



# Weekly Market Views

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13th Dec 2009

Welcome to the Weekly Market Views report from DGCX, providing you with a snapshot of what's happening in the energy, precious metal and currency futures markets.

Please note that the observations and views expressed in this newsletter do not reflect the views of DGCX and are solely the view of the writer (CPM Group).

## Commodities Overview

Gold, silver, and petroleum prices led other commodities lower last week as investors and traders booked profits after a very strong end of November. Some of the short-term tightness in the market that had contributed to the rise in prices at the end of last month had dissipated by last week, allowing prices to fall. That said, they did not fall far. It was clear from the market action that while some trading companies and more speculatively oriented funds were liquidating longs after recent highs, longer term investors and others continued to view precious metals and crude oil as likely to see higher prices over the first four months of 2010. As a result, the downward price pressures of the shorter term selling were tempered by continued buying interest from longer term investors. A stronger dollar and a wave of relatively strong economic indicators from China, the United States, and other countries all helped create a sense of caution toward continued gold and silver bullishness, as signs of economic recovery became more concrete. The strength of the dollar also put some caution into precious metals buyers. This week prices are expected to remain under downward pressure. Prices may not fall far, however, given continued longer term investor interest.

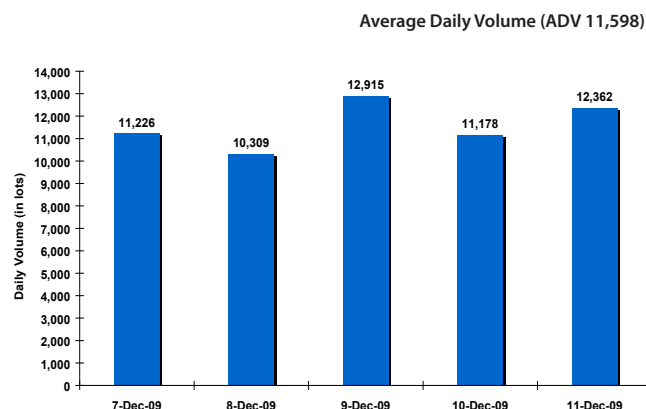
## Currencies Overview

These reports have anticipated a time when the dollar found a bottom against major traded currencies and reversed. The view has been that the dollar would appreciate somewhat against the euro, yen, and pound, while remaining under pressure against the yuan, other Asian currencies, and the currencies of natural resource exporting nations. The bottom may have been reached over the past few weeks for the dollar, at least in the near term. The dollar has shown considerable strength since the middle of November. It may well be that the dollar could strengthen further over the next few weeks against major traded currencies, as investors shift to long dollar positions. Economic conditions are improving in the United States. While some signs of economic bottoming and recovery are beginning to emerge in Europe and Japan. Economic conditions remain weaker and of greater concern in these countries than they do in the United States. This is helping pull investor funds toward the dollar, and dollar-denominated assets. The recent recovery in U.S. equity prices to the top end of their recent range has helped stimulate investor interest in the dollar. While the dollar is looking as though it has bottomed and has some upside potential, it is not expected to run away to higher levels.



## DGCX Prices & Daily Volumes

Market (as at Dec 11, 2009)	Current Week close	Current Week close	% Change	Weekly High	Weekly Low
Gold futures (\$/ounce)	\$ 1117.20	▼	-3.61%	\$ 1166.00	\$ 1110.40
Silver futures (\$/ounce)	\$ 17.090	▼	-7.04%	\$ 18.350	\$ 16.985
Euro Futures (\$/Euro)	\$ 1.462	▼	-1.46%	\$ 1.490	\$ 1.462
GBP Futures (\$/GBP)	\$ 1.625	▼	-1.21%	\$ 1.652	\$ 1.618
INR Futures (\$/100 INR)	\$ 2.138	▼	-0.56%	\$ 2.158	\$ 2.129
JPY Futures (\$/100 Yen)	\$ 1.120	▲	1.25%	\$ 1.144	\$ 1.110
WTI Futures (\$/b)	\$ 69.870	▼	-7.42%	\$ 75.85	\$ 69.50





**Economic Indicators**

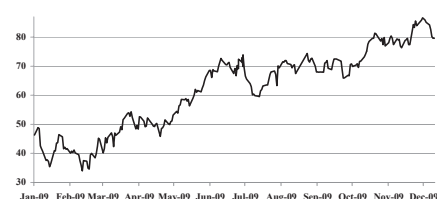
Indicator		Value	Change	% Change
CRB Index	▼	270.86	-3.01	-1.1%
U.S. Dollar Index	▲	76.53	0.62	0.8%
T-Bills	▼	0.03%	-0.01%	0.0%
DJIA	▲	10,472	82.60	0.8%
FTSE Global All-Cap	▲	327.32	1.24	0.4%

Source: Bloomberg data

**COMMODITIES**

**Crude Oil**

\$ / BARREL

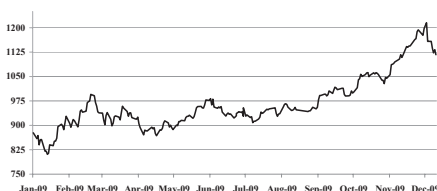


WTI oil prices are reacting to ballooning inventories, lackluster demand, and the stronger U.S. dollar. By the end of last week, these bearish drivers left crude oil trading between \$69 and \$70. The International Energy Agency reported that inventories in the OECD represented 59.4 days of consumption at the end of October, 2.5 days above year-ago levels. These elevated stock levels may be sufficient incentive for OPEC to hold production targets steady when it meets on Tuesday 22 December. OPEC may be aiming to see OECD stock levels around the previous

five-year average of 52 - 54 days before official targets are increased. Even so, the lack of compliance by its member states has resulted in rising supply levels over the past few months although demand (ex. Asia) remains sluggish. Oil could continue to orbit around \$70 this week in line with the fundamental weakness. Significant dollar strength could push prices closer to \$67. On the upside, any downside reversal of the dollar's recent rise could exert upward pressure on prices, moving them toward \$73.

