

BULLION WEEKLY

A Weekly Report on Gold & Silver

The Week Ahead

- US nonfarm payroll data should be keenly watched for
- European bond yields has to be intensely followed
- Higher investment demand are expected to emerge at lower side for gold, so down side risk is expected to be limited

Technical Calls

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
Gold Feb COMEX	1605	1638	1663	1722	1755	1780	Sell in the range of \$1695-1702 targeting \$1636/1630 with stop loss above \$1735 levels.
Gold Feb MCX	28006	28316	28516	29026	29336	29536	Sell at 28820-28870 TP 28410/28221 SL 29150
Silver Mar COMEX	28	29	30	33	34	35	Sell in the range of \$31.40/31.80 targeting \$30.00 and \$29.40 with stop loss above \$32.50
Silver Mar MCX	51729	53690	54862	57995	59956	61128	Sell at 56680-56820 TP 54803/52600 SL 58500

Outlook

The week gone by bullion prices drifted lower, posting second weekly decline against moribund Euro and the rising dollar. Cost of insuring against default on European sovereign crisis rose to a record as the region's crisis deepened with Italy paying the highest yields to sell short dated bills in 14 years. Almost \$12 trillion was wiped off the value of global equities since May on mounting concern about slower economic growth. Yields on US treasuries (10 yr) fell to a near record low of 1.6714 to settle little higher at 1.9635. Week ahead, we expect bullion prices continue to remain weak.

In the coming week, market must be awaiting for the Nonfarm payroll data. Nonfarm payroll employment continued to trend up in October and the unemployment level was little changed at 9% as the government employment fell. As the US manufacturing bounced back, we may expect modest job growth is likely to continue in private sectors with the jobless benefit claims coming down. Although we have seen modest growth in personal income last week which is another indication of a likely job addition, unit labor cost might be getting cheaper as companies are hiring more labors to increase the productivity and the economy is aiming of reducing high unemployment level. However, European releases are expected to remain fragile. So, dollar might continue its ascending mode against the majors, while Euro may find hard landing against the back drop of soaring bond yields.

Meanwhile, Traders will be eyeing the EU Finance Ministers meeting next week, where they will discuss the recent developments regarding Greece, and most likely Italy, and the European Financial Stability Facility fund. Moreover, traders will be eyeing bond auctions in Italy, France, Belgium, and Spain. Accordingly we should expect high levels of fluctuations in markets. However, Europe's gloomy outlook and a days-long slump in global equities have pushed investors toward gold, as they amassed record holdings this week. This might support gold for a limited downside.

According to the PVO analysis, prices have fallen for both gold and silver, while the volume and open interest have increased. This indicates that the bearish trend is likely to continue as the market is showing aggressive short selling.

According to the above analysis, we expect bullion prices remaining more prone towards down side. However, rising investment demand for gold might limit the price fall. But, silver is seeming to be weak against the back drop of lower equities and poor manufacturing releases. Hence, we recommend remaining short for the metal.

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Technical Analysis – Gold-Feb COMEX

Two consecutive weeks are over that gold prices are on a downward trend and finally the week settled at \$1688.50 levels. Market has breached the trend line suggesting prices to trade lower. The weekly pivotal point could be seen at \$1693 levels so a minor pullback should help gold to trade further lower. The support should be seen at \$1667.10 (last week's low) and breach of the same may see prices testing \$1636/1630 levels. The weekly chart pattern suggests market is making a flag kind formation which should pull gold to trade lower. The volumes are also comparatively better in fact it has improved in last two weeks along with RSI_14 shows a decline and now trading around 0.50 levels suggesting prices may correct in the coming week as well. While applying Ichimoku indicator on the weekly price chart the base line resistance can be seen around \$1705 levels. So prices are expected to trade in the range of \$1695 to \$1705 on the higher side. As discussed the support could be seen at \$1636/1630 levels. So, overall price range could be seen at \$1630 to \$1705 levels for the coming week. Looking at the overall scenario we believe gold to trade lower in the coming week



