

BULLION WEEKLY

A Weekly Report on Gold & Silver

The Week Ahead

- Fed meeting minutes should be keenly watched for
- Any indication for printing currency will be leading to price upsurge
- Higher investment demand are expected to emerge at lower side, so down side risk is expected to be limited

Technical Calls

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
Gold Dec COMEX	1605	1658	1692	1778	1831	1865	Sell in the range of \$1740-1745 targeting \$1700 then \$1680 with stop loss above \$1785 levels.
Gold Dec MCX	27257	27764	28197	29137	29644	30077	Sell in the range 29000-29050 targeting 28200/28000 with stop loss above 29450
Silver Dec COMEX	27	29	31	35	37	39	Sell in the range of \$32.75-33.00 targeting \$30.90 then \$30.00 with stop loss above \$34.20
Silver Dec MCX	48721	51225	53331	57941	60445	62551	Sell in the range 56200-56500 Targeting 53000 with stop loss above 57800

Outlook

The week gone by bullion prices drifted lower, posting largest weekly decline since late September as a stronger dollar weigh on to the metals prices. Over the past few weeks bullions have failed to act as a haven amid growing uncertainty regarding the ongoing debt crisis in Europe. Instead, bullions are now tracking equity markets, with correlation flipping to positive. Gold however, recently went into a negative correlation with equities, while it had more than 60% positive correlation till July. Weak ahead, we expect bullion prices to remain volatile with more bias towards downside.

In the coming week, bullion traders will be waiting for the FOMC minutes for the November 2 policy meeting. This might provide an insight for the future policy shift from the Fed. For the past few weeks various central bankers' suggestion continued to remain disseminate among various voting members regarding to measures, if any, the Fed is confirmed to combat the 9% unemployment rate which remained stubbornly high for quite a few time. We have seen conflicts regarding measures are going on between the voting members. To sight a few, while Dallas Fed president is advocating for a tighter monetary policy, Fischer (economist) went on to note that inflationary pressures do not seem to be a threat at this point with expectations for inflation to ease back towards the Fed's informal target of around 2%. This stand however; was conflicted by the New York fed president stating that there is more the central bank could do to provide stability in financial market, which echoed Bernanke's note of further easing to remain under table. **Thus, more the signal of rift within the Fed, bullions might find strong support as traders then would be searching for shed to defend them from the threat of inflation if the central bank prints more money.**

To have an update for the **demand supply** scenario, Gold demand in the Q3, 2011 reached 1,053.9 tones, an increase of 6% compared to the same period last year. This equates to \$57.7 Billion, an all-time high in value terms. According to the WGC estimate, this increase was driven by an incremental investment demand (33%) YOY basis has generated record quarterly demand of \$25.6 billion. Most importantly, European investment demand was impressive by a YOY increase of 135%. So, this might limit gold's downside.

From the PVO analysis, it has been observed that price was pressurized by higher volumes but lesser open interest. This implies, market has a lot of traders initiating from both sides, but the larger traders are liquidating positions earlier at higher prices. So, sustainability at higher side remains under doubt. Also, in such scenario, market is not anticipated to stay low for a longer time as the bargain hunters may return to the markets as the metal comes down to some appealing levels.

Concerns regarding the Euro area are also likely to keep the metal prices volatile. Rising bond yields clearly signifies weakness in Euro. Hence, bullion prices may feel the pressure against the weak Euro. As we have stated in our economic report, the releases due next week are expected to remain weak. Overall, bullions are expected to invoke volatile move with bias towards a limited downside.

