

# BULLION WEEKLY

A Weekly Report on Gold & Silver

## The Week Ahead

- Market will be remaining cautiously optimistic on reignited risk appetite
- Fed's QE3 is back on the table
- FOMC meet should be keenly watched

## Technical Calls

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
Gold Dec COMEX	1552	1594	1670	1788	1830	1906	Buy X lots in the range of 1725/1733, 2 <sup>nd</sup> lot in the range of \$1700/1713 targeting 1750 then 1770/75 with stop loss below 1675
Gold Dec MCX	25641	26151	26855	28069	28579	29283	Buy X lots in the range of 27430/27475, 2 <sup>nd</sup> lot in the range of 27280/27350 targeting 27875 then 28000 with stop loss below 27140
Silver Dec COMEX	2797	2960	3244	3691	3854	4138	A trading range could be defined at \$33.50-36.40
Silver Dec MCX	48136	50430	53891	59646	61940	65401	Trading range: 55000-59000

*Note: Although we have defined our review and the outlook for gold but less volume could be a hindering factor and we need to be careful about that*

## Outlook

The week gone by bullion prices remained elevated, went against our view. The dollar index found itself under more pressure after the Euro summit revealed steps to revitalize banks and leverage the EFSF. Gold gained by more than 6% and silver caught a 13% upside move as the subsequent surge in risk appetite prompted investors to abandon the Greenback. Week ahead we expect bullion prices to sustain the rally on weekly basis, although the volatility can not be dispensed.

From the fundamental frontage, whether the Greece bailout deal agreed to, will actually mitigate the crisis, is subject to debate and will be under scrutiny for coming days. **But at present, this anyway has brought relief to the financial market and has reignited the risk appetite.** Yet the market might put forth the doubts. While forgiving Greece's debt, what incentive remains for the Italy, Spain and other peripheral nations to make the necessary fiscal adjustment to restore their accounts, is casting clouds over our thoughts. So, we believe that, this is not the end point of Euro crisis, rather, there are still more steps to come up. Jittery over the market and easy money is therefore may keep the bullion prices strong for the week ahead.

FOMC meet on Wednesday will be the most eventful happenings to watch for. Despite the authority is mostly certain to keep the interest rate unchanged at the prior level, the associate statement might describe a more upbeat economic assessment after host of US releases turned up better than expected, subsided the recessionary concern. **This might exert the most significant event risk for Gold in the coming week.** However, despite a sturdy comeback of global equities, the enduring concern about the global growth might make the Fed bound to retain the cautious outlook and keep the policy door open for further easing for sticking onto the wait and see approach. Once European Union voted onto forgives and forget debts, talk of additional measures to rejuvenate the US economy is on the rise. **Bullions are therefore likely to command when bailouts and easy money are being taken as the way to escape.**

While analyzing the PVO, this is the consecutive fourth week whereby it is being observed that price rise is accompanied by a lower volumes, while, price fall is absorbed by higher volumes. This clearly indicates indecision among traders who are now prone to capture petite profits since price rise now a day are exposed to early profit booking with higher volumes and such activities are eloping the gains quickly. Said above, we need to be very cautious for a price rise, as it may be followed by a sharp price fall due to profit taking.

Overall, bullion prices might continue its rally owing to the above concerns and we recommend remaining on buy side for the week, anticipating that traders on the back of rising risk appetite might hunt for higher yields which will fetch the dollar under pressure and in turn will prop up the commodities prices. The stronger equities may make the rupee appreciate which will limit the gains.

