

BULLION WEEKLY

A Weekly Report on Gold & Silver

The Week Ahead

- Optimism over the Fed stimuli to keep market and bullion prices buoyed
- Any improvement over the 17-bloc Euro nations should be notable
- European bond auctions should be keenly watched

Technical Calls

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
Gold Feb COMEX	1602	1617	1640	1679	1694	1718	Buy at \$1653-\$1648 TP \$1678/1722 SL \$1630
Gold Feb MCX	26631	26927	27187	27743	28039	28299	Buy at 27410-27350 TP 27800/28045 SL 28140.
Silver Mar COMEX	28	29	30	33	34	35	Buy at \$31.50-\$31.30 TP \$33.45/34.10 SL \$30.50
Silver Mar MCX	49945	51000	52913	55881	56936	58849	Buy at 54760 - 54500 TP 56600/57200 SL 53600

Outlook

Bullion prices bided high going into the weekend, poised to post third consecutive higher weekly close; with silver leading the way. U.S. dollar declined as the sentiment improved in the market and optimism over the Fed stimuli spread wide after the downgrades last week failed to prevent European nations from higher borrowing cost.

Week ahead we expect bullion prices to remain elevate as the Fed meets again next Tuesday and Wednesday. Officials are preparing to include two key elements: **the interest-rate projections and a statement explaining their objectives for inflation and employment**. It is expected that Fed is likely to step in with \$1 trillion easing as soon as this month and the central bank may bind to buy the mortgage backed securities with an objective to drive down the interest rate even further from the current record low level to spur confidence into the economy. So, the FOMC to leave the current monetary policy unchanged. In addition, the GDP figures for the fourth quarter are expected at a strong 3.0% expansion compared with the prior 1.8%. Apparently this looks to be a supportive factor for gold. Since easy money bids higher price for gold, the metal is likely to see a continued uptrend. Nevertheless, the International Monetary Fund's move to a likely push for another \$500 billion in further lending resources has helped lift the euro. But, the deficit control treaty set by Merkel, ruled a correction mechanism which will be triggered automatically in case of significant deviation from a target deficit of 0.5% of GDP, may restrict the gain in Euro. In other words, a tougher rule on budget deficit is a barrier to the currency's gain.

Nevertheless, traders will also be closely monitoring the developments from the 17-bloc euro nation and the European leader' latest moves to contain the debt crisis. So, we expect volatility to persist through the sessions this week. Moreover, several euro zone nations are preparing for bond auctions, where all eyes will be focused on the yields and demand on those bonds.

Besides, international market is seen to be in "Backwardation" which confirms a higher spot demand and prices for both gold and silver. Even the CFTC data showed traders to bet for higher silver prices. These all indicate a north bound move for the bullion prices will continue.

However, the PVO analysis shows something else. Bullions' ascending price move was not actually supported by the volumes and open interest. We can say market is running out of traders willing to open or hold an open long/buy. A higher probability the market is set to retrace in price lower at some point forward. That is why we are expecting market to exhibit a volatile move.

In short, it is the anticipation over the Fed stimuli which may keep the bullion prices to an elevated level at least till mid of the week after which they might retreat. Hence, we recommend remaining long for the metal to encash the opportunity at the beginning of the week.

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Technical Analysis – Gold-Feb COMEX

COMEX Spot Gold continued trade in a narrow positive zone for the third consecutive week. During the week gold prices declined slightly but held its ground above \$1630 levels and ended in a positive zone. Last week prices have made a high of \$1666.75/oz against the low of \$1630 and finally settled at \$1666/oz levels by +1.65% up from the last weeks closing. Initial basis remain neutral this week and expected to see the further rally towards the next resistance of \$1724/oz (sloping trend-line), any sustainable close above the same will intact that short-term bottom has been formed and extends the rally towards the next resistance of \$1724/oz levels which is 50% Fibonacci of the previous fall from the all time high of \$1921 to \$1526. However \$1630 levels will act as an immediate support on downside, on break the same will pull the prices into near-term consolidation phase of \$1610 - \$1678 levels, an upside crossover in weekly RSI-14 period and a gradual accumulation in volumes also supporting the bullish momentum for short-term perspective.