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Technical Analysis – Gold

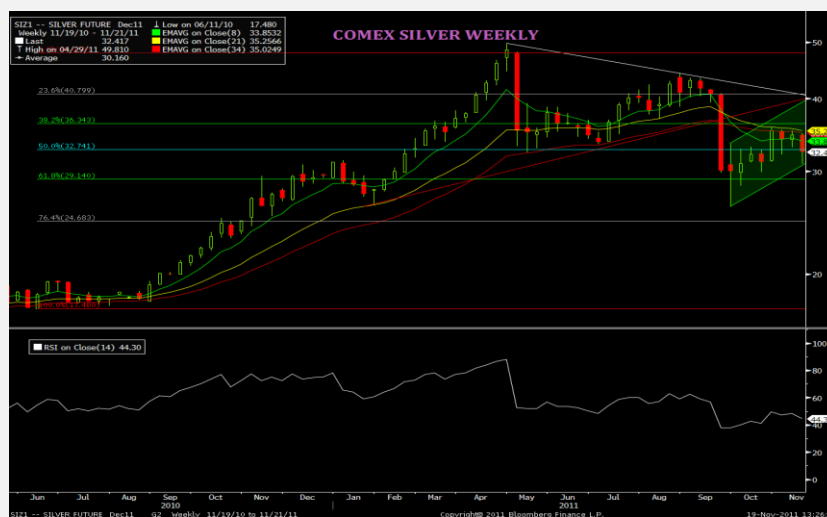
December futures gold prices corrected sharply by 3.52 per cent in the last week and ended at \$1725.10 levels. Gold prices corrected after third consecutive bullish week.

Looking at the weekly chart suggests that a small triangle break down as well as a trend channel which is keeping gold to trade lower or correct. Going by the same logic we see prices to correct may be until trend channel levels i.e. around \$1700/1695 levels. Precisely, break below \$1695 should make gold to test \$1670/1675 levels. Moreover, the weekly strong bearish candle is suggesting market to remain lower as the volumes were also good for the bearish trend. While in the daily chart prices are trading well below all the moving averages should keep gold to trade lower. Looking at the above analysis we see gold to trade lower, however it is also imperative to trace out the possible upside levels. The weekly pivotal point is seen at \$1744/1745 levels. If market sustains below the resistance levels may see prices trading lower and as discussed may hit the lower support levels. Looking at the above analysis we believe gold to trade lower for the week and selling is recommended at a higher levels.



Technical Analysis – Silver

December futures Silver prices ended lower by 6.53 per cent in the last week to settle at \$32.41, weekly low \$30.92 levels. Market was seen consolidating for the past seven to eight weeks and now it has broken down so suggesting price trend to remain bearish. The possible immediate support could be seen at \$30.90 as previous weeks low and breach of the same may see prices testing \$2925/2930 levels (50%) retracement of the move of \$8.67 to 4\$49.81 levels. So correction is inevitable, weekly RSI_14 is seen trading at 0.44 and slowly slanting down. Prices are trading well below short term averages suggesting prices to remain bearish for the coming week. The weekly key pivotal points are seen at \$32.75 and \$33.00 levels. So, selling near pivot points should be apt



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Market Round-up: The week gone by bullion prices settled at a lower side after a wavering move. European tumultuousness and strong dollar index put the metals under stress.

Economic Events:

- ❖ The week gone by, started with Japan's economic growth for the first time in a year
- ❖ The former European Union competition commissioner took charge as Prime minister and passed an austerity measures, easing fears of a potential default
- ❖ Italian, French and Spanish bond yields rose to a record high, signifying weakness in the Euro and thereby raising concern about the acceptability of the proposals taken by the Euro chiefs
- ❖ The US releases remained handsome following the upbeat data fro the last one month, made the dollar strong. Jobless claims fell and an improving leading indicator suggest growing future activities
- ❖ The dollar index rose near one and a half percent against a basket of six major currencies, while the Euro fell 1.64% against the dollar after touching five weeks low of 1.3444
- ❖ World equities measured by the MSCI all country world indexes, posted the loss of 3.98% while the Asian benchmark index fell 2.68%. On the other hand, the CRB Index, a bellwether for commodities also reduced by 2.50%

Precious Metal Show:

- ❖ SPDR gold holdings increased to 1293.08 tons from 1268.66 tons since last week
- ❖ The I-share silver holdings also increased to 9783.71 tons from 9770.09 tons last week
- ❖ Gold at COMEX fell by 3.52% while at the MCX it lost by 0.89% due to the rupee depreciation by 2.43%
- ❖ Silver futures for December delivery fell by 6.53% at COMEX while at MCX the fall was restricted to 3.91% 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)	1789.40	1797.60	1711.00	1725.10	-3.52%	760205	4.80%	190918	-18.15%
	Gold (Feb 12)	1794.20	1799.50	1714.20	1727.90	-3.50%	100354	-4.89%	133790	36.56%
MCX (₹/10gm)	Gold (Dec 11)	28930	29212	28272	28629	-0.89%	245390	9.10%	11438	-6.98%
	Gold (Feb 12)	29255	29516	28613	28956	-0.83%	15078	25.38%	4280	67.19%

