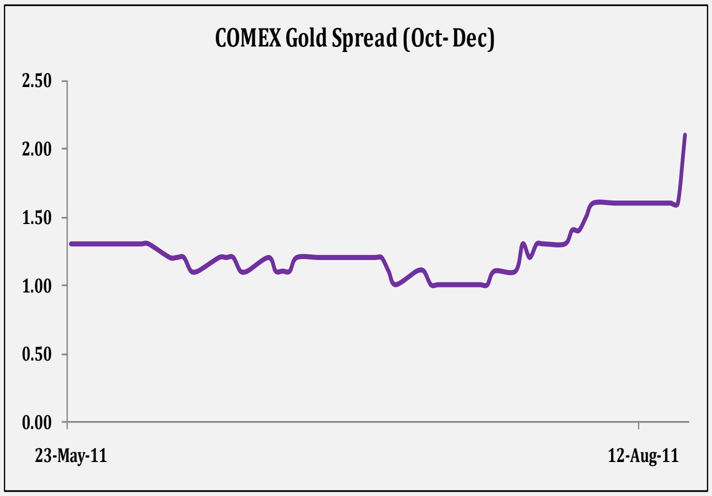


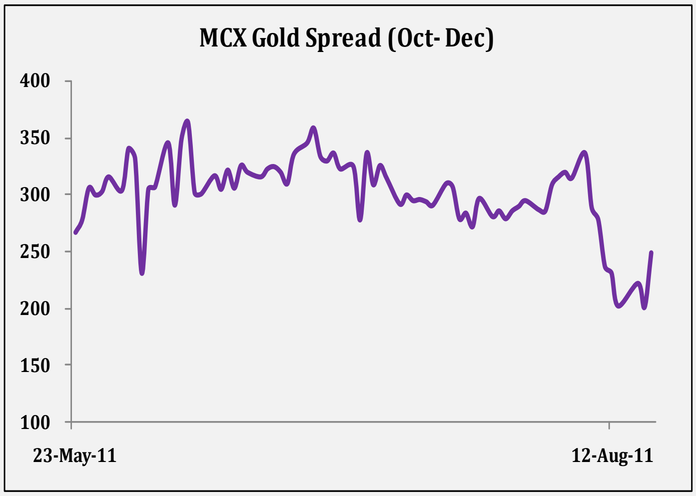
Ratio Charts

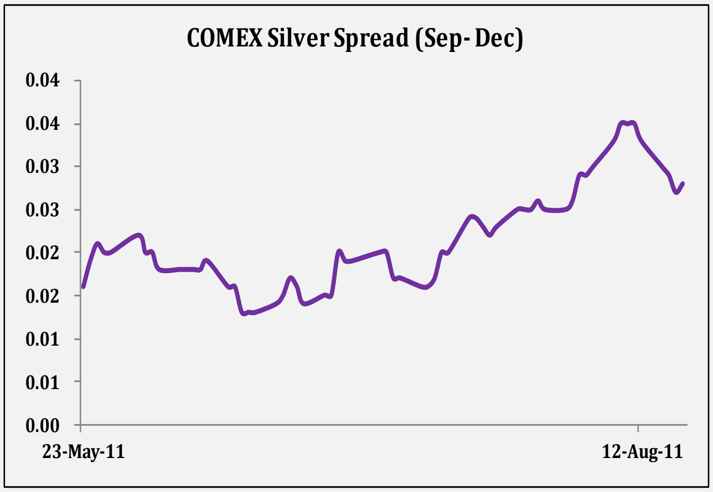


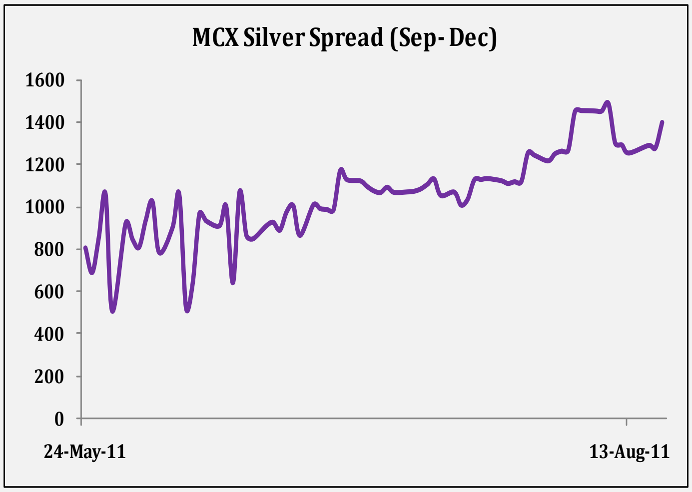


Calendar Spreads

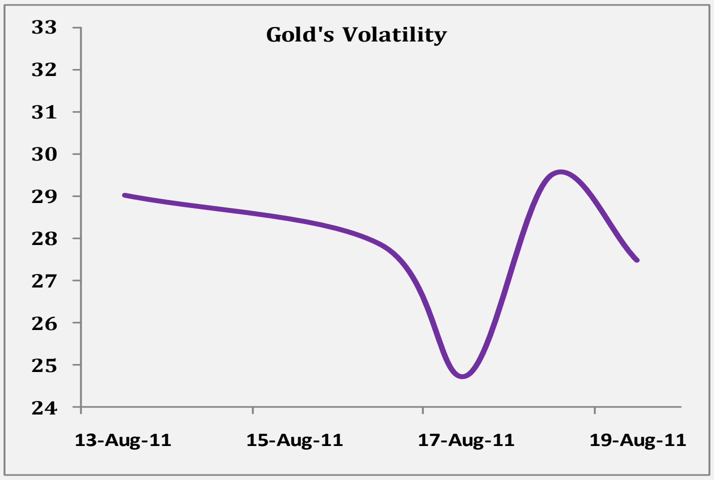


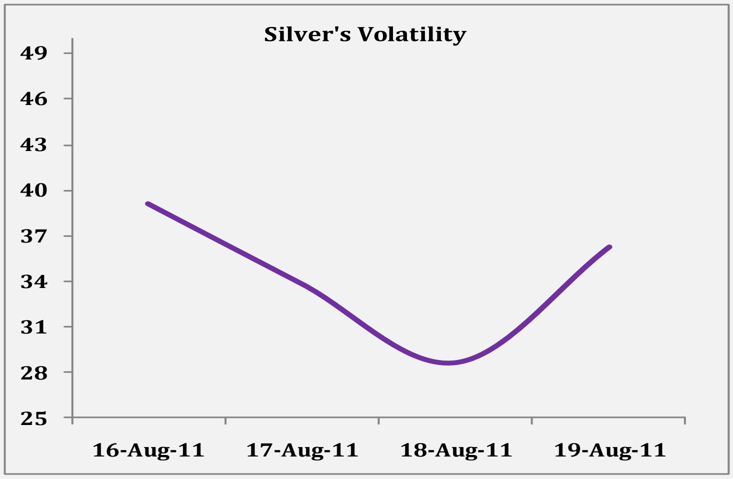






Volatility at MCX (%)





DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date Time	Region	Event	Period	Survey	Prior
08/22/2011 18:00	US	Chicago Fed Nat Activity Index	JUL	-0.48	-0.46
08/23/2011 08:00	CH	HSBC Flash China Manufacturing	AUG	- -	48.9
08/23/2011 13:00	GE	PMI Manufacturing	AUG A	50.6	52
08/23/2011 13:00	GE	PMI Services	AUG A	52	52.9
08/23/2011 13:30	EC	PMI Composite	AUG A	50	51.1
08/23/2011 13:30	EC	PMI Manufacturing	AUG A	49.5	50.4
08/23/2011 13:30	EC	PMI Services	AUG A	50.9	51.6
08/23/2011 14:30	GE	Zew Survey (Current Situation)	AUG	85	90.6
08/23/2011 14:30	EC	ZEW Survey (Econ. Sentiment)	AUG	- -	-7
08/23/2011 14:30	GE	ZEW Survey (Econ. Sentiment)	AUG	-26	-15.1
08/23/2011 19:30	EC	Euro-Zone Consumer Confidence	AUG A	-12.4	-11.2
