

BULLION WEEKLY

A Weekly Report on Gold & Silver

The Week Ahead

- Market jittery is likely to continue after the Greek contagion spread to Italy
- US trade balance and monthly budget will be keenly watched
- European market might remain unconvinced on the Euro deal

Technical Calls

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
Gold Dec COMEX	1613	1647	1702	1790	1824	1878	Buy X lots in the range of \$1732/37, Y lots at \$1715/1722 targeting \$1775 with stop loss below 1695
Gold Dec MCX	26396	26742	27344	28292	28638	29240	Buy X lots in the range of Rs. 27690/27740 then Y lots at 27400/27480 targeting 28035/28150 with stop loss below 27300
Silver Dec COMEX	2897	3054	3231	3565	3722	3899	Trading Range: \$32.00-36.00
Silver Dec MCX	51085	52481	54409	57733	59129	61057	Trading range: 55400-58000

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 volatile with the very first day of Japan's intervention in the currency market. Bullions started the week with a downfall, however, revived and settled slightly higher than the prior week's closing on optimism of Greek bailout. Week ahead, concern is still hovering around the globe regarding Greece and the contagion now spread to Italy. Therefore, there exists downside risk as well (discussed later). However, this risk might play the role of safe haven which might support bullion prices. So, bullions are expected to remain quite volatile in the coming week.

From the fundamental front, The G-20 nations which concluded a two day summit, gave their blessings to the Euro zone's latest plan to dig out of its debt crisis, but the leaders failed to agree on giving them new money, a key part of the plan. Concern now turned back to Italy. IMF who would oversee a Euro zone bailout fund, engaged with new assignment of inspecting Italy's book that might need a life jacket as borrowing cost for Italy jumped after days of political upheaval in Greece.

Let us first discuss what downside risk might disturb the bullion prices. **Firstly**, after Greece there are other indications that might lead to a relapse in risk sentiment. Despite ECB wished to buy Italian and Spanish government debt, Italian yields are at all-time highs and Spanish yields are at their highest levels since August. This suggests that markets remain unconvinced that the EU's supposedly comprehensive solution will actually work for countries who are seeking to be bailed out. Therefore, EU nations and Germany are offering another vote of no confidence on the EU plan. So, while the Greek saga played out at the forefront, we should remain aware about Italy and Spain too. **Secondly**, ECB president's declaration of not to be last resort of lender for banks or government, might not able to stabilize the debt market of struggling Euro zone countries like Italy, Spain, as said above. **Thirdly**, at the end, the G-20 statement issued at the close of the summit promised only to consider funding options by February which again raised concern about the viability of the plan. Overall, Euro area jittery is still likely to continue which threaten the Euro and thereby bullion prices. However, the same scenario might turn around to be positive on the appeal of safe haven. In response to this bleak outlook, Fed chairman still considers QE3 is on the table, but the rolling out of it is not expected any time soon. This is the factor which may still keep the bullion prices up.

From the PVO analysis, surprisingly it has been observed that, gold's price rise since last two weeks are not actually supported by volumes. The same scenario with silver led the metal to fall 3.41% last week. Hence, the continued scenario is still indicating a bearish outlook for the metals.

Overall, volatile moves are expected in the week ahead. Considering all factors, despite downside risk awaits, it is recommended to remain long for the metals for shorter target since the aforesaid concerns are of little broader fundamentals.

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Technical Analysis – Gold

Gold edged higher and ended the week at \$1756.10 levels up by 0.52 per cent from previous week's close. Market though has moved higher but trading just below a crucial resistance levels of \$1775 levels (61.8% retracement) of the previous down move witnessed between \$1925 to \$1535 levels. Precisely, only on break of \$1775 should make gold to move higher may be towards 1790/1800 levels. Since, the weekly RSI-14 is trading at 0.60 and at a neutral phase looks like may find resistance and take turn having an immediate support at 1728/29 and then \$1710 levels. So, the week is expected to trade in the range \$1710-1775 levels. Meanwhile, the weekly pivot point is seen at \$1735 so may be correction may stop at \$1735 and then again turn around. Ichimoku also renders a support point at around \$1725/30 levels.



