

# BULLION WEEKLY

A Weekly Report on Gold & Silver

## The Week Ahead

- Possible rebound for gold next week, but anxiety still remains to rattle the market any time
- US QOQ GDP and 440 billion Euro financial stability facility should be watched keenly
- Higher margin is to be implemented from Monday business close which might provide another jerk

## Technical Calls

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
Gold Oct COMEX	1366	1498	1567	1769	1900	1970	Sell at the Range 1700-1705 Targeting 1600/ 1580 with strict stop loss above 1730. Buy at the Range 1570-1560 Targeting 1700 with strict stop loss below 1539
Gold Oct MCX	23432	24698	25702	27972	29238	30242	Sell in the Range 27311 -27350 TP 26000/25650 SL above 27680 Buy in the Range 25170 -25220 TP 26290/27250 SL below 25030
Silver Dec COMEX	1528	2256	2633	3739	4467	4844	Sell at the Range \$3407 -\$3410 Targeting 2980 with strict stop above 3435 Buy at the Range 2880-2875 Targeting 3380 with strict stop loss below 2800
Silver Dec MCX	34044	42698	48232	62420	71074	76608	Sell in the Range 56780- 57000 TP 51900/50000 SL above 58460 Buy in the Range 47470-47900 TP 55000 SL below 46500

## Outlook

The week gone by, global commodities fell to nine months low, led by routs in metals on deepening concern that governments are running out of tools to avert a global recession, eroding prospects for raw material demand. Fed's indication for a significant downside risks to the economy and a pledge by G-20 nations fails to ease concern that the economy is on the brink of a recession, led gold to plunge the most since 1983 and silver posted the largest drop in 32 years. Global equities also eroded more than \$3.4 trillion sending the global measures of shares in the bear market. The capitulation came a day after the Fed launched new stimulus measures aimed at reducing long term interest rates without resorting to more money creation. It also warned of significant downside risk to the economy. ***Week ahead it could be possible for the bullions to bounce back from the wreck but still anxiety remains to rattle the market at any time.***

The CME Group (CME) on Friday raised margin requirements for gold, silver and copper futures contracts. ***The hikes will be effective after the close of business on Monday***, according to the exchange operator. Initial requirements to trade and hold gold's benchmark contract rose 21.5% to \$11,475 from \$9475 per contract, the biggest since January 2009. Meanwhile, maintenance margins climbed to \$8,500 from \$7,000 per contract. At the same time, initial requirements for silver rose 16% to \$24,975 a contract and maintenance margins increased to \$18,500 from \$16,000 a contract.

Week ahead, there is a string of U.S. economic reports that will help shed light on housing and on the health and attitude of the consumer. But it's the headlines from Europe that will likely have the most ability to drive markets either way. The IMF, European Central Bank and EU continue to consult with Greece on its efforts to secure the next tranche of funding that would help it stave off default. Greek Prime Minister George Papandreou meets with German Chancellor Angela Merkel in Berlin Tuesday. A number of European countries, including Germany, also vote in the coming week on enhancements to the 440 billion euro (US\$591 billion) European Financial Stability Facility, which must be approved by all 17 countries. Anticipating so, the Euro might get chance to recover from the pit and thereby may support the metals.

According to the PVO analysis, both gold and silver's price fall were seen to be well supported by volumes while carrying over positions were not seem to be wise decision in the wrecking market. So, this however is not showing any firm picture for the next week. But, both the metals' international scenario shows that both markets are in "Backwardation" which indicates spot buying is emerging or attracting investors more than betting on to the futures. So, market may give a bounce back at the early week. However, Monday there will be tension for high margin implement which might again give pressure upon the metals.

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## Technical Analysis – Gold

Gold lost its shine this week on heavy selling pressure across the globe which is reflected on technical charts. Prices opened at \$1815 and touched a high of \$1830 on the first day of the week. Prices didn't turned back later and continued to move lower witnessing heavy selling on Friday. Prices recorded an intraday low of \$1629 and ended the week at \$1637.