Price Performance - Silver

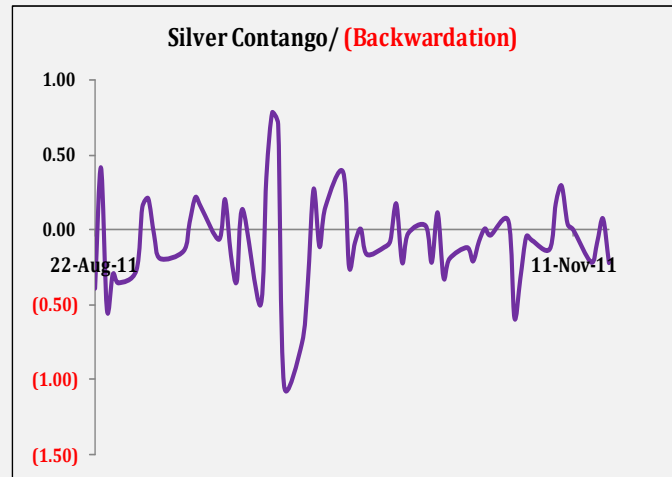
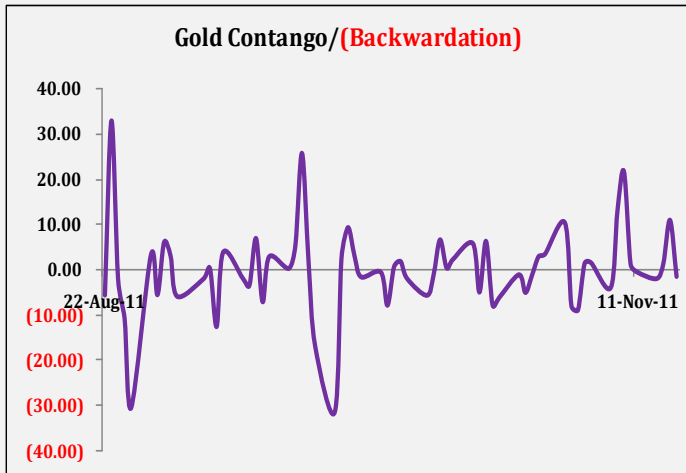
Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX (\$/oz)	Silver (Dec 11)	34.72	34.92	30.93	32.42	-6.53%	252401	16.38%	34299	-15.38%
	Silver (Feb 12)	34.64	34.80	31.03	32.44	-6.53%	1759	-7.71%	216	9.09%
MCX (₹/kg)	Silver (Dec 11)	57900.00	58338	53728	55438	-3.91%	376022	31.26%	13723	7.14%
	Silver (Mar 12)	59136.00	59944	57726	59360	-3.63%	18200	109.29%	3609	21.47%

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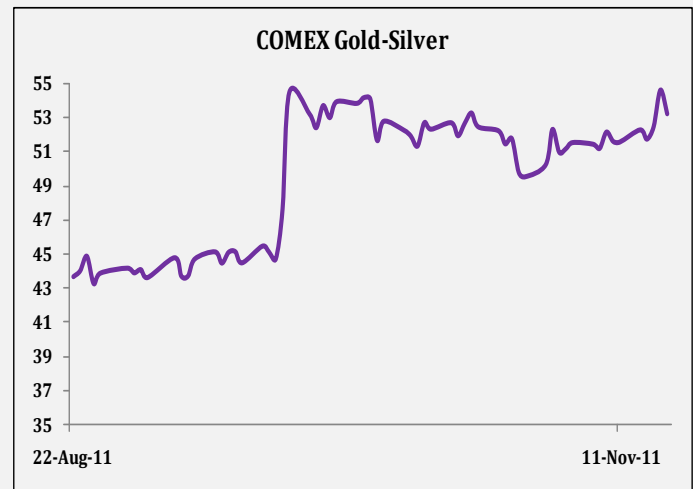
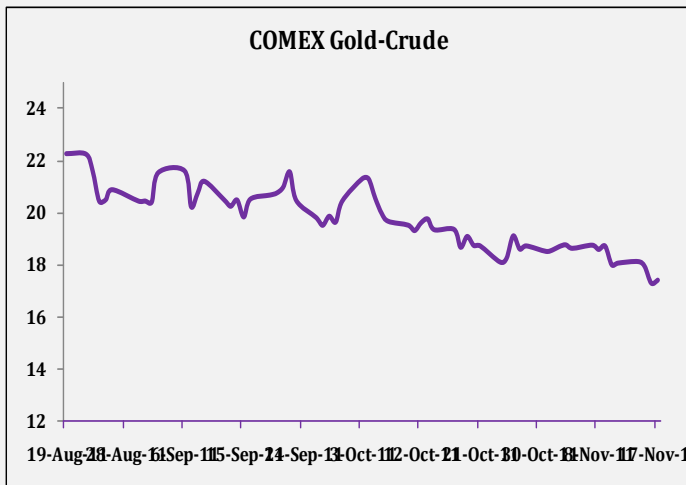
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Chart Updates - Contango & Backwardation