Technical Analysis – Silver-Mar-COMEX

Silver prices traded lower for the past two consecutive weeks and settled at \$31.092 levels. Market is expected to trade lower in the coming week as well having an immediate support at \$30.70 and breach of the same may see prices testing \$30.00 levels. Certainly, a break below \$30.00 should make the commodity plunge towards \$29.40 levels. Likewise, on the higher side the resistances can be seen at \$31.40 and then \$31.80/32.00 levels. If market sustains within the resistance zone then may see prices trading lower in the coming week as well. The volumes were substantially higher so prices are expected to fall further in the coming week as well. Almost the scenario looks bearish and hence we would suggest selling on higher levels. In the daily chart moving averages (short term) have made downward cross over suggesting prices to remain lower in the near term



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Market Round-up: The week gone by bullion prices came under pressure as higher yield on Italy's debt sparked a sell off in global market and optimism about Fed to provide stimulus faded.

Economic Events:

- ❖ The week gone by, started with the US lawmakers failure approach on saving at least \$1.2 trillion federal budget savings, while; US congress got divided and are scrambling to meet a deadline on how to curb massive deficit
- ❖ Moody's and Fitch maintained their US credit scores even after the congress budget super committee failed to reach the agreement on reducing the government deficit. Moody's however has maintained its negative outlook and Fitch said it expects to conclude a review on the US sovereign rating by the end of month
- ❖ Fed minutes of the Nov 1-2 meeting showed that some officials favor a further easing of monetary policy after the commerce department cut its estimate of Q3 GDP growth to 2%. They hold the interest rate unchanged and decided to continue its twist program of shifting \$400 billion in its bond portfolio towards longer maturities and continue reinvesting maturing principal payments into mortgage backed securities
- ❖ The Yields on Italy's 10-year note on Tuesday climbed to 6.78% and Spain's benchmark Treasury note raised to 6.58%. Euro fell to a six weeks low against the greenback after Germany failed to get bids for 35% of its bonds in an auction
- ❖ The dollar index gained 1.98% against a basket of six major currencies, while the Euro continued to fall for a fourth consecutive week by 2.11% against the dollar after touching six weeks low of 1.3212
- ❖ World equities measured by the MSCI all country world indexes, posted the loss of 5.16% while the Asian benchmark index fell 4.60%. On the other hand, the CRB Index, a bellwether for commodities also reduced by 2.17%

Precious Metal Show:

- ❖ SPDR gold holdings increased to 1297.32 tons from 1293.08 tons since last week. Lower prices might have attracted investors
- ❖ The I-share silver holdings also decreased to 9627.88 tons from 9783.71 tons last week
- ❖ Gold at COMEX fell by 2.28% while at the MCX it lost 1.07% due to the rupee depreciation by 1.79%
- ❖ Silver futures for March delivery fell by 4.30% at COMEX while at MCX the fall was restricted to 2.74% 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 (Feb 12)	1729.00	1729.00	1670.50	1688.50	-2.28%	184621	83.04%	170659	20.98%
	Gold (Apr 12)	1725.20	1731.10	1675.00	1691.70	-2.24%	21770	153.20%	28824	21.46%
MCX (₹/10gm)	Gold (Feb 12)	29042	29137	28627	28715	-1.07%	19854	29.72%	6065	41.31%
	Gold (Apr 12)	29360	29441	28930	28998	-1.10%	434	0.70%	285	22.32%