Technical Analysis – Silver-Mar-COMEX

COMEX Silver prices traded highly volatile last week and finally settled in a positive note. During the week a strong pullback from \$29.43 levels helped the prices to violate its key falling trend-line resistance and managed to settle well above the same. Last week prices have made a high of \$32.15 against the low of \$29.43 and finally settled at \$32.15 levels by +8.18% up from last weeks closing. Initial basis remains on upside and further rise should be seen towards the medium term projected target of \$35.00 levels, which also coincidence with 38.2% Fibonacci levels of the previous fall, starts from \$49.89 to 26.15 levels. Weekly momentum indicator RSI-period has given an upside crossover and trading at 0.51 levels by supporting the bullish momentum for coming sessions.



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Market Round-up: The week gone by, bullion prices moved high with support from the Euro and optimism over the Fed meeting to introduce another round of easing. Also, market took cues from the string of downgrades by S&P for several European nations and the lingering crisis once again came into the spotlight

Economic Events:

- ❖ The US jobless claims fell to a four and half year low level
- ❖ The yield on France's 10-year bond dropped four basis points to 3.03 percent. Spain's 10-year yield fell four basis points to 5.19 percent. Italy's 10-year bonds dropped two basis points after climbing 22 basis points and thereby retaliate to the down grades
- ❖ The EFSF issued 182-day bills worth 1.5 billion Euros a day after the fund lost its top credit rating at an average yield of 0.2664%. A smooth bill auction amid crisis encouraged the Euro to remain strong
- ❖ The Euro revived smartly after a successful French debt auction, shrugging off down grades by S&P. Dollar index slid by 1.67% despite the economic releases showed improving economic recovery
- ❖ Stocks markets remained strong as World equities measured by the MSCI all country world indexes, posted a 5th weekly gain of 2.88% while the Asian benchmark index rose 3.29%. On the other hand, the CRB Index, a bellwether for commodities advanced by 0.72%

Precious Metal Show:

- ❖ SPDR gold holdings increased slightly to 1255.67 tons from 1254.15 tons as of January 20th
- ❖ The I-share silver holdings remained unchanged at 9516.75 tons in the last week
- ❖ Gold at COMEX gained by 0.204% and at the MCX the appreciated rupee even restricted its gain
- ❖ Silver futures for March delivery also advanced by 7.29% at COMEX and at MCX the gain was limited to 5.18% 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)	1642.40	1670.60	1631.90	1664.00	2.04%	602595	-21.91%	156621	-6.92%
	Gold (Apr 12)	1646.80	1673.30	1635.80	1666.80	2.03%	89388	-17.25%	108181	26.10%
MCX (₹/10gm)	Gold (Feb 12)	27540	27778	27222	27448	-0.21%	203329	-3.45%	12540	-1.66%
	Gold (Apr 12)	27891	28130	27587	27798	-0.25%	13176	17.98%	4689	24.84%