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



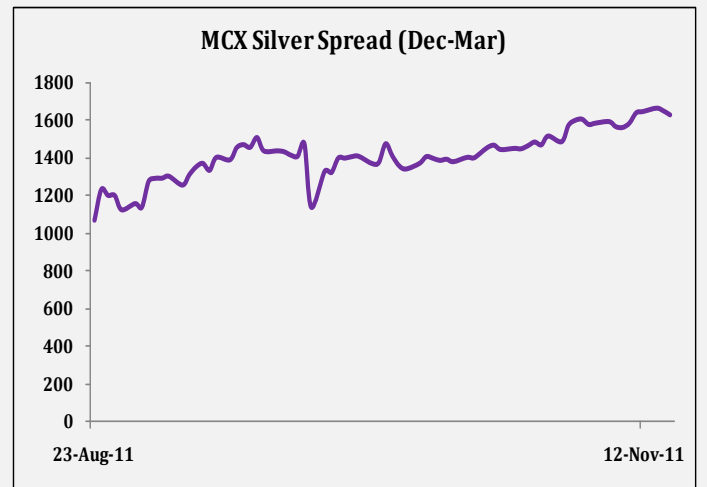
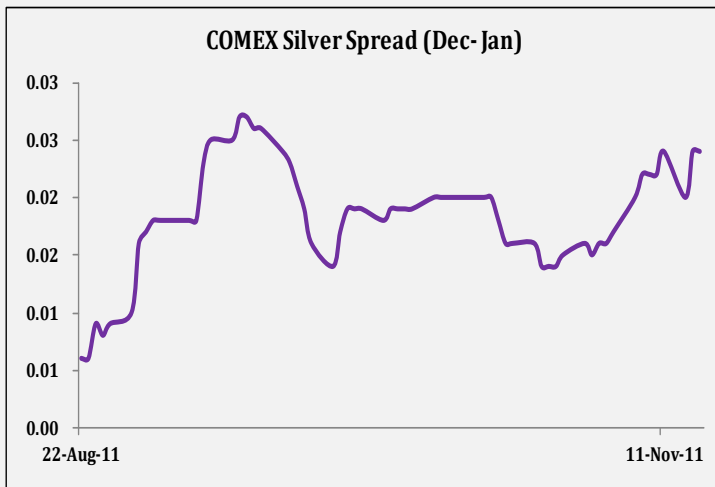
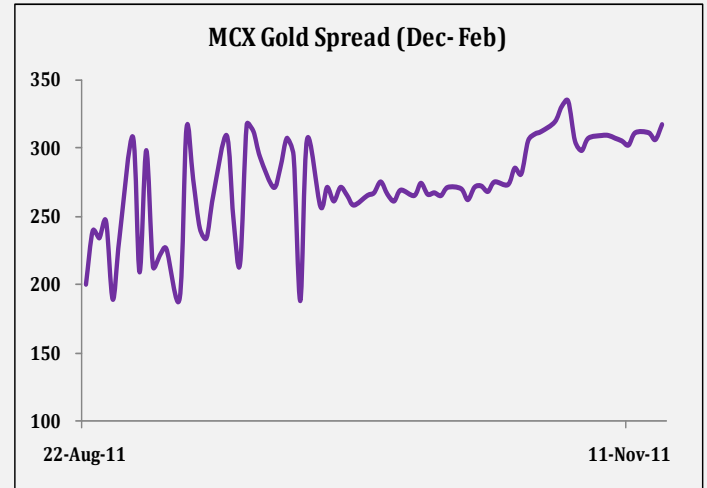
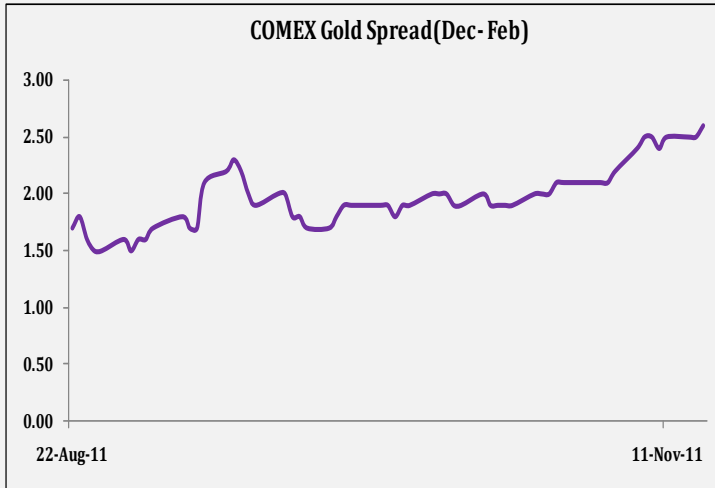
Ratio Charts



