

BULLION WEEKLY

A Weekly Report on Gold & Silver

The Week Ahead

- Market jittery to continue and bullion prices are likely to invoke volatility with more bias to downside
- Minutes of the Fed's September meeting will be keenly watched for an insight into Fed's thinking
- Euro area economic releases are to set the trend for bullion prices

Technical Calls

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
Gold Dec COMEX	1510	1553	1594	1679	1723	1764	Trading Range : \$1680-1590
Gold Dec MCX	2424	2634	2866	3308	3518	3750	Trading Range: 26020 - 26700
Silver Dec COMEX	24541	25180	25765	26989	27628	28213	Sell at \$3280-3300 TP \$3040/3020 SL \$3360
Silver Dec MCX	43338	45908	49102	54866	57436	60630	Sell at 53400-53450 TP 52500/51800 SL 54550

Outlook

The week gone by, bullion prices ended up with modest gain despite volatile moves were there. Week ahead we expect bullions will be continuing the same range bound move with more bias towards downside.

The IMF is crafting a proposal to offer new short term credit lines to governments to prevent the spread of global financial crisis. However, we expect such move to more credit will be leading to only more debts and more probability to default. This kind of feelings although could be felt in longer term, expectation or foresight can not be stopped. Bullions are on the back of which is therefore likely to zoom. For the shorter term however, the outlook for the Fed monetary policy remains the innermost issue for gold prices. Week ahead, putting the spotlight on the release of minutes from September's fateful Federal Reserve monetary policy announcement, a reshuffling of securities on the central bank's balance sheet with the goal of bringing down long-term borrowing costs, in lieu of another expansion of outright asset purchases might weigh on prices, have already been proved. Quite simply this means that the traders will be impatient to dive into the minutes of the meeting to obtain the insight into Fed's thinking.

The debt problems of Greece, Ireland, Portugal, Italy, and Spain constitute a serious risk to the European banking system, particularly German, French, and U.K. banks, which have close ties to U.S. banks, according to two different reports provided to federal lawmakers. Believing that there is a very high possibility of Greece to default in coming weeks, cascading effects can be felt in other regions of Euro also. Besides, Fitch cut Italy's credit rating from A+ to AA- while lowered Spain from AA+ to AA- and suggesting possibilities for a further down gradation in near future. These all might make the Euro weak on the back of which bullion prices might fall back.

From the economic data front, most of the Euro releases are expected to come weak which may further give room to the dollar to gain strength against the majors. Hence, bullion prices are likely to remain under stress for the week ahead.

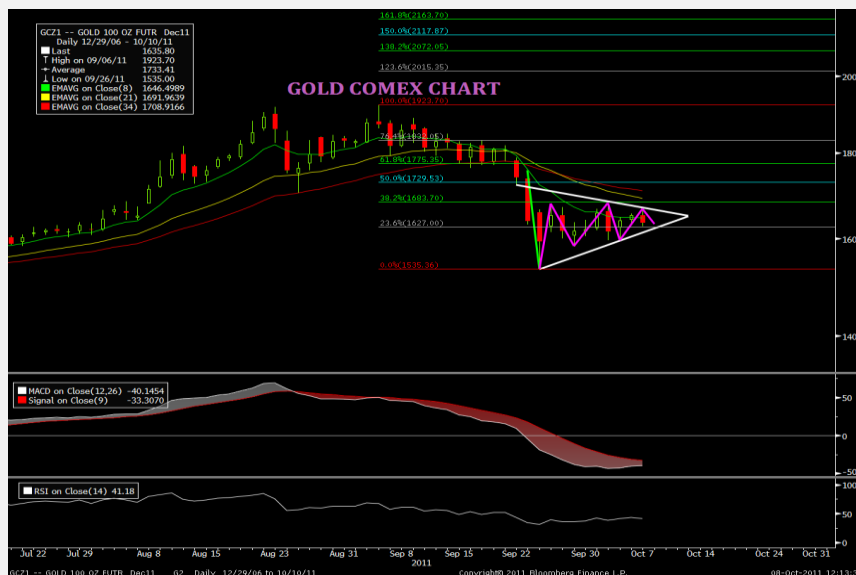
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Technical Analysis – Gold

GOLD: Gold prices continued to swing within the tight range this week on lack of direction. Prices opened lower at 1625 and recorded an intraday low of 1596 in the opening of the week, later prices showed slight recovery and recorded a high of 1681 and fell down to close at 1635 for the week.