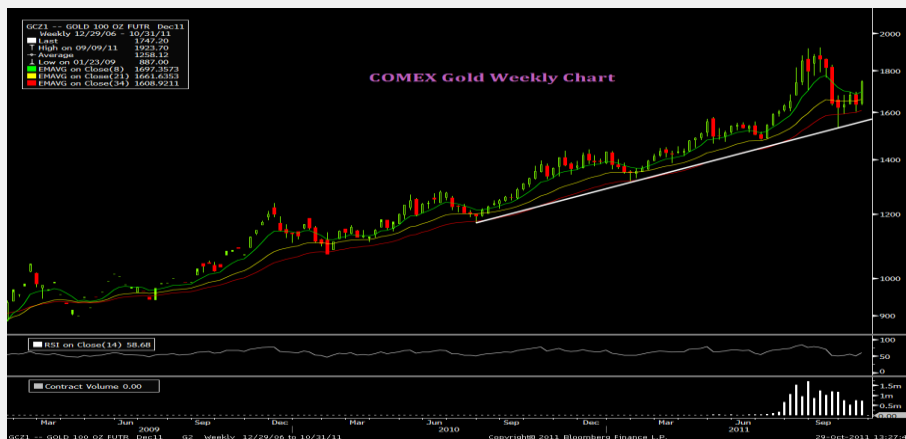
# BULLION WEEKLY

A Weekly Report on Gold & Silver

## Technical Analysis – Gold

December futures gold prices traded substantially higher in the last week breaking four week's consolidation phase and ended the week at \$1747.20 levels up by 7 per cent from its previous close. The sudden turn was mostly due to support witnessed from 34-week EMA levels.

Convincingly, gold has never broken 34-week EMA levels since beginning of 2010. Nevertheless, bullish move is witnessed in the last week. Technically, market has corrected above 50 per cent retracement of the recent fall witnessed from \$1921 to \$1532 and settled the week at \$1747 suggesting near term bullish trend may remain intact. Going by the same principle we believe gold may have its next resistance at \$1775.30 levels which is 61.8 per cent retracement of the same move and certainly, \$1728/30 (50% retracement) would now be treated as support levels. So, the primary range for gold in the coming week is \$1728 to \$1775 levels. Precisely, either side break should define the next trend.

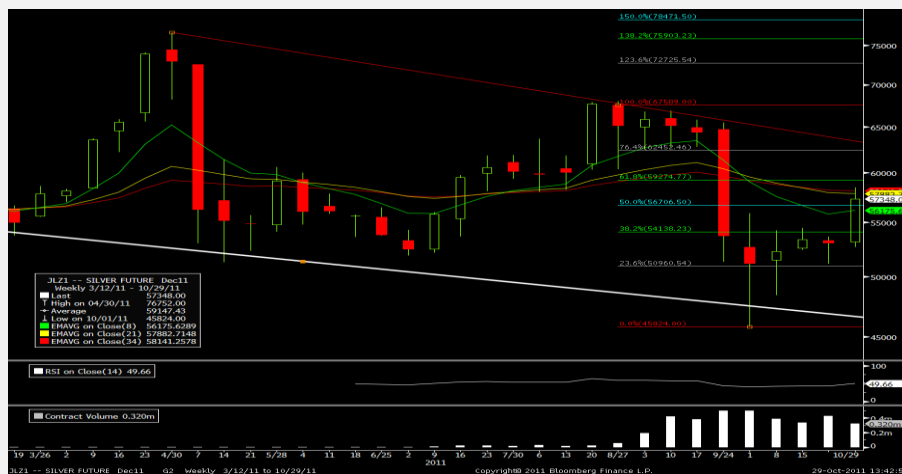


Therefore, we need to look at the other technical tool. The weekly RSI-14 is trading at 0.58 and going along with the price trend suggesting prices to move higher in the coming week, however, the volumes have not been so supportive to the trend. Another important tool, ICHIMOKU indicator suggests bullishness is still intact in the short to medium term, however, applying the same principle on the daily chart we might see resistance facing near \$1770/75 levels. In fact in the daily chart price has marginally been deviated from the averages so a correction could be inevitable. Lastly the weekly pivotal points could be seen at \$1728/30, \$1712, \$1775 and \$1790 levels.

Looking at the above analysis we believe gold to trade higher in the next week however gains are likely to be restricted near \$1775/80 zone. Since, the weekly pivot point is seen at \$1712 we would recommend buying gold at little lower levels.