08/23/2011 19:30	US	New Home Sales	JUL	312K	312K
08/23/2011 19:30	**US**	**Richmond Fed Manufact. Index**	**AUG**	**-7**	**-1**
08/24/2011 13:30	GE	IFO - Business Climate	AUG	111	112.9
08/24/2011 13:30	GE	IFO - Current Assessment	AUG	119.8	121.4
08/24/2011 13:30	GE	IFO - Expectations	AUG	102.8	105
08/24/2011 14:30	EC	Industrial New Orders SA (MoM)	JUN	0.40%	3.60%
08/24/2011 18:00	US	Durable Goods Orders	JUL	2.10%	-2.10%
08/24/2011 19:30	US	House Price Index MoM	JUN	0.20%	0.40%
08/25/2011 18:00	US	Initial Jobless Claims	20-Aug	405K	408K
08/25/2011 18:00	US	Continuing Claims	13-Aug	3700K	3702K
08/25/2011	GE	Import Price Index (MoM)	JUL	0.30%	-0.60%
08/26/2011 14:00	UK	GDP (QoQ)	2Q P	0.20%	0.20%
08/26/2011 18:00	**US**	**GDP QoQ (Annualized)**	**2Q S**	**1.10%**	**1.30%**
08/26/2011 18:00	US	Personal Consumption	2Q S	0.20%	0.10%
08/26/2011 18:00	**US**	**GDP Price Index**	**2Q S**	**2.30%**	**2.30%**
08/26/2011 19:25	US	U. of Michigan Confidence	AUG F	56	54.9
08/26/2011	GE	Retail Sales (MoM)	JUL	- -	6.30%

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