Charts reveal that overall prices are still trading sideways. Average analysis indicate that prices are trading below 8 day, 21 day and 34 day DMA indicating that slight weakness still persists. Chart patterns suggest that prices are narrowing and try to form a wedge like pattern. Trend analysis suggests prices caught between both sliding trend line and upside trend line. Technical tools like MACD is trading below zero but averages are narrowing indicating neutral view. RSI is at 41.18 indicating neither oversold not overbought condition. Pivotal analysis shows prices are caught in a range of 1685 -1590. Only a break and sustain trade of prices above 1680 levels could give some hope of resuming uptrend. Failing to break above 1685 would keep the prices trading range in the immediate future.



Technical Analysis – Silver

Silver prices showed modest recovery this week and ended on a positive note in comparison with last week's close. Prices opened lower at 2993 and recorded an intraday low of 2843 at the earlier days. However bargain hunting and short covering pushed the prices higher by recording a high of 3285 and ended the week at 3099. Technical charts show that prices are trading broadly in a range with slight upward momentum. Average analysis suggest that despite recovery, prices are trading below the 8 day 21 day and 34 day EMA indicating that prices need to gain more momentum to turn into bullish. Fibonacci retracement reveals that prices have retraced almost 50% of the previous fall from 3985 to 2615 and turning down. Pivotal analysis shows that prices are trading within the range of 3350-2970. Prices need to breach 3350 and sustain above this level for few days for confirmation to resume uptrend. Until prices trade below 3350 levels expect prices to trade within this range with downward bias in the in the near future.



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Market Round-up: The week gone by bullion prices remained volatile but at the end both gold and silver settled the week with 0.83% and 3.02% advancement respectively.

Economic Events:

- ❖ Greek government said it won't meet its deficit target this year and agreed to additional austerity measures demanded by the international lenders. Greece's 2011 deficit is now expected to be 8.5% of GDP, falling short of a target of 7.6%
- ❖ Moody's cut Italy's grade for the first time in almost two decades by three levels from "A2" to "Aa2" and said other European countries rated below the top "Aaa" level may face reductions in their rankings
- ❖ ECB has kept the interest rate unchanged at the prior level while they are now trying to save the banks from default. ECB has announced the reintroduction of year long loans, giving banks access to unlimited cash through January 2013 and it will also resume purchase of covered bonds to encourage lending
- ❖ The dollar index which measures the U.S. unit against a basket of major currencies settled at 78.753 by gaining 0.25%. The newly-gained strength in the greenback has come from the Euro's weakness after Greek government raised hand to show the disability to reduce the debt
- ❖ World equities measured by the MSCI all country world indexes, posted a gain of 2.00% while the Asian benchmark index fell 0.15%. On the other hand, the CRB Index, a bellwether for commodities gained 1.80% on anticipation that the EU officials are now trying to have measures for Euro area banks from defaulting

Precious Metal Show:

- ❖ SPDR gold holdings fell to 1229.50 tons from 1231.92 tons last week
- ❖ The I-share silver holdings decreased to 9990.60 tons from 10047.15 tons last week
- ❖ Gold at COMEX gained by 0.83% while at the MCX it lost 0.36%
- ❖ Silver futures for December delivery advanced by 3.02% at COMEX while at MCX the gain was 1.41%

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 (Dec 11)	1625.10	1681.50	1596.60	1635.80	0.83%	742709	-36.36%	269201	-3.57%
	Gold (Feb 12)	1625.50	1681.50	1599.40	1637.70	0.83%	20982	10.25%	46478	6.90%
MCX (₹/10gm)	Gold (Dec 11)	26399	27044	25820	26219	-0.36%	245139	201.25%	10793	14.59%
	Gold (Feb 12)	26721	27306	26106	26480	-0.34%	5916	204.32%	555	16.84%