Technical charts have shown serious damage after this fall. Market has breached the important shorterterm technical supports like \$1760 and \$1700 levels. Traditional indicators like RSI has moved down from overbought zone on weekly chart and show sill room is there for downside. MACD is still above the zero line and the average lines are trying to converge. Average analysis reveals that market has breached the shorterterm averages like 7 day, 21 day, and 34 day EMA indicating shorterterm bearishness. However market is still trading above 50 day EMA which is falling at 1520 which shows that long-term trend is not still damaged. Fibonacci retracement tools reveal that market had retraced exactly 38.2% (\$1630) for the rise of \$1161 to \$1920. Next retracement level of 50% lies at \$1542 which is a good support for market to rebound. Overall by looking in the charts it shows that the present correction in market may continue for few more days. Immediate support lies at \$1580 and \$1560. Immediate resistance lies at \$1690 and \$1700.

**Possibility 1:** Expect prices to correct upside for this weeks fall and touch \$1700 (38.2% retracement) and then prices may move lower and touch \$1580

**Possibility 2 :** Expect prices to open near last weeks close and edge lower towards \$1580 directly.

A break above \$1700 and sustained trade above this level could negate the bearish view in the immediate future.

## Technical Analysis – Silver

Silver prices crashed down this week on huge selling pressure which has witnessed in technical charts. Prices opened at \$4067 and traded steady for next two days. At the end of the week prices plunged down towards \$2984 and ended the week on a strong bearish note at 3010.

Technical charts looks shattered for silver after this huge sell off. Market has breached important technical levels like \$3760 and \$3000. Technical indicators like MACD reveals that average lines have given a cross over which implies that weakness persist. RSI is pointing downwards and shows still room is there for downside. Average analysis surprisingly show that prices have broken below the 50 day EMA (3432) and nearing 100 day EMA (2860).

Fibonacci retracement tool reveals that prices have retraced exactly 61.8% retracement for the uptrend started from \$1778 to \$4982.Immediate support for silver lies at 2880 and 2535. A sustained trade above 2880 could give some hope for prices to move higher towards 3230. If prices are failed to hold 2880 expect further fall towards 2713.

**Possibility 1:** Expect prices to correct upside for this weeks fall and touch \$3407 (38.2% retracement) and then prices may move lower and touch \$2980 and \$2887

**Possibility 2 :** Expect prices to open near last weeks close and edge lower towards \$2887 directly.

A break above \$3407 and sustained trade above this level could negative the bearish view in the immediate future



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**Market Round-up:** The week gone by bullion prices wrecked, mostly in a single day( Friday) as a slide turned in to a free fall, with margin sell offs after the biggest margins hike in gold since January 2009.

## Economic Events:

- ❖ The S&P cut Italy's credit rating by one level from "A+" to "A" yesterday on mounting government debt and weakening growth prospects
- ❖ On Thursday, Fed said it would sell \$400 billion of short term securities and by the same amount of long term debt and also cited the significant downside risk for the economy
- ❖ The Moody's Investors' Service downgraded the long term deposit and senior debt ratings of eight rated Greek banks by two levels which created panic selling in global equities and commodities at the week end
- ❖ The dollar index rose to seven months high as mounting concern about the global economy drove investors to seek safety and liquidity in US treasuries. The index gained near two and half percent at settlement over the prior week. The surging dollar makes commodities less affordable for buyers using other currencies
- ❖ More than \$3.4 trillion has been erased from global equity values this week on concern that governments are running out of tools to avert a recession. World equities measured by the MSCI all country world indexes, posted a loss of 6.90% while the Asian benchmark index fell 7.09%. On the other hand, the CRB Index, a bellwether for commodities fell 8.40% on global rout

## Precious Metal Show:

- ❖ SPDR gold holdings increased a bit to 1252.21 tons from 1251.90 tons last week
- ❖ The I-share silver holdings slashed to 9868.49 tons from 9956.32 tons last week
- ❖ Gold at COMEX fell by 9.64% while at the MCX it closed down by 5.58%
- ❖ Silver futures for December delivery fell the most by 26.28% at COMEX while at MCX the loss was 18.70%

## 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)	1815.20	1830.60	1629.50	1637.70	-9.64%	50420	24.94%	29569	-8.11%
	Gold (Dec 11)	1820.00	1832.90	1631.70	1639.80	-9.64%	1173173	15.77%	307786	-4.97%
MCX (₹/10gm)	Gold (Oct 11)	27785	28235	25965	26184	-5.58%	429874	-3.40%	7991	-38.08%
	Gold (Dec 11)	28341	28547	26003	26507	-5.45%	37428	48.05%	4982	-5.30%