Price Performance - Silver

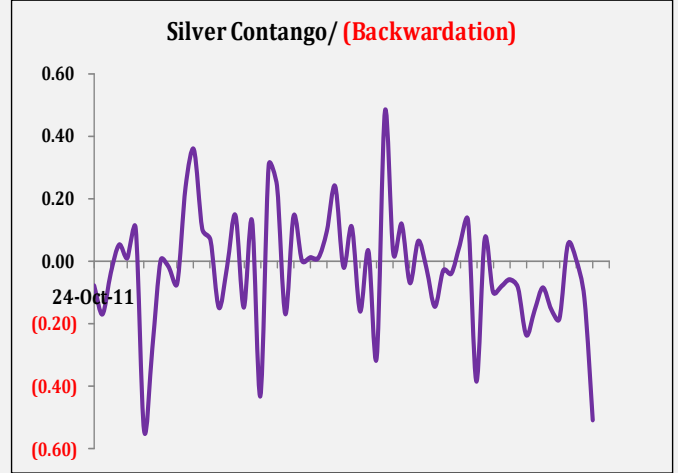
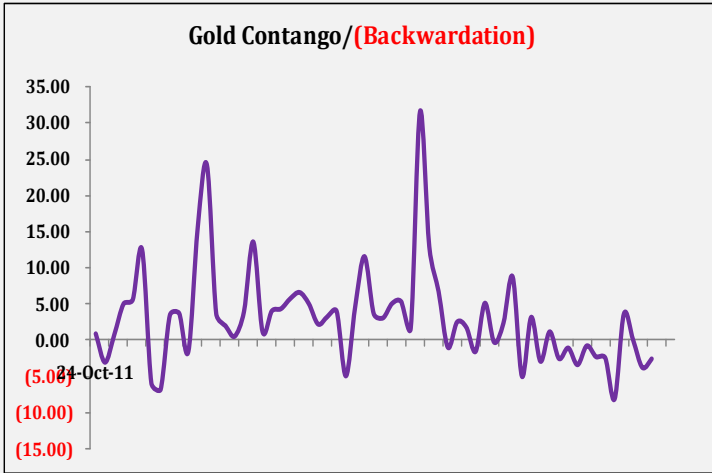
Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX (\$/oz)	Silver (Mar 12)	29.85	32.21	29.74	31.68	7.29%	154567	-13.39%	51351	-4.53%
	Silver (May 12)	30.07	32.26	29.51	31.73	7.30%	7188	6.47%	11387	11.48%
MCX (₹/kg)	Silver (Mar 12)	52249.00	55024	52056	54825	5.18%	326001	-4.50%	14119	-15.05%
	Silver (May 12)	53043.00	54491	52488	53223	5.06%	11232	0.36%	1887	21.98%

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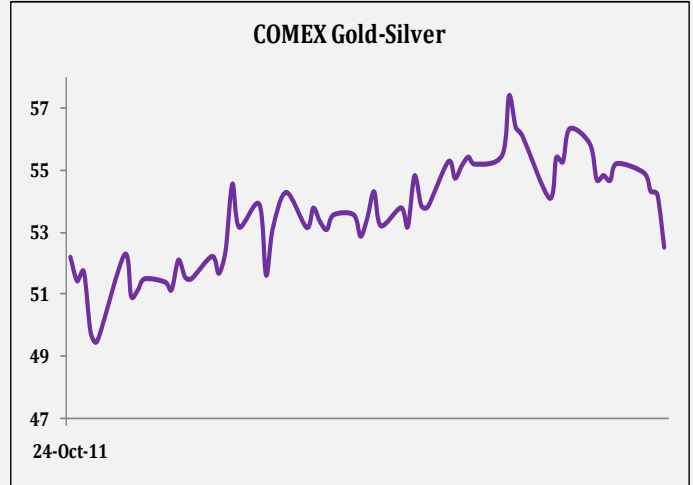
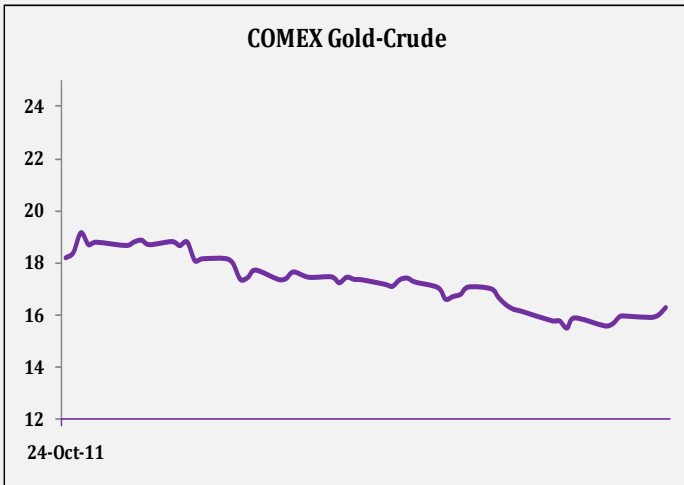
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Chart Updates - Contango & Backwardation