## Technical Analysis – Silver

Silver prices traded higher to settle the week at \$35.28 up by 13 per cent from its previous weekly close. Although prices have risen but the volumes have not been supportive so the bullish trend looks slightly suspicious. In fact, in the weekly price chart of Silver making a continuation pennant pattern, this has been dreadfully spoiled and made silver to move higher. This generally does not happen however, less volume could drive the market in the opposite direction and the same has happened in the silver price chart. Nevertheless, it looks crucial for the coming week. However, we need to define the key supports and resistances levels. In the daily chart the major support could be seen at \$33.85/34.00 and then \$33.50/33.30 levels. Likewise, on the higher side the resistances can be defined at \$35.70 then \$36.20.



Looking at the Silver price performance and the chart pattern market looks little dicey however, a correction can be expected and should move higher however, gains are expected to be limited.

**Note:** Although we have defined our review and the outlook for gold but less volume could be a hindering factor and we need to be careful about that

# BULLION WEEKLY

A Weekly Report on Gold & Silver

**Market Round-up:** The week gone by bullion prices remained elevated on optimism of the Greek bailout and on reignited risk appetite supported prices for a rally

## Economic Events:

- ❖ The week gone by, started with controversy as the European leaders ruled out using the ECB balance sheet to boost the region's rescue fund. The crisis management summit excluded a forced restructuring of Greece's debt, sticking with the policy of appealing bondholders to accept voluntary losses
- ❖ Lastly, the European government agreed on steps to leverage the fund by as much as five times and the French president estimated the region's bailout fund will be worth \$1.4 trillion. Investors have also agreed to a voluntary 50% write down of Greek debt.
- ❖ The dollar index which measures the U.S. unit against a basket of major currencies fell 1.71% as the massive sell offs came in after the European leaders struck the deal to tame the Greek crisis
- ❖ World equities measured by the MSCI all country world indexes, posted the biggest weekly gain of the year by 5.01% while the Asian benchmark index also bagged 7.52% after a breakthrough in Europe debt crisis boosted confidence that the debt crisis will be contained . On the other hand, the CRB Index, a bellwether for commodities advanced 3.82%

## Precious Metal Show:

- ❖ SPDR gold holdings increased to 1243.55 tons from 1227.51 tons since last week
- ❖ The I-share silver holdings decreased to 9734.81 tons from 9874.05 tons last week
- ❖ Gold at COMEX rose by 6.79% while at the MCX it gained only 3.07% due to the rupee appreciation by 2.52%
- ❖ Silver futures for December delivery also advanced by 13.13% at COMEX while at MCX the gain was 8.22% for the same reason

## 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)	1643.00	1754.00	1636.60	1747.20	6.79%	712253	-4.23%	265045	2.21%
	Gold (Feb 12)	1643.20	1755.50	1639.00	1749.30	6.79%	23334	32.48%	57777	8.95%
MCX (₹/10gm)	Gold (Dec 11)	26712	27875	26661	27589	3.07%	192242	-23.80%	11300	-10.33%
	Gold (Feb 12)	27023	28185	26940	27899	3.17%	5187	-30.39%	1037	40.71%