Price Performance - Silver

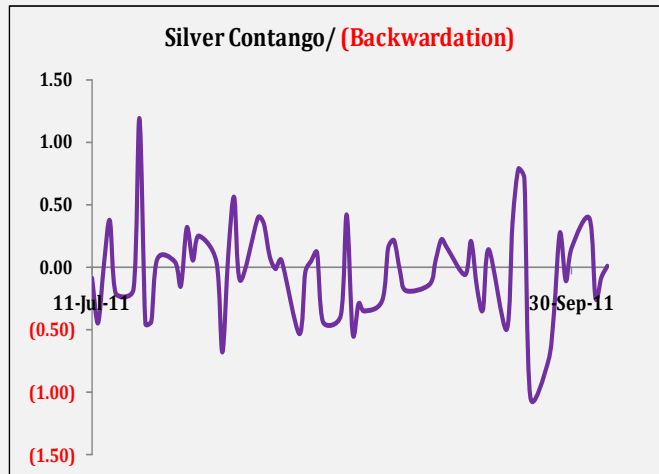
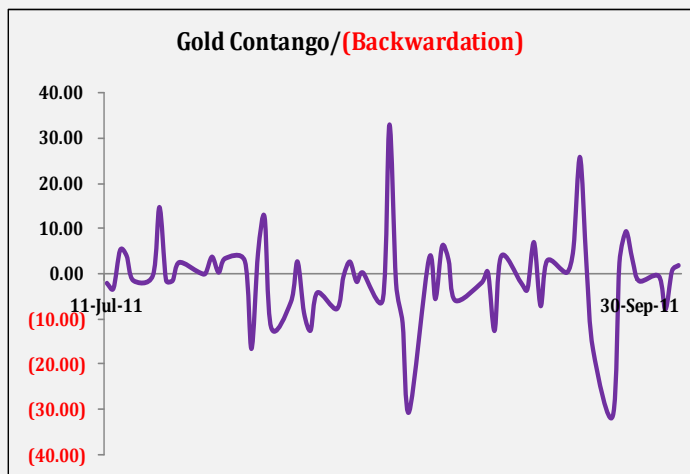
Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX (\$/oz)	Silver (Dec 11)	29.94	32.85	28.44	30.99	3.02%	233538	-32.91%	60425	-3.01%
	Silver (Feb 12)	30.10	32.18	28.77	31.01	3.02%	192	-53.73%	197	-2.48%
MCX (₹/kg)	Silver (Dec 11)	51500.00	54241	48477	51901	1.41%	386320	-22.92%	14041	-16.42%
	Silver (Mar 12)	52983.00	57332	47400	52551	1.31%	7819	-35.82%	1804	0.78%

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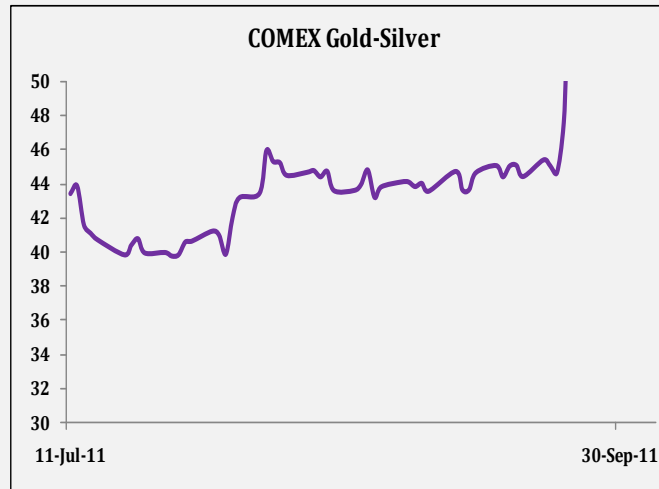
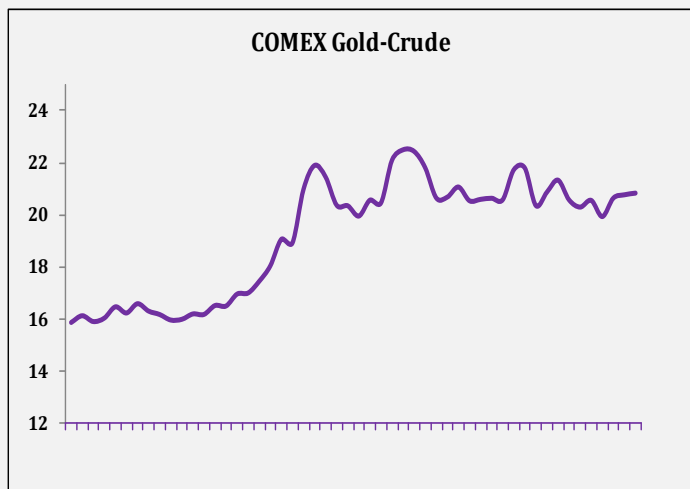
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Chart Updates - Contango & Backwardation