Looking at the above analysis we believe gold to trade in the range of \$1710 to \$1775 in the coming week and break of \$1775 should make it test \$1795/1800 levels. Therefore, buying recommendation should be developed near the support levels.

Technical Analysis – Silver

December futures Silver prices have ended marginally lower from its previous weeks close and settled at \$34.08 down by 3.40 per cent. Market has ended the week near a very crucial levels hence next is looks highly disturbed. The week has ended just below 50% retracement point and looks like some correction can be expected. Past few weeks have been on a very consolidation phase and we could say any significant break out on the higher side i.e. above \$36.00 should make silver to trade higher otherwise, correction is inevitable. Looking at the coming week scenario we believe Silver to trade in the range of \$33.00 to 35.90/36.20 levels



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Market Round-up: The week gone by gold settled little higher while silver fell on Greek drama.

Economic Events:

- ❖ The week gone by, started with the Euro weakening after Japan stepped into foreign exchange market to weaken its currency. Japan sold an undisclosed amount of Yen sending the Dollar climbing sharply against the Yen
- ❖ Fresh worries about Europe's debt crisis resurfaced on Monday when the Greek prime minister cast doubts over the Euro bailout plan. Greek prime minister pledged to hold a referendum on the European Union's latest bailout plan for the nation
- ❖ However, Greece's cabinet decided to give the prime minister unanimous support for the budget cut plan and the European council released a statement urging Greece to accept the bailout which would lower its debt level to 120% of GDP
- ❖ France and Germany cut off financial aid until a vote that would take place on December 4 or 5 to determine whether it deserves a fresh batch of loans needed to tame the default. The referendum raised the concern about Greece's intension to stay in the Euro or not
- ❖ The dollar index which measures the U.S. unit against a basket of major currencies rose 2.46% against the majors as the Greek drama made the Euro weak
- ❖ ECB surprisingly reduced the interest rate by 25 basis points from 1.50% to 1.25%
- ❖ World equities measured by the MSCI all country world indexes, posted the loss of 4.08% while the Asian benchmark index also fell 3.58%. On the other hand, the CRB Index, a bellwether for commodities reduced by 0.81%

Precious Metal Show:

- ❖ SPDR gold holdings increased to 1245.06 tons from 1243.55 tons since last week
- ❖ The I-share silver holdings also increased to 9770.09 tons from 9734.81 tons last week
- ❖ Gold at COMEX rose by 0.51% while at the MCX it gained 1.41% due to the rupee depreciation by 0.71%
- ❖ Silver futures for December delivery fell by 3.41% at COMEX while at MCX the loss was 1.80% 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)	1743.10	1769.50	1681.20	1756.10	0.51%	691740	-4.07%	262872	0.49%
	Gold (Feb 12)	1745.90	1771.70	1685.80	1758.30	0.51%	30469	28.65%	65236	8.93%
MCX (₹/10gm)	Gold (Dec 11)	27510	28035	27087	27947	1.41%	243297	25.85%	12766	14.12%
	Gold (Feb 12)	27648	28342	27422	28245	1.35%	8948	69.15%	1658	55.68%