## Price Performance - Silver

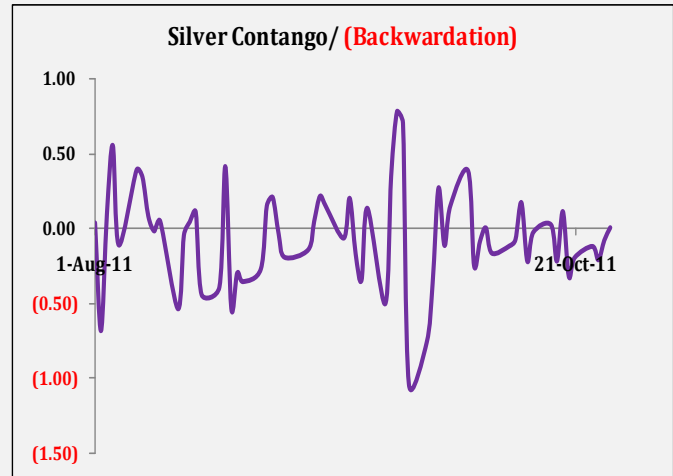
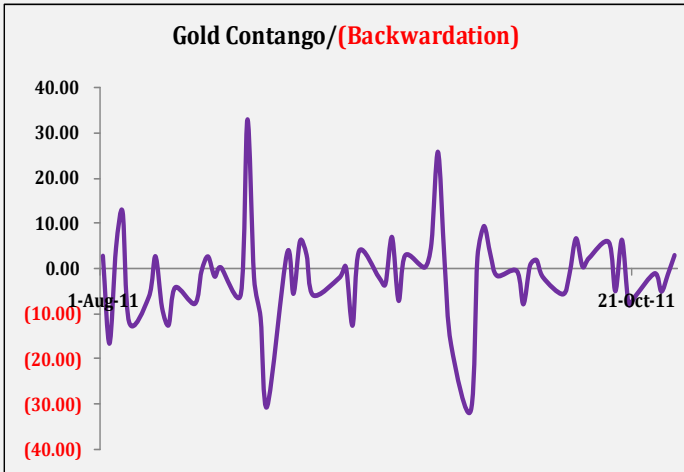
Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX (\$/oz)	Silver (Dec 11)	31.39	35.70	31.23	35.29	13.13%	206195	-9.91%	60429	0.60%
	Silver (Feb 12)	31.36	35.57	31.36	35.30	13.12%	1506	285.17%	185	-8.87%
MCX (₹/kg)	Silver (Dec 11)	53188.00	58480	52725	57395	8.22%	318816	-25.30%	12237	-21.04%
	Silver (Mar 12)	54728.00	55083	52686	54485	8.13%	6700	-32.66%	2413	22.05%

# BULLION WEEKLY

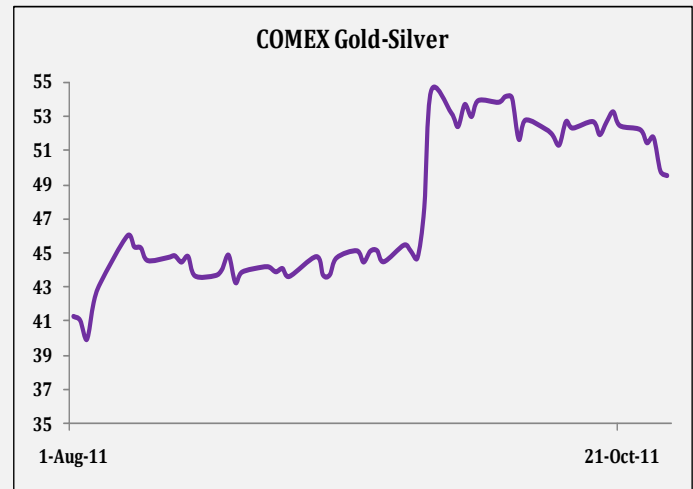
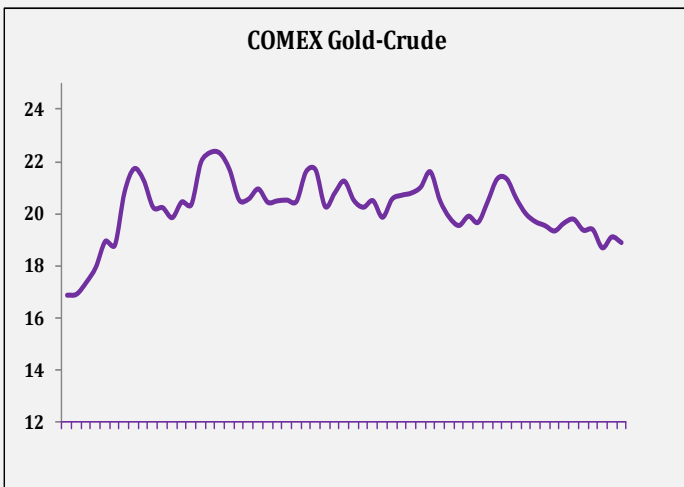
A Weekly Report on Gold & Silver