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



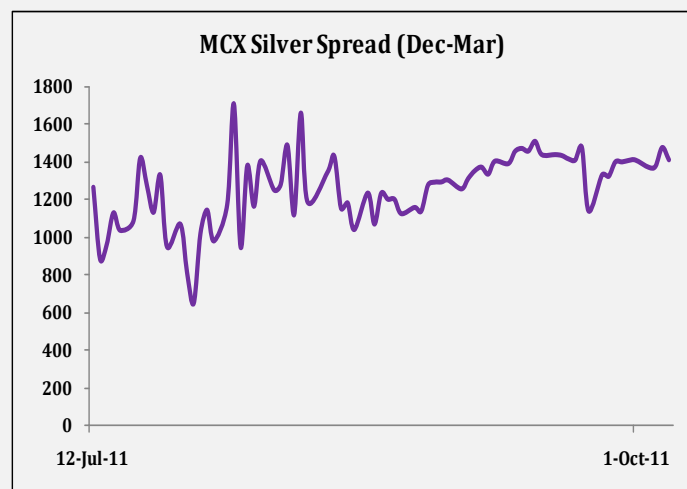
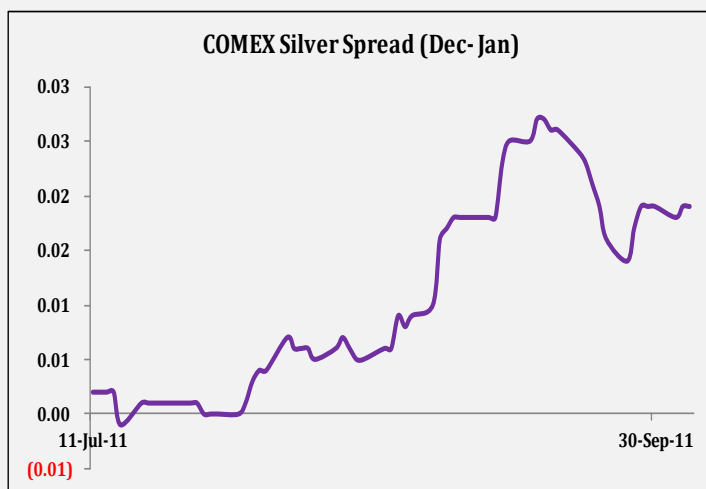
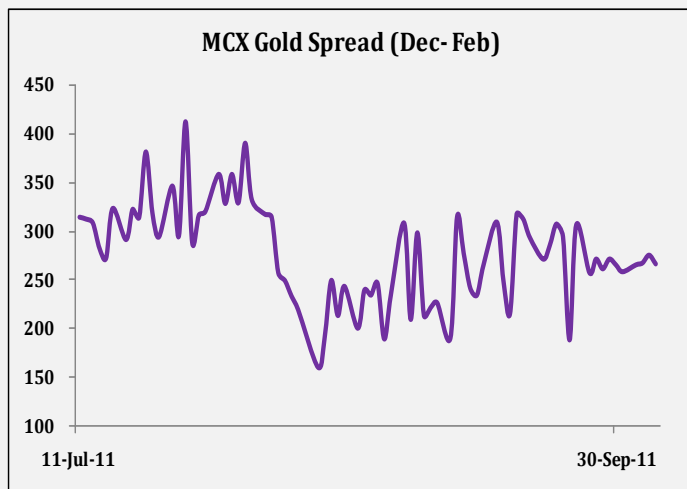
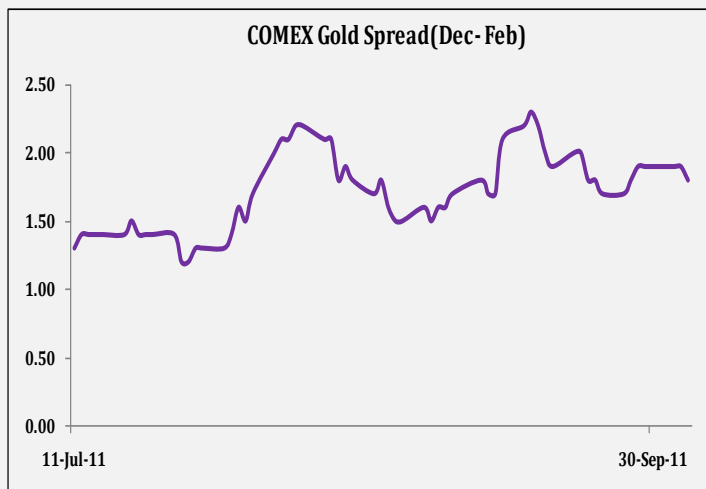
Ratio Charts