**Gold**

\$ / OUNCE



Gold prices are expected to continue to test support levels this week. After having peaked at record levels in the first week of December prices have come off sharply. There was some support at \$1,120-\$1,130, but continued short-term liquidation, technical selling, and an appreciating U.S. dollar have been weighing on prices. This downward momentum in prices was enhanced by recent U.S. economic data that was better than expected, shifting some investors toward equities and other assets. While these trends are expected to continue, in the near term investors may

remain somewhat cautious, as economic trends still remain somewhat tentative. There have been reports of increased bargain-hunting as investors retain their expectations of higher gold prices in the first four months of 2010. Prices seem most likely to remain above \$1,100 this week, but a break below \$1,100 could push prices toward \$1,040 or even \$1,020 quickly. Any such drop in prices would be expected to trigger heavy demand from a wide range of investors, so that prices below \$1,100 might prove to be short-lived, if they do emerge.

**Silver**

Cents / OUNCE



Silver prices are expected to be volatile this week, possibly moving between \$16.25 and \$18.00. After peaking in the first week of December prices have come off sharply, dropping more than \$2. A large part of the decline was due to profit-taking and liquidation by short-term investors and traders. If prices fall below \$17.00 they easily could head toward \$16.00 - \$16.25 before rebounding. Any drop below \$17 would be expected to prompt heavy investor and fabricator buying, as did the dip to \$16.90 on Friday, 11 December. Over the past several months price dips have been taken as buying opportunities.

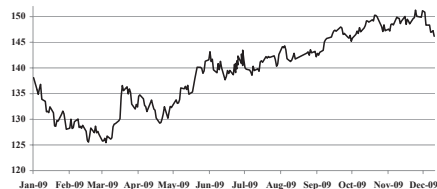
Prices below \$17 might be short-lived, if they materialize this week. There have been reports that many fabricators have been waiting on the sidelines for lower silver prices. This week may spark buying interest from end-users expecting that demand for silver in some sectors such as electronics, batteries, and solar powered panels could surge as the global economy recovers. Longer term investors also would be expected to be active buyers of silver. Combined ETF silver holdings were 464.59 million ounces on 10 December, little changed the previous week.



## CURRENCIES

### Euro / Dollar

DEUR (US \$ quoted in cents per Euro)



The euro may head toward \$1.45 this week, if current support at \$1.46 is broken. The euro has declined sharply since the beginning of the month as better than expected economic data from the United States has been supportive of the dollar. While there have been signs of an economic recovery from a few major countries in the eurozone many other nations there continue to undergo

economic distress. Greece's sovereign credit rating was recently downgraded and unemployment figures remain at high levels across the eurozone. A recent trend that may be emerging is a move from large short U.S. dollar positions to large short euro positions. That said, this move may be temporary and market participants may look to buy the euro as it heads toward \$1.45.

### Indian Rupee / Dollar

DINR (US \$ quoted in cents per 100 Indian Rupees)

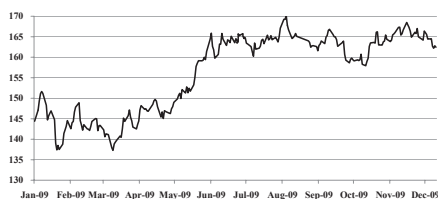


The Indian rupee is expected to trade between 212 cents and 215 cents this week. There has been no fundamental news that has provided firm direction to the rupee. Inflation in India remains at high levels. There have been rumors that the Indian government, in order to tame inflation, may increase its interest rates sooner rather than later. Such a measure could help strengthen the rupee against

the U.S. dollar. Equity markets in India have been volatile over the past several weeks, but have been rising overall since bottoming out in March of this year. Foreign institutional investors (FIIs) continue to pour money into the domestic capital markets. Last week through 10 December FIIs invested \$245.1 million in the domestic equity markets.

### Sterling Pound / Dollar

DGBP (US \$ quoted in cents per Pound)

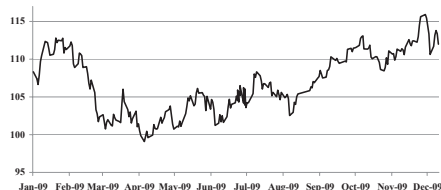


The pound may head toward \$1.60 this week. The pound fell sharply at the start of last week as concerns began to mount over the state of economy in the United Kingdom as well as the country's growing budget deficit. The pound is currently testing support at \$1.62, but there has been growing downward pressure as an increasing number of market observers expect the pound to head even lower.

The Bank of England (BOE) left interest rates unchanged last week at its monetary policy meeting. The BOE also left its asset purchase program unchanged at 200 billion pounds, which is expected to be completed over the next two months. Economic conditions in the United Kingdom remain lackluster as the country continues to lag behind its other major counterparts in Europe.

### Japanese Yen / Dollar

DJPY (US \$ quoted in cents per 100 Yen)



The Japanese yen could depreciate against the U.S. dollar this week, moving to test 110 cents, before possibly heading toward 108 cents. The Japanese government announced last week that it will provide an \$80.0 billion stimulus package to help spark growth in the domestic Japanese economy. Some market observers suggest this figure may be too small, however, and that it may not be enough to help spur

economic growth and or fight deflation. Consumer price index figures have been trending lower over the past several months. There have been rising concerns that the Japanese economy may weaken again soon and that it could face a double dip recession. Last week, Japan revised its third quarter domestic product figure to 0.3%, from 0.8%.

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