## Chart Updates - Contango & Backwardation

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



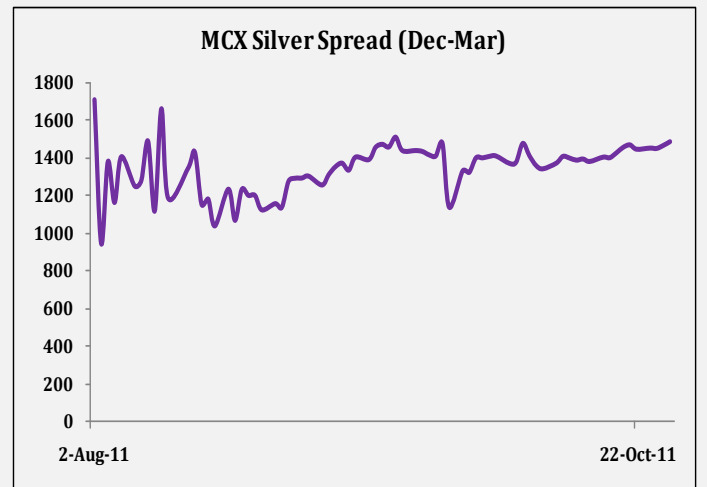
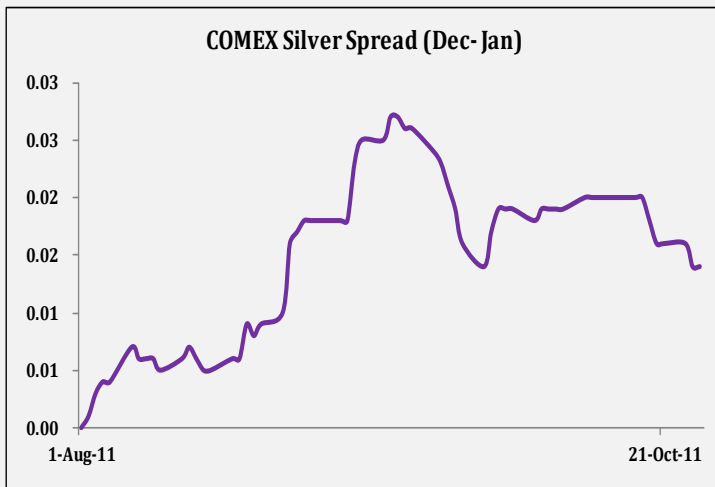
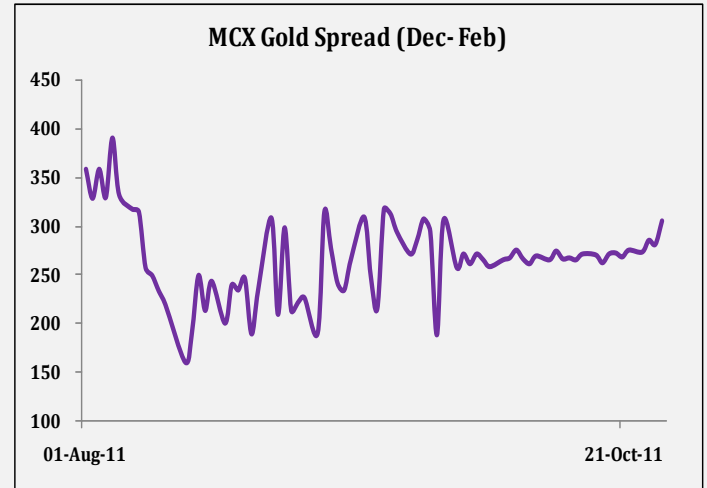
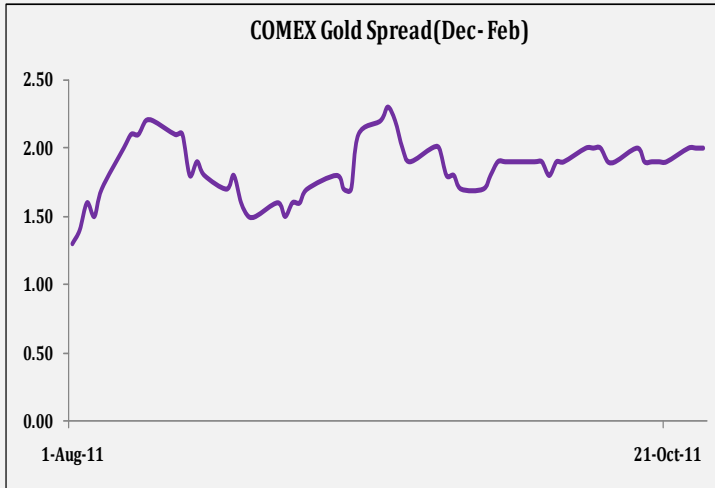
## Ratio Charts