Price Performance - Silver

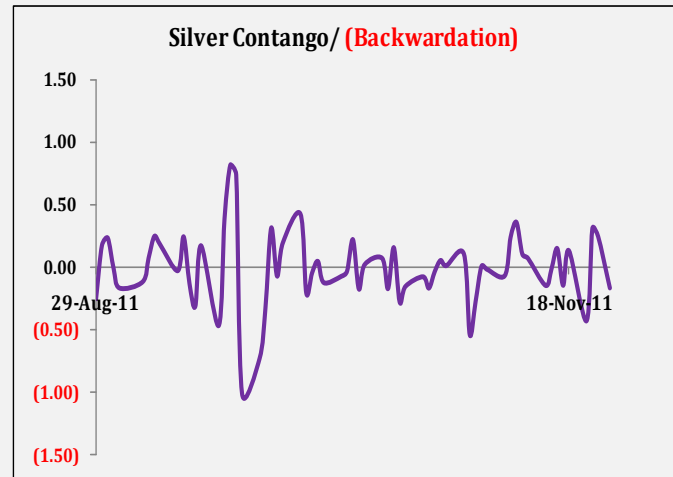
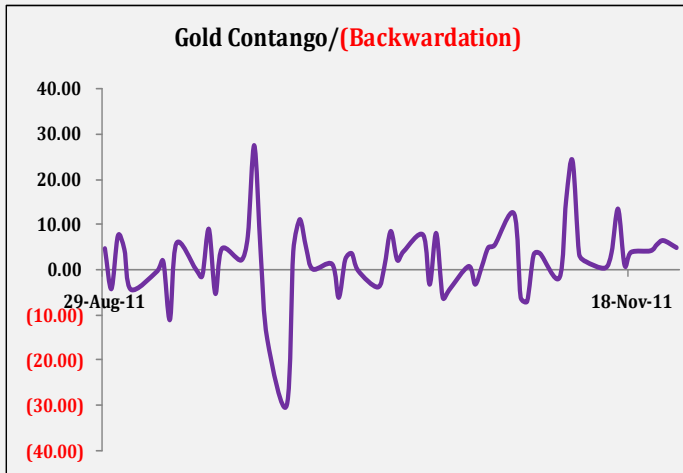
Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX (\$/oz)	Silver (Mar 12)	32.25	33.12	30.74	31.09	-4.30%	91345	69.06%	45175	21.30%
	Silver (May 12)	32.20	33.04	30.99	31.13	-4.30%	5740	-38.06%	5839	16.34%
MCX (₹/kg)	Silver (Mar 12)	57201.00	58785	55652	56033	-2.74%	27365	47.25%	6225	66.85%
	Silver (May 12)	60000.00	60994	56701	58657	-2.48%	519	38.77%	499	32.36%

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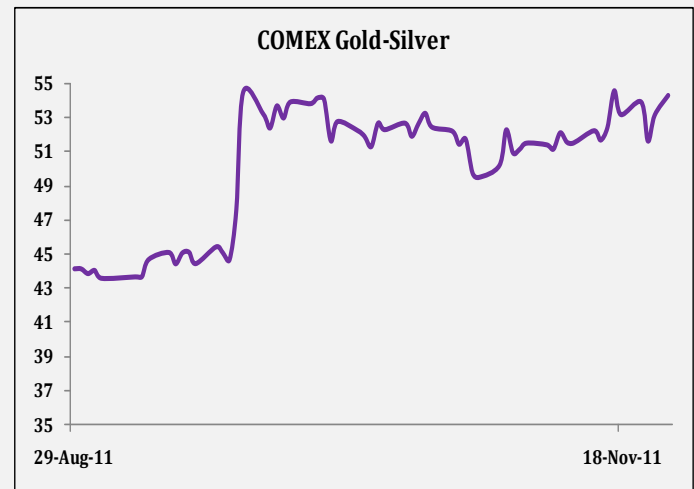
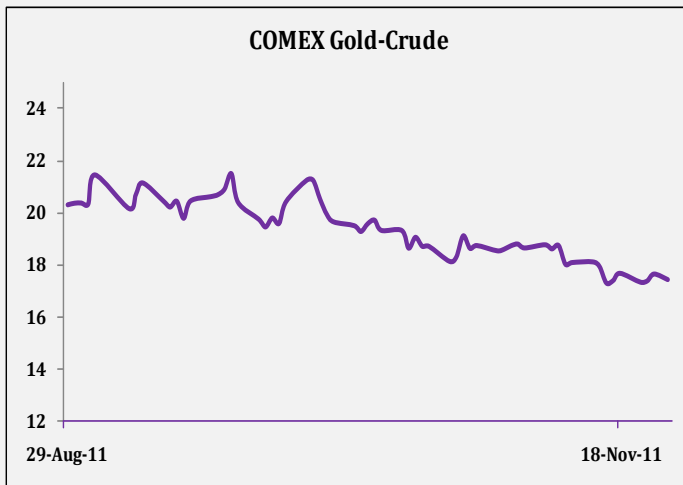
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Chart Updates - Contango & Backwardation