Price Performance - Silver

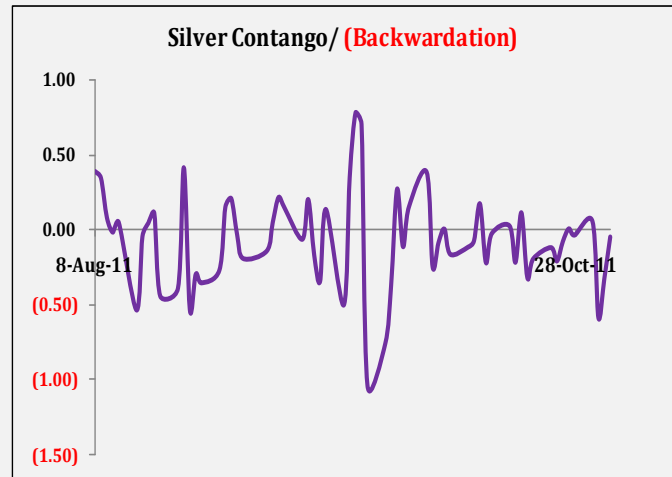
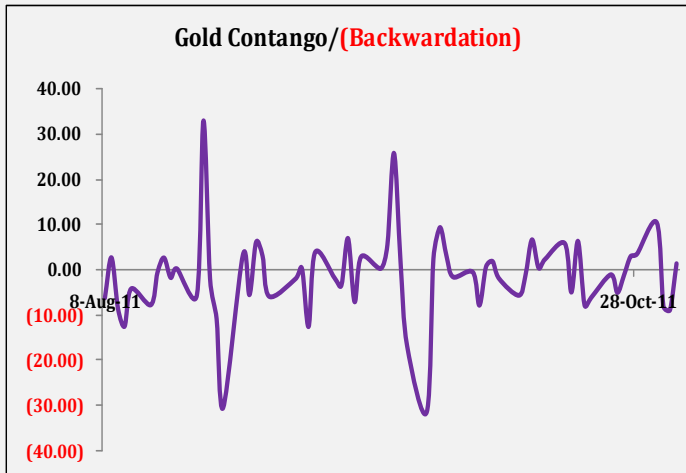
Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX (\$/oz)	Silver (Dec 11)	35.21	35.45	32.11	34.08	-3.41%	190408	-7.97%	54066	-8.08%
	Silver (Feb 12)	34.85	34.90	32.26	34.10	-3.40%	865	-42.64%	205	2.50%
MCX (₹/kg)	Silver (Dec 11)	56900.00	57200	53876	56338	-1.80%	395143	23.24%	12951	6.16%
	Silver (Mar 12)	58600.00	59732	54200	58860	-1.59%	10520	51.74%	2771	10.62%

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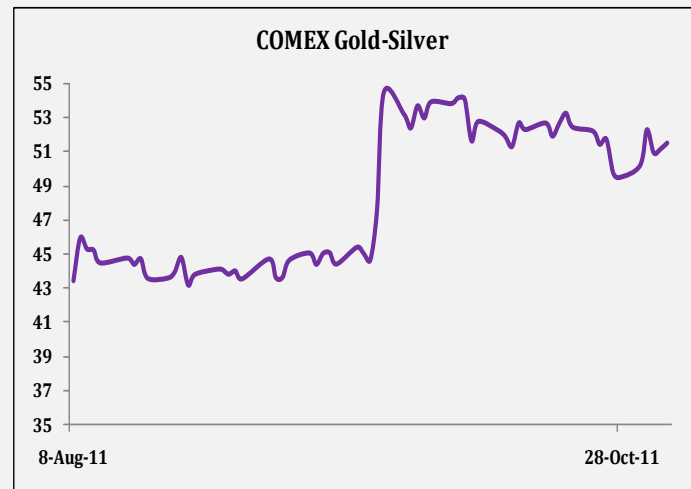
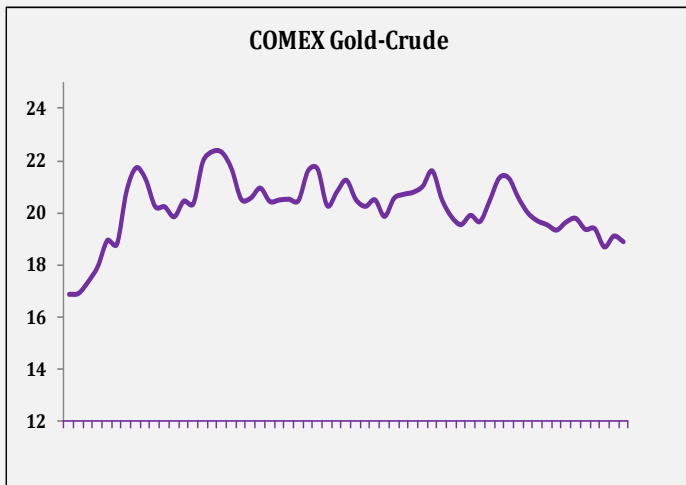
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Chart Updates - Contango & Backwardation