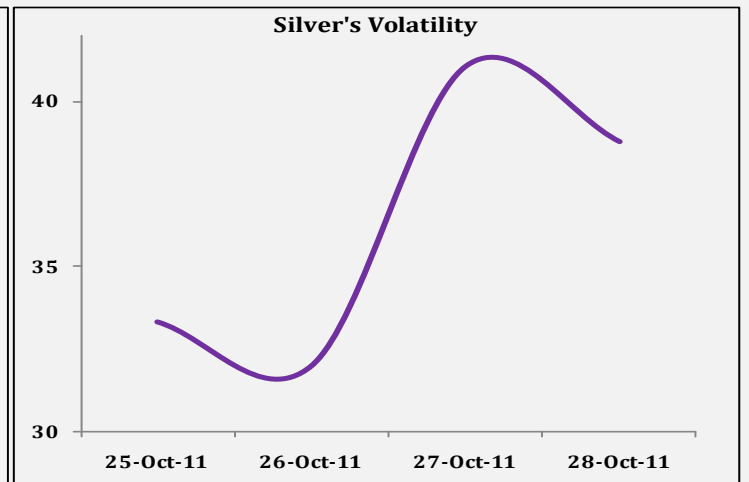
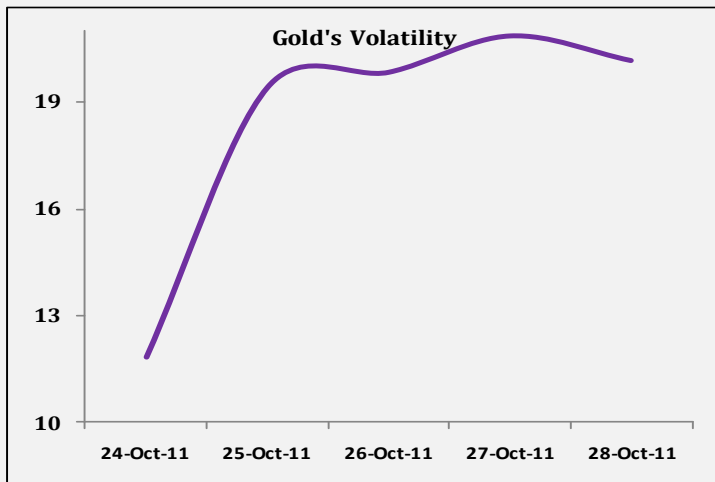
# BULLION WEEKLY