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



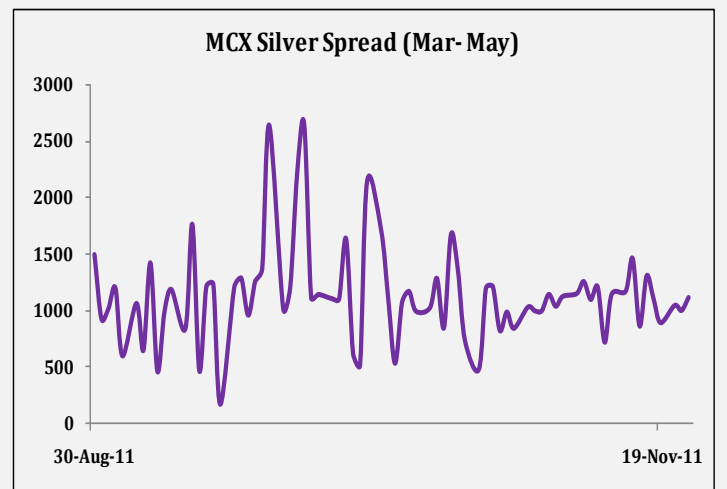
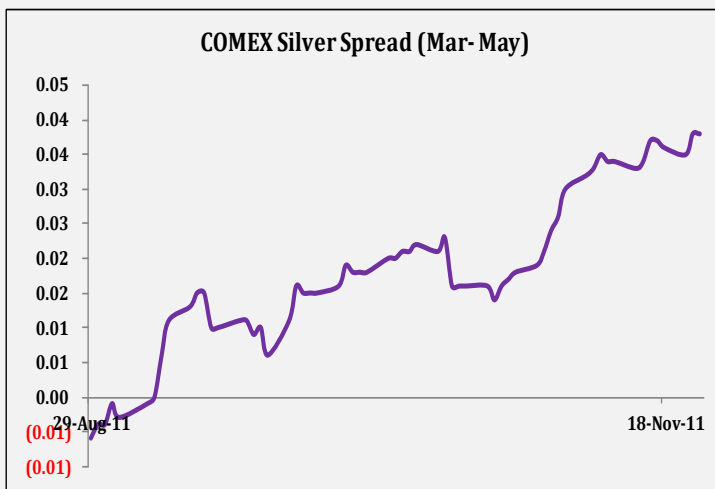
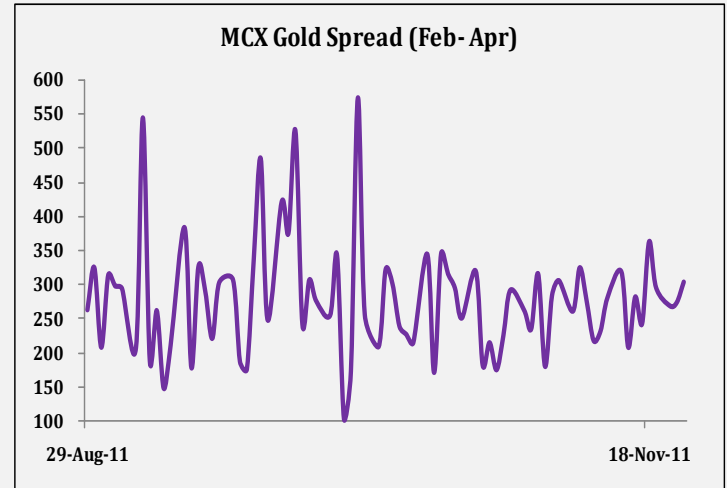
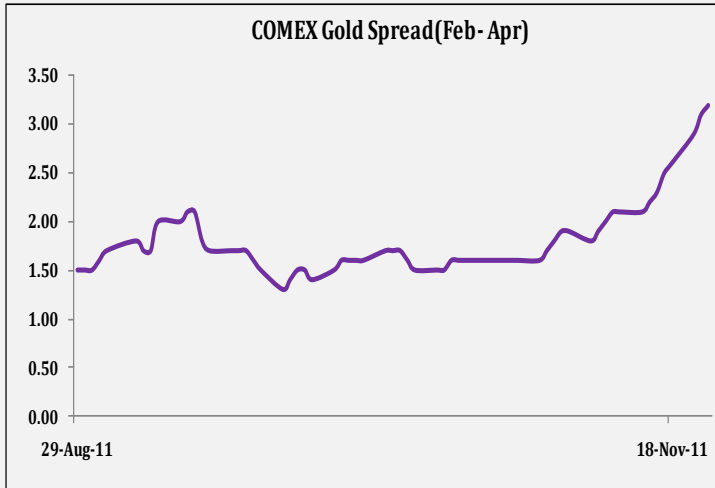
Ratio Charts