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



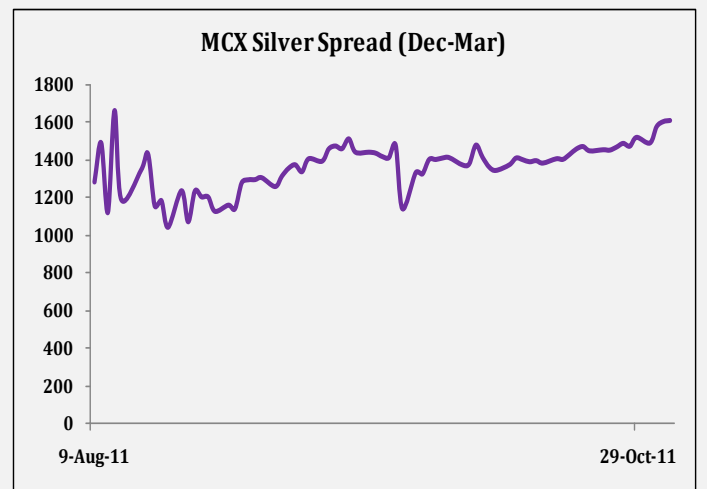
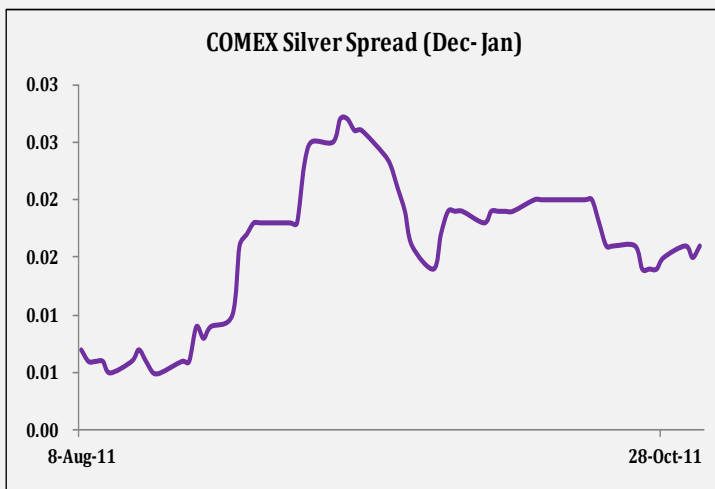
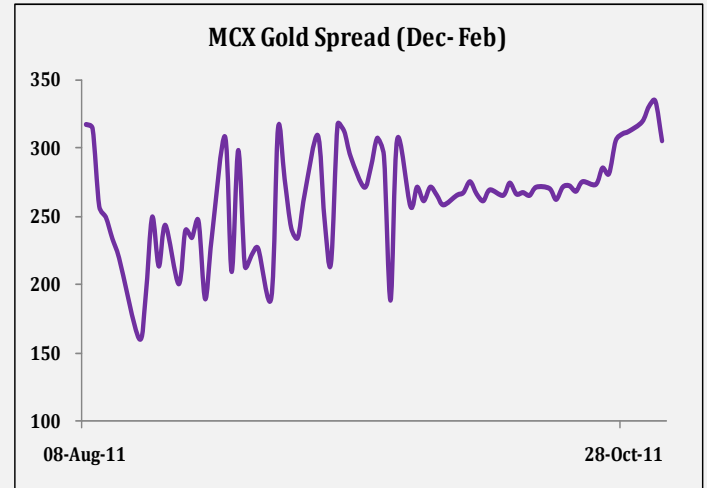
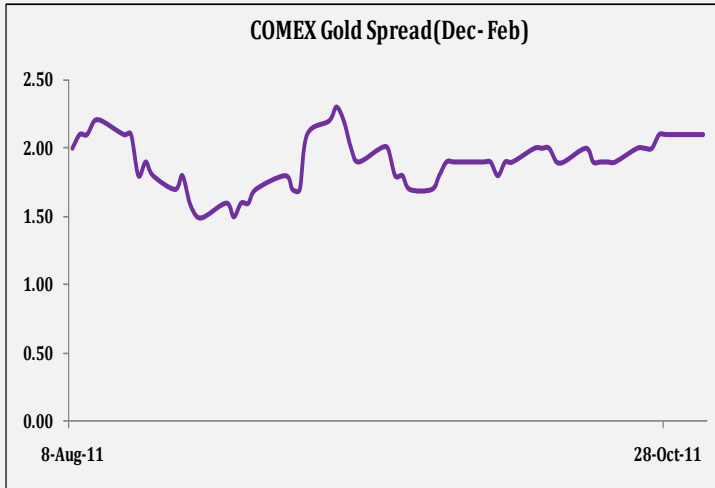
Ratio Charts