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Calendar Spreads



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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date Time	Region	Event	Period	Survey	Prior
11/21/2011 14:30	EC	ECB Euro-Zone Current Account SA	SEP	--	-5.0B
11/21/2011 19:00	US	Chicago Fed Nat Activity Index	OCT	0.19	-0.22
11/21/2011 20:30	US	Existing Home Sales	OCT	4.80M	4.91M
11/22/2011 19:00	US	GDP QoQ (Annualized)	3Q S	2.50%	2.50%
11/22/2011 19:00	US	Personal Consumption	3Q S	2.40%	2.40%
11/22/2011 19:00	US	GDP Price Index	3Q S	2.50%	2.50%
11/22/2011 20:30	EC	Euro-Zone Consumer Confidence	NOV A	-21	-19.9
11/22/2011 20:30	US	Richmond Fed Manufact. Index	NOV	-1	-6
11/23/2011 00:30	US	Minutes of FOMC Meeting			
11/23/2011 14:00	GE	PMI Manufacturing	NOV A	48.5	49.1
11/23/2011 14:00	GE	PMI Services	NOV A	50	50.6
11/23/2011 14:30	EC	PMI Composite	NOV A	46.1	46.5
11/23/2011 14:30	EC	PMI Manufacturing	NOV A	46.5	47.1
11/23/2011 14:30	EC	PMI Services	NOV A	46	46.4
11/23/2011 19:00	US	Durable Goods Orders	OCT	-1.20%	-0.80%
11/23/2011 19:00	US	Personal Income	OCT	0.30%	0.10%
11/23/2011 19:00	US	Personal Spending	OCT	0.30%	0.60%
11/23/2011 19:00	US	Initial Jobless Claims	19-Nov	390K	388K
11/23/2011 19:00	US	Continuing Claims	12-Nov	3610K	3608K
11/23/2011 20:25	US	U. of Michigan Confidence	NOV F	64.5	64.2
11/24/2011 12:30	GE	Exports	3Q	1.60%	2.30%
11/24/2011 12:30	GE	Government Spending	3Q	0.20%	0.20%
11/24/2011 12:30	GE	Construction Investment	3Q	-0.10%	-0.90%
11/24/2011 12:30	GE	Imports	3Q	1.50%	3.20%
11/24/2011 12:30	GE	Private Consumption	3Q	0.50%	-0.70%
11/24/2011 14:30	GE	IFO - Business Climate	NOV	105.2	106.4
11/24/2011 14:30	GE	IFO - Current Assessment	NOV	115	116.7
11/24/2011 14:30	GE	IFO - Expectations	NOV	96	97
11/24/2011 15:00	UK	GDP (QoQ)	3Q P	0.50%	0.50%
11/24/2011 15:00	UK	Private Consumption	3Q P	0.20%	-0.80%

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