## Price Performance - Silver

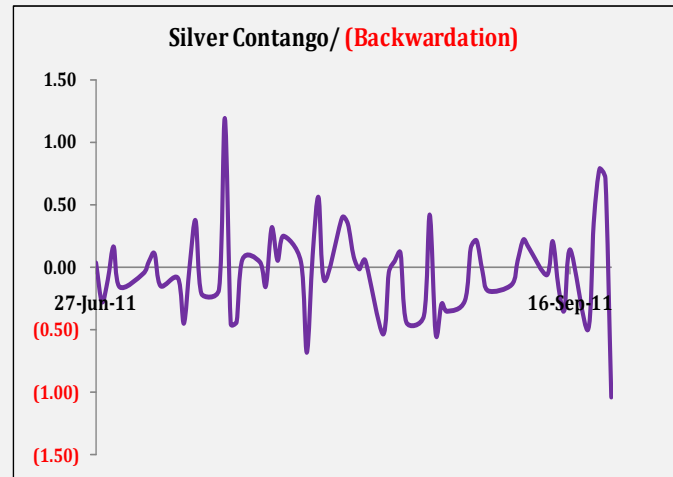
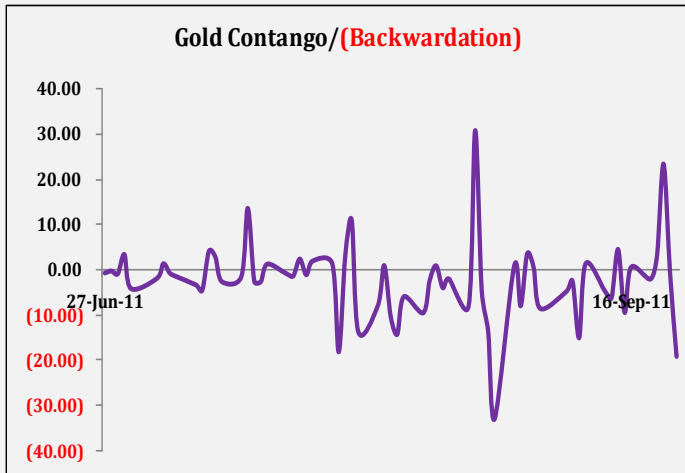
Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX (\$/oz)	Silver (Dec 11)	40.68	40.90	29.85	30.10	-26.28%	330197	62.63%	72255	-2.88%
	Silver (Feb 12)	40.77	40.78	29.91	30.12	-26.29%	365	339.76%	159	2.58%
MCX (₹/kg)	Silver (Dec 11)	64750.00	65540	51352	52365	-18.70%	486433	26.93%	18571	43.39%
	Silver (Mar 12)	66061.00	67300	64315	65846	-18.75%	10724	51.04%	1720	26.94%

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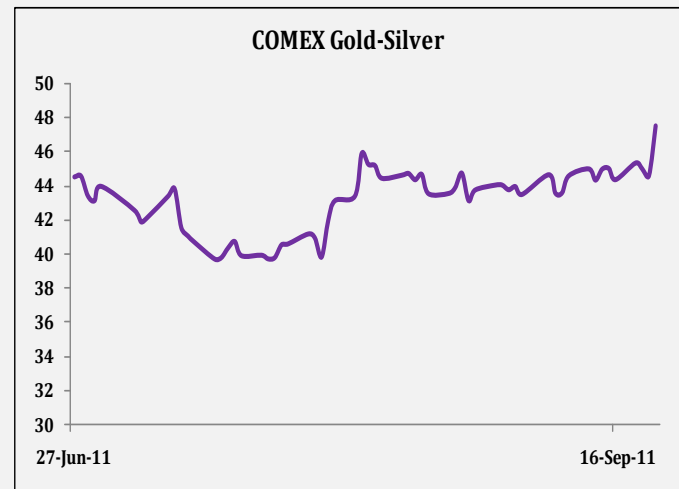
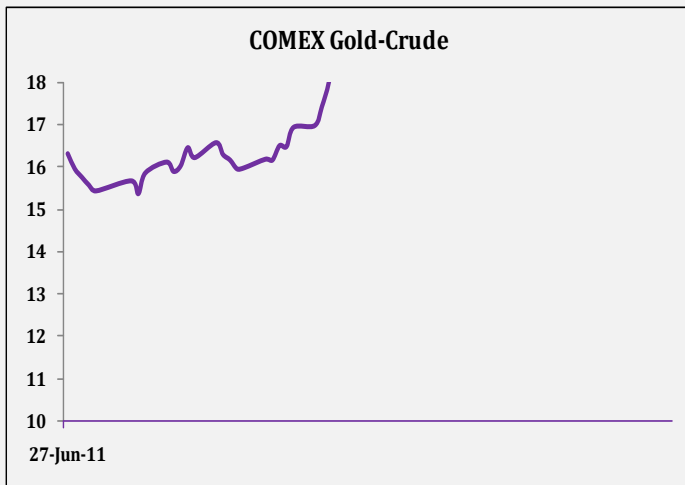
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## Chart Updates - Contango & Backwardation