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Calendar Spreads



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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date Time	Region	Event	Period	Survey	Prior
11/07/2011 15:00	EC	Sentix Investor Confidence	NOV	-20	-18.5
11/07/2011 15:30	EC	Euro-Zone Retail Sales (MoM)	SEP	-0.10%	-0.30%
11/07/2011 16:30	GE	Industrial Production MoM (sa)	SEP	-0.90%	-1.00%
11/08/2011 01:30	US	Consumer Credit	SEP	\$5.200B	-\$9.501B
11/08/2011 12:30	GE	Exports SA (MoM)	SEP	-0.80%	3.50%
11/08/2011 12:30	GE	Imports SA (MoM)	SEP	0.40%	0.00%
11/08/2011 12:30	GE	Current Account (EURO)	SEP	12.3B	7.0B
11/08/2011 12:30	GE	Trade Balance	SEP	12.5B	11.8B
11/08/2011 15:00	UK	Industrial Production (MoM)	SEP	0.10%	0.20%
11/08/2011 15:00	UK	Manufacturing Production (MoM)	SEP	0.10%	-0.30%
11/08/2011 18:00	US	NFIB Small Business Optimism	OCT	90	88.9
11/09/2011 07:30	CH	Consumer Price Index (YoY)	OCT	5.40%	6.10%
11/09/2011 07:30	CH	Producer Price Index (YoY)	OCT	5.80%	6.50%
11/09/2011 15:00	UK	Total Trade Balance (GBP/Mln)	SEP	-£2100	-£1877
11/09/2011 20:30	US	Wholesale Inventories	SEP	0.50%	0.40%
11/09/2011	CH	Industrial Production (YoY)	OCT	13.40%	13.80%
11/09/2011	CH	Retail Sales (YoY)	OCT	17.60%	17.70%
11/10/2011 12:30	GE	Consumer Price Index (MoM)	OCT F	0.00%	0.00%
11/10/2011 12:30	GE	Wholesale Price Index (MoM)	OCT	--	0.30%
11/10/2011 15:30	EC	European Commission Releases Economic Growth Forecasts			
11/10/2011 17:30	UK	BOE ANNOUNCES RATES	10-Nov	0.50%	0.50%
11/10/2011 19:00	US	Import Price Index (MoM)	OCT	0.10%	0.30%
11/10/2011 19:00	US	Trade Balance	SEP	-\$46.2B	-\$45.6B
11/10/2011 19:00	US	Initial Jobless Claims	5-Nov	400K	--
11/10/2011 19:00	US	Continuing Claims	29-Oct	3680K	--
11/10/2011	CH	Exports YoY%	OCT	16.20%	17.10%
11/10/2011	CH	Imports YoY%	OCT	23.00%	20.90%
11/11/2011 00:30	US	Monthly Budget Statement	OCT	-\$105.0B	-\$140.4B
11/11/2011 20:25	US	U. of Michigan Confidence	NOV P	61.5	60.9

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