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



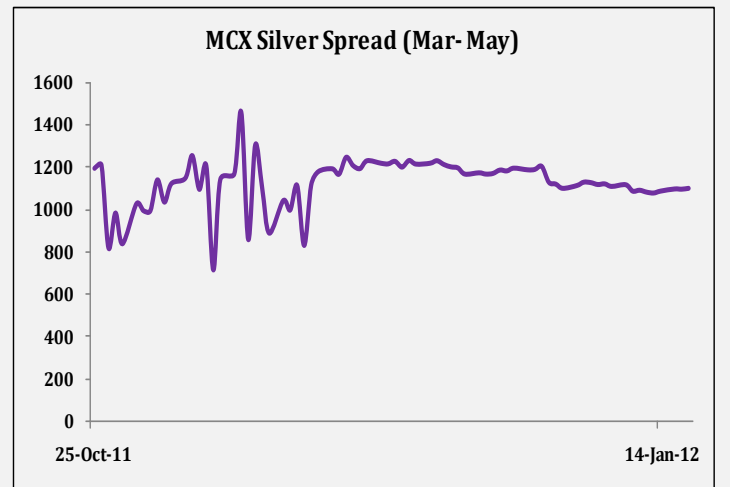
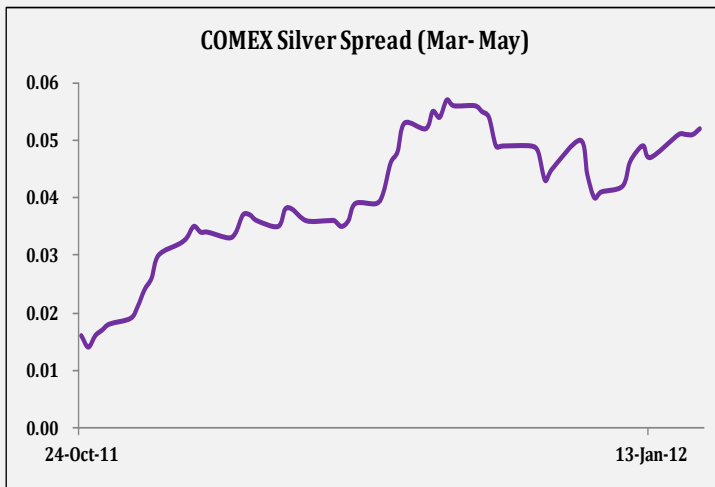
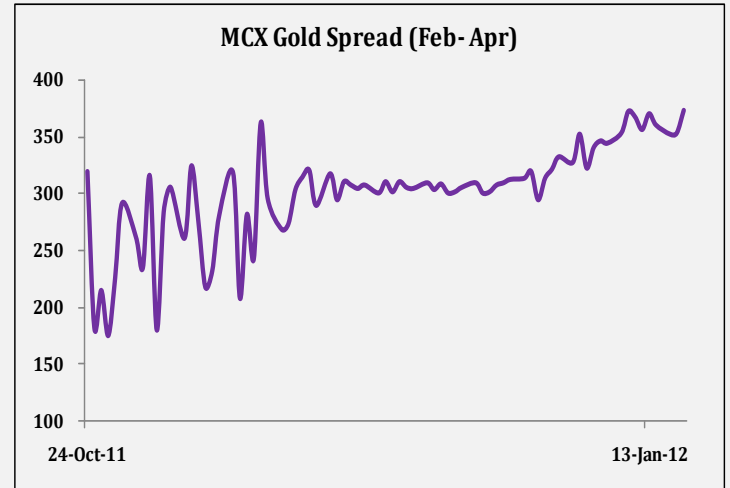
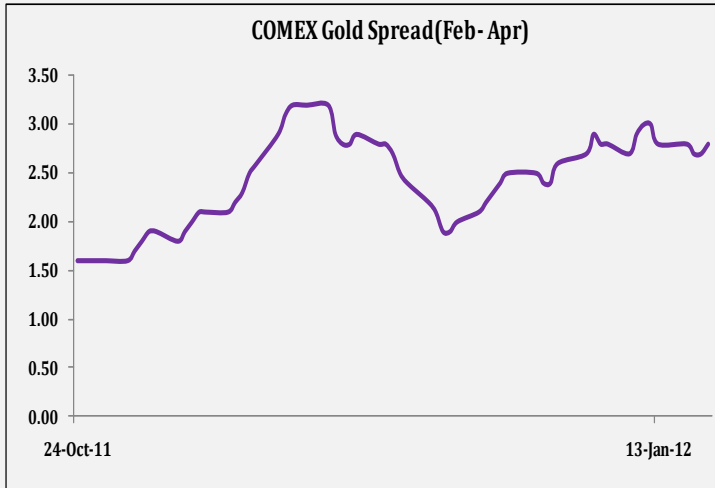
Ratio Charts