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



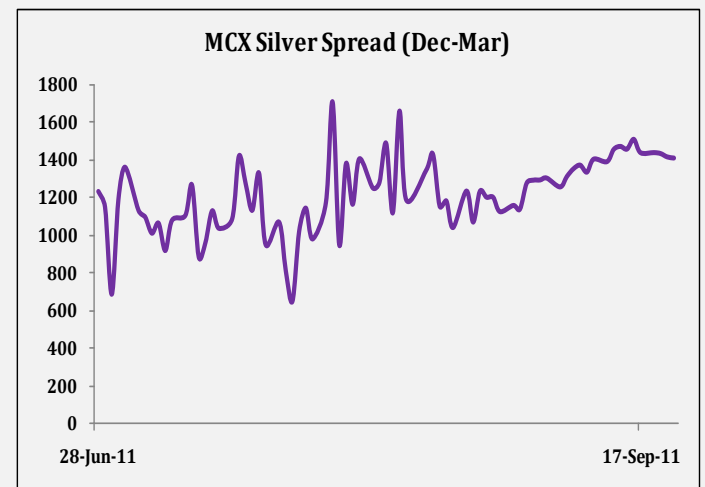
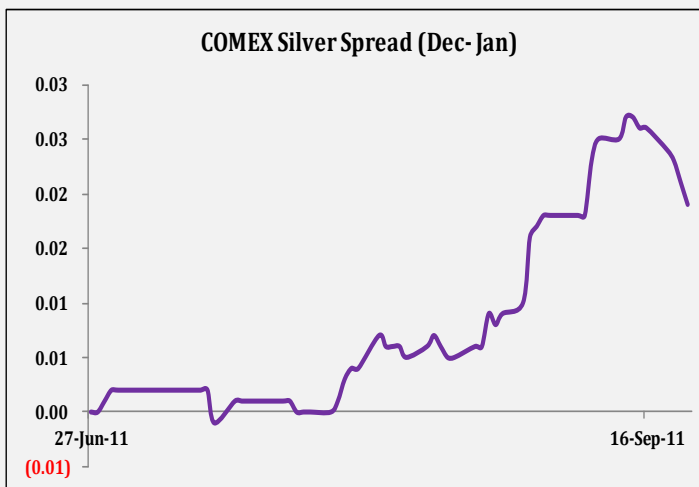
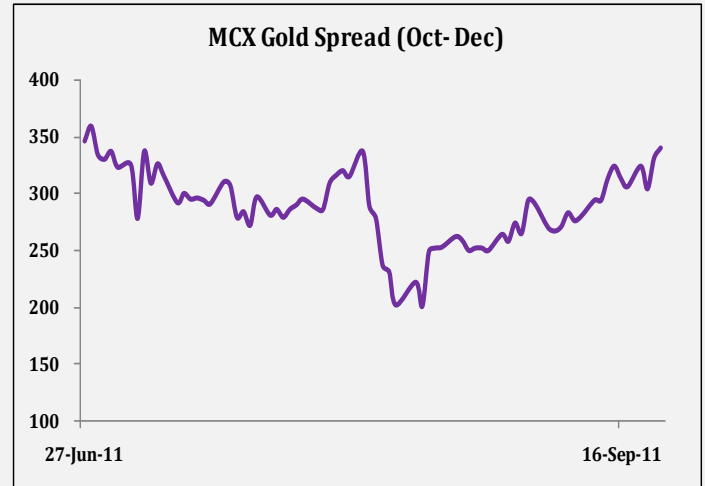
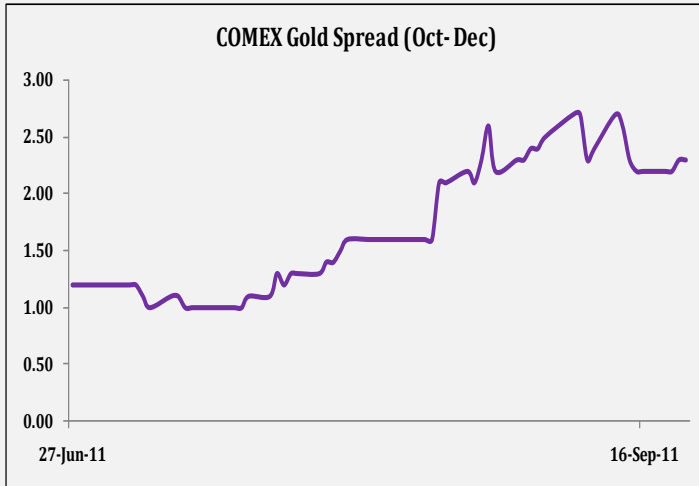
## Ratio Charts