A Weekly Report on Gold & Silver

## Calendar Spreads



## Volatility at MCX (%)



# BULLION WEEKLY

A Weekly Report on Gold & Silver

## DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date Time	Region	Event	Period	Survey	Prior
10/31/2011 12:30	GE	Retail Sales (MoM)	SEP	1.00%	-2.90%
10/31/2011 15:30	EC	Euro-Zone Unemployment Rate	SEP	10.00%	10.00%
10/31/2011 19:15	US	Chicago Purchasing Manager	OCT	59	60.4
10/31/2011 20:00	US	Dallas Fed Manf. Activity	OCT	-5	-14.4
11/01/2011 06:30	CH	PMI Manufacturing	OCT	51.8	51.2
11/01/2011 15:00	UK	PMI Manufacturing	OCT	50	51.1
11/01/2011 15:00	UK	GDP (QoQ)	3Q A	0.30%	0.10%
11/01/2011 19:30	US	Construction Spending MoM	SEP	0.30%	1.40%
11/01/2011 19:30	US	ISM Manufacturing	OCT	52	51.6
11/01/2011 19:30	US	ISM Prices Paid	OCT	55	56
11/02/2011 14:25	GE	PMI Manufacturing	OCT F	48.9	48.9
11/02/2011 14:30	EC	PMI Manufacturing	OCT F	47.3	47.3
11/02/2011 15:00	UK	PMI Construction	OCT	50	50.1
11/02/2011 17:45	US	ADP Employment Change	OCT	100K	91K
11/02/2011 22:00	US	<b>FOMC Rate Decision</b>	<b>2-Nov</b>	<b>0.25%</b>	<b>0.25%</b>
11/03/2011 06:30	CH	China Non-manufacturing PMI	OCT	- -	59.3
11/03/2011 15:00	UK	PMI Services	OCT	52	52.9
11/03/2011 18:00	US	Nonfarm Productivity	3Q P	2.80%	-0.70%
11/03/2011 18:00	US	Initial Jobless Claims	29-Oct	400K	- -
11/03/2011 18:00	US	Continuing Claims	22-Oct	3700K	- -
11/03/2011 18:15	EC	ECB Announces Interest Rates	3-Nov	1.50%	1.50%
11/03/2011 19:30	US	ISM Non-Manf. Composite	OCT	53.6	53
11/03/2011 19:30	US	Factory Orders	SEP	-0.10%	-0.20%
11/04/2011 14:30	EC	PMI Composite	OCT F	47.2	47.2
11/04/2011 14:30	EC	PMI Services	OCT F	47.2	47.2
11/04/2011 15:30	EC	Euro-Zone PPI (MoM)	SEP	0.20%	-0.10%
11/04/2011 16:30	GE	Factory Orders MoM (sa)	SEP	0.10%	-1.40%
11/04/2011 18:00	US	Change in Nonfarm Payrolls	OCT	95K	103K
11/04/2011 18:00	US	Change in Private Payrolls	OCT	125K	137K
11/04/2011 18:00	US	Change in Manufact. Payrolls	OCT	4K	-13K
11/04/2011 18:00	US	Unemployment Rate	OCT	9.10%	9.10%
10/31/2011 12:30	GE	Retail Sales (MoM)	SEP	1.00%	-2.90%
10/31/2011 15:30	EC	Euro-Zone Unemployment Rate	SEP	10.00%	10.00%

# BULLION WEEKLY

A Weekly Report on Gold & Silver

To unsubscribe please mail us at [commodity@karvy.com](mailto:commodity@karvy.com)

## Disclaimer

The report contains the opinions of the author that are not to be construed as investment advice. The author, directors and other employees of Karvy, and its affiliates, cannot be held responsible for the accuracy of the information presented herein or for the results of the positions taken based on the opinions expressed above. The above-mentioned opinions are based on the information which is believed to be accurate and no assurance can be given for the accuracy of this information. There is risk of loss in trading in derivatives. The author, directors and other employees of Karvy and its affiliates cannot be held responsible for any losses in trading.

Commodity derivatives trading involve substantial risk. The valuation of the underlying may fluctuate, and as a result, clients may lose their entire original investment. In no event should the content of this research report be construed as an express or an implied promise, guarantee or implication by, or from, Karvy Comtrade that you will profit or that losses can, or will be, limited in any manner whatsoever. Past results are no indication of future performance. The information provided in this report is intended solely for informative purposes and is obtained from sources believed to be reliable. Information is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted.

We do not offer any sort of portfolio advisory, portfolio management, or investment advisory services. The reports are only for information purposes and not to be construed as investment advice.

For a detailed disclaimer please go to following URLs:

<http://www.karvycomtrade.com/disclaimer.asp>

<http://www.karvycomtrade.com/riskDisclaimer.asp>