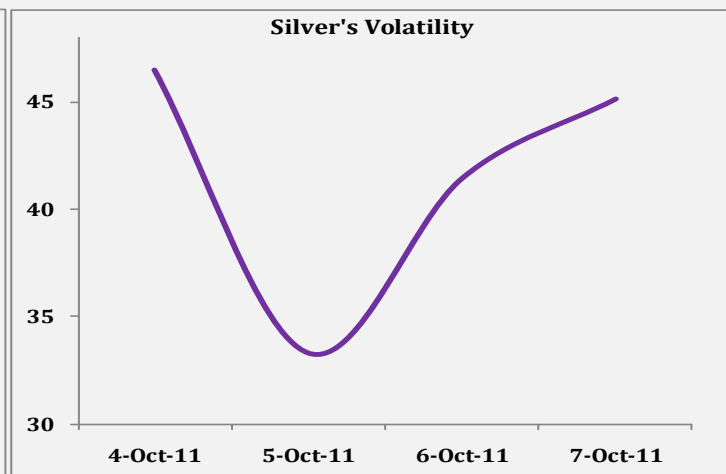
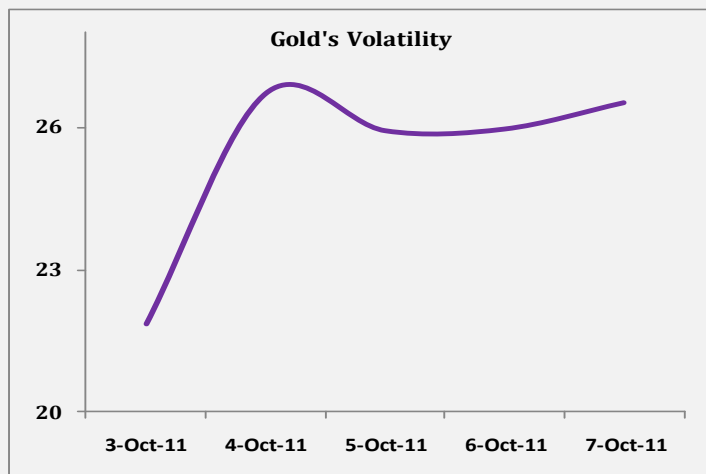
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Calendar Spreads



Volatility at MCX (%)



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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date Time	Region	Event	Period	Survey	Prior
10/10/2011 11:30	GE	Exports SA (MoM)	AUG	1.10%	-1.80%
10/10/2011 11:30	GE	Imports SA (MoM)	AUG	0.60%	-0.30%
10/10/2011 11:30	GE	Current Account (EURO)	AUG	5.0B	7.5B
10/10/2011 11:30	GE	Trade Balance	AUG	9.0B	10.4B
10/11/2011 05:20	JN	Trade Balance - BOP Basis	AUG	-¥692.3B	¥123.3B
10/11/2011 14:00	UK	Industrial Production (MoM)	AUG	-0.20%	-0.20%
10/11/2011 14:00	UK	Manufacturing Production (MoM)	AUG	-0.20%	0.10%
10/11/2011 17:00	US	NFIB Small Business Optimism	SEP	89	88.1
10/12/2011 11:30	GE	Wholesale Price Index (MoM)	SEP	--	0.10%
10/12/2011 23:30	US	Minutes of FOMC Meeting			
10/13/2011 07:30	CH	Trade Balance (USD)	SEP	\$16.90B	\$17.76B
10/13/2011 07:30	CH	Exports YoY%	SEP	20.80%	24.50%
10/13/2011 07:30	CH	Imports YoY%	SEP	24.60%	30.20%
10/13/2011 11:30	GE	Consumer Price Index (MoM)	SEP F	0.10%	0.10%
10/13/2011 18:00	US	Trade Balance	AUG	-\$46.0B	-\$44.8B
10/13/2011 18:00	US	Initial Jobless Claims	8-Oct	405K	--
10/13/2011 18:00	US	Continuing Claims	1-Oct	3710K	--
10/14/2011 07:30	CH	Consumer Price Index (YoY)	SEP	6.10%	6.20%
10/14/2011 14:30	EC	Euro-Zone CPI (MoM)	SEP	0.80%	0.20%
10/14/2011 14:30	EC	Euro-Zone Trade Balance	AUG	-4.0B	4.3B
10/14/2011 18:00	US	Advance Retail Sales	SEP	0.70%	0.00%
10/14/2011 19:25	US	U. of Michigan Confidence	OCT P	60.4	59.4
10/14/2011 19:30	US	Business Inventories	AUG	0.40%	0.40%

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