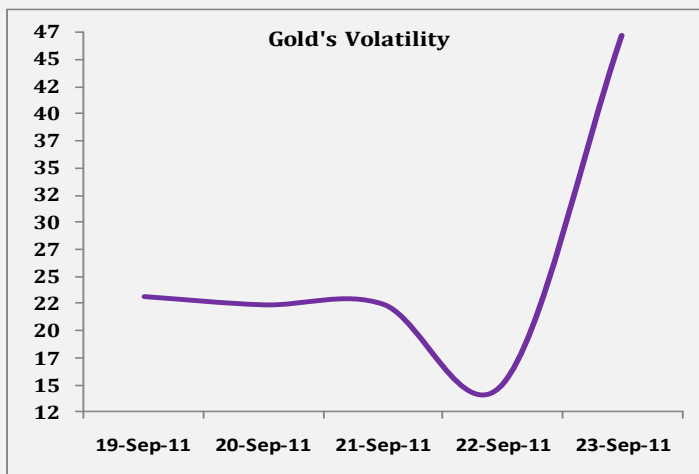
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## Calendar Spreads



## Volatility at MCX (%)



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## DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date Time	Region	Event	Period	Survey	Prior
09/26/2011 13:30	GE	IFO - Business Climate	SEP	106.5	108.7
09/26/2011 13:30	GE	IFO - Current Assessment	SEP	115.7	118.1
09/26/2011 13:30	GE	IFO - Expectations	SEP	97.3	100.1
09/26/2011 19:30	US	New Home Sales	AUG	294K	298K
09/26/2011 20:00	US	Dallas Fed Manf. Activity	SEP	-8	-11.4
09/27/2011 18:30	US	S&P/CaseShiller Home Price Ind	JUL	--	141.3
09/27/2011 19:30	US	Consumer Confidence	SEP	46	44.5
09/27/2011 19:30	US	Richmond Fed Manufact. Index	SEP	-12	-10
09/28/2011 18:00	US	Durable Goods Orders	AUG	-0.50%	4.00%
09/28/2011	GE	Consumer Price Index (MoM)	SEP P	-0.10%	0.00%
09/29/2011 14:30	EC	Business Climate Indicator	SEP	-0.12	0.07
09/29/2011 14:30	EC	Euro-Zone Consumer Confidence	SEP F	-18.9	-18.9
09/29/2011 14:30	EC	Euro-Zone Economic Confidence	SEP	96	98.3
09/29/2011 14:30	EC	Euro-Zone Indust. Confidence	SEP	-5	-2.9
09/29/2011 14:30	EC	Euro-zone Services Confidence	SEP	2	3.7
09/29/2011 18:00	US	GDP QoQ (Annualized)	2Q T	1.20%	1.00%
09/29/2011 18:00	US	Personal Consumption	2Q T	0.40%	0.40%
09/29/2011 18:00	US	GDP Price Index	2Q T	2.40%	2.40%
09/29/2011 18:00	US	Initial Jobless Claims	24-Sep	420K	--
09/29/2011 18:00	US	Continuing Claims	17-Sep	3730K	--
09/29/2011 19:30	US	Pending Home Sales MoM	AUG	-1.60%	-1.30%
09/30/2011 08:00	CH	HSBC Manufacturing PMI	SEP	--	49.9
09/30/2011 11:30	GE	Retail Sales (MoM)	AUG	-0.50%	0.00%
09/30/2011 18:00	US	Personal Income	AUG	0.10%	0.30%
09/30/2011 18:00	US	Personal Spending	AUG	0.20%	0.80%
09/30/2011 19:25	US	U. of Michigan Confidence	SEP F	57.8	57.8

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