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Calendar Spreads



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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date & Time	Region	Event	Period	Survey	Prior
01/23/2012 20:30	EC	Euro-Zone Consumer Confidence	JAN A	-21.4	-21.1
01/24/2012 14:00	GE	PMI Manufacturing	JAN A	49	48.4
01/24/2012 14:00	GE	PMI Services	JAN A	52.4	52.4
01/24/2012 14:30	EC	PMI Composite	JAN A	48.5	48.3
01/24/2012 14:30	EC	PMI Manufacturing	JAN A	47.2	46.9
01/24/2012 14:30	EC	PMI Services	JAN A	49	48.8
01/24/2012 15:30	EC	Industrial New Orders SA (MoM)	NOV	-2.20%	1.80%
01/24/2012 20:30	US	Richmond Fed Manufact. Index	JAN	7	3
01/24/2012	JN	BOJ Target Rate	24-Jan	0.10%	0.10%
01/25/2012 05:20	JN	Merchnds Trade Balance Total	DEC	- ¥154.9B	- ¥684.7B
01/25/2012 05:20	JN	Merchnds Trade Exports YoY	DEC	-7.4	-4.5
01/25/2012 05:20	JN	Merchnds Trade Imports YoY	DEC	8	11.4
01/25/2012 14:30	GE	IFO - Business Climate	JAN	107.5	107.2
01/25/2012 14:30	GE	IFO - Current Assessment	JAN	116.8	116.7
01/25/2012 14:30	GE	IFO - Expectations	JAN	99	98.4
01/25/2012 15:00	UK	GDP (QoQ)	4Q A	-0.10%	0.60%
01/25/2012 20:30	US	House Price Index MoM	NOV	0.10%	-0.20%
01/25/2012 20:30	US	Pending Home Sales YoY	DEC	--	6.90%
01/25/2012 23:00	US	FOMC Rate Decision	25-Jan	0.25%	0.25%
01/26/2012 19:00	US	Durable Goods Orders	DEC	2.20%	3.80%
01/26/2012 19:00	US	Initial Jobless Claims	21-Jan	370K	--
01/26/2012 19:00	US	Continuing Claims	14-Jan	3500K	--
01/26/2012 20:30	US	Leading Indicators	DEC	0.70%	0.50%
01/26/2012 20:30	US	New Home Sales	DEC	320K	315K
01/27/2012 12:30	GE	Import Price Index (MoM)	DEC	0.30%	0.40%
01/27/2012 19:00	US	GDP QoQ (Annualized)	4Q A	3.00%	1.80%
01/27/2012 19:00	US	GDP Price Index	4Q A	1.90%	2.60%
01/27/2012 19:00	US	Personal Consumption	4Q A	2.40%	1.70%
01/27/2012 20:25	US	U. of Michigan Confidence	JAN F	74	74

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