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Calendar Spreads



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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date Time	Region	Event	Period	Survey	Prior
11/28/2011 20:30	US	New Home Sales	OCT	313K	313K
11/28/2011 21:00	US	Dallas Fed Manf. Activity	NOV	5	2.3
11/28/2011	GE	Consumer Price Index (MoM)	NOV P	0.00%	0.00%
11/29/2011 15:30	EC	Business Climate Indicator	NOV	-0.3	-0.18
11/29/2011 15:30	EC	Euro-Zone Consumer Confidence	NOV F	-20.4	-20.4
11/29/2011 15:30	EC	Euro-Zone Economic Confidence	NOV	93.9	94.8
11/29/2011 15:30	EC	Euro-Zone Indust. Confidence	NOV	-7.6	-6.6
11/29/2011 15:30	EC	Euro-zone Services Confidence	NOV	0	0.2
11/29/2011 19:30	US	S&P/CaseShiller Home Price Ind	SEP	--	142.84
11/29/2011 20:30	US	Consumer Confidence	NOV	44	39.8
11/29/2011 20:30	US	House Price Index MoM	SEP	-0.10%	-0.10%
11/30/2011 05:20	JN	Industrial Production (MoM)	OCT P	1.10%	-3.30%
11/30/2011 12:30	GE	Retail Sales (MoM)	OCT	0.10%	0.40%
11/30/2011 18:45	US	ADP Employment Change	NOV	130K	110K
11/30/2011 19:00	US	Nonfarm Productivity	3Q F	2.60%	3.10%
11/30/2011 19:00	US	Unit Labor Costs	3Q F	-2.10%	-2.40%
11/30/2011 20:30	US	Pending Home Sales MoM	OCT	1.50%	-4.60%
12/01/2011 06:30	CH	PMI Manufacturing	NOV	49.8	50.4
12/01/2011 08:00	CH	HSBC Manufacturing PMI	NOV	--	51
12/01/2011 14:25	GE	PMI Manufacturing	NOV F	47.9	47.9
12/01/2011 14:30	EC	PMI Manufacturing	NOV F	46.4	46.4
12/01/2011 15:00	UK	PMI Manufacturing	NOV	47	47.4
12/01/2011 19:00	US	Initial Jobless Claims	26-Nov	390K	393K
12/01/2011 19:00	US	Continuing Claims	19-Nov	3650K	3691K
12/01/2011 20:30	US	Construction Spending MoM	OCT	0.30%	0.20%
12/01/2011 20:30	US	ISM Manufacturing	NOV	51.5	50.8
12/01/2011 20:30	US	ISM Prices Paid	NOV	45	41
12/02/2011 15:30	EC	Euro-Zone PPI (MoM)	OCT	0.20%	0.30%
12/02/2011 19:00	US	Change in Nonfarm Payrolls	NOV	120K	80K
12/02/2011 19:00	US	Change in Private Payrolls	NOV	145K	104K
12/02/2011 19:00	US	Change in Manufact. Payrolls	NOV	9K	5K
12/02/2011 19:00	US	Unemployment Rate	NOV	9.00%	9.00%

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