



Weekly Market Views

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7th Feb 2010

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).

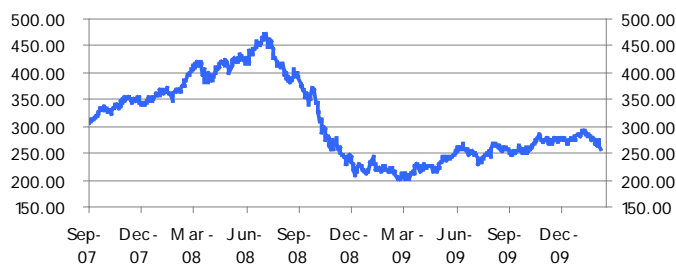
Commodities Overview

A strengthening U.S. dollar weighed heavily on commodities prices last week. There also was another bout of rising concern over demand prospects for commodities. Short-term oriented selling helped push many commodities prices lower. Gold, silver, and oil prices all fell sharply last week. Despite ongoing concerns over financial markets and economic conditions investors have not been as keen to gold or silver as they were last year. Gold prices have not been able to rally on a sustainable basis since they peaked in early December 2009. There is investor interest in gold and silver, but with the recent decline in prices some investors may be waiting for prices to bottom out before putting on fresh long positions. In the meantime, gold and silver prices will be vulnerable. Petroleum prices were not immune to a strengthening dollar. Sharp declines across financial markets helped pull oil prices lower last week as concerns resurfaced over demand for petroleum in the coming months. Oil prices may not decline much further and would be expected to hold above \$68, at least this week.

Currencies Overview

The market is demonstrating increased favorable views toward the dollar, which suggest a stronger dollar against the euro, yen, pound, and Swiss franc over the next several months. Part of the strength last week seems based on a possible default by the Greek government on debt. That seems unlikely, which in turn suggests that some of the fleeing from the euro to the dollar last week may be overdone, and the dollar could come back at least a little in the coming week as it consolidates recent gains. Investors appear more comfortable with the view that the dollar could continue to appreciate relative to the major traded currencies in the months ahead, so that trend may remain in place. Shorter term, however, there could be a pause in the dollar's ascent. Market commentaries continue to speculate that the Bank of China may revalue the yuan against the dollar at some point this year, with guesses ranging from 5% to 10%. Such a move would be positive for the U.S. economy relative to those of other industrialized countries, and could support a stronger dollar against those currencies even as it weakens against commodities, currencies and developing country currencies.

CRB Commodities Index



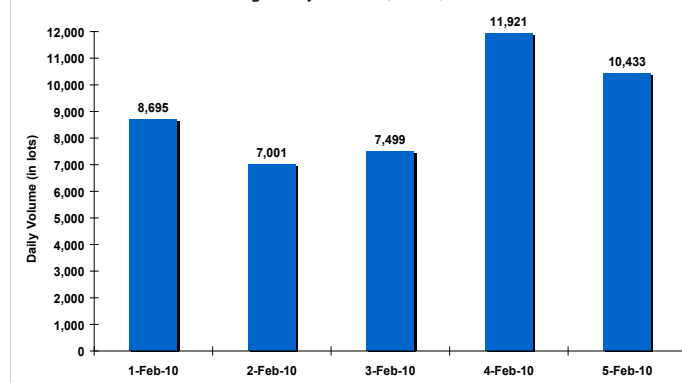
U.S. Dollar Index



DGCX Prices & Daily Volumes

Market (as at Feb 6, 2010)	Current Week close	Current Week close	% Change	Weekly High	Weekly Low
Gold futures (\$/ounce)	\$ 1059.30	▼	-2.10%	\$ 1125.10	\$ 1045.00
Silver futures (\$/ounce)	\$ 14.870	▼	-8.58%	\$ 16.800	\$ 14.860
Euro Futures (\$/Euro)	\$ 1.363	▼	-1.80%	\$ 1.402	\$ 1.359
GBP Futures (\$/GBP)	\$ 1.560	▼	-2.57%	\$ 1.606	\$ 1.556
INR Futures (\$/100 INR)	\$ 2.128	▼	-1.43%	\$ 2.173	\$ 2.128
JPY Futures (\$/100 Yen)	\$ 1.121	▲	1.36%	\$ 1.129	\$ 1.097
WTI Futures (\$/b)	\$ 71.190	▼	-2.33%	\$ 78.05	\$ 69.58

Average Daily Volume (ADV 9,110)





Economic Indicators

Indicator		Value	Change	% Change
CRB Index	▼	258.55	-7.04	-2.7%
U.S. Dollar Index	▲	80.44	0.98	1.2%
T-Bills	▲	0.09%	0.02%	0.0%
DJIA	▼	0,012	-55.00	-0.5%
FTSE Global All-Cap	▼	184.14	-4.65	-2.5%

Source: Bloomberg data

COMMODITIES

Crude Oil

\$ / BARREL



The oil market is being buffeted by shifts in forward-looking expectations. Inventory levels, supply volumes, and real demand have not changed since prices fell toward \$72 over the last two weeks nor have improvements warranted a move to \$85. Last week WTI oil prices got a boost from bullish U.S. manufacturing data and then were pulled lower by a larger than expected stock build. Growth in U.S. factory orders and a strong purchasing managers' index figure reported last week

both point to a rebound in industrial energy use. The WTI-Dubai spread also has been widening as North American physical demand strengthens and OPEC increases its output of sour crude. WTI traded at an average daily premium of \$1.72 over Dubai crude in January, up from the daily average of \$0.63 in the fourth quarter of 2009. Oil prices are likely to move between \$70 and \$78 this week. A move toward \$68 cannot be ruled out if investor pessimism intensifies.

Gold

\$ / OUNCE



Gold prices are expected to be vulnerable this week and a price decline toward \$1,020 or even \$1,000 is possible. Gold managed to hold up above support at \$1,050 late last week, but this level may not hold this week given the recent short-term focused selling weighing on prices. A favorable view toward the U.S. dollar has helped push gold prices lower in recent weeks. The U.S. dollar is at multi-month highs against several currencies where only a couple of months ago the dollar was at multi-month lows. There also has been

increased optimism or perhaps reduced pessimism over economic prospects around the world. Short-term focused selling may push gold prices lower, but would be expected to be met by fresh long positions once there appears to be a stabilization in prices. Market participants seem to be waiting to see how low prices can go. Combined exchange traded fund gold holdings were 55.8 million ounces as of 4 February, down 1.27 million ounces from the record 57.08 million ounces on 3 December.

Silver

Cents / OUNCE



Silver prices could consolidate around \$14.50, before moving higher later this week. On the upside, silver may face initial resistance at \$17.00 and then at \$17.50. Silver prices fell 8.6% last week, settling at \$14.87 on 5 February. This was the lowest level since September 2009. A large part of the weakness in silver prices was a result of a strong U.S. dollar coupled with short-term selling based on technical indicators. Declining gold prices also put some downward pressure

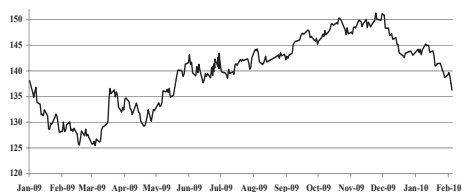
on silver prices. Investment demand for silver, in the form of ETFs, one-ounce bullion coins, and large bars, continues to be firm. Despite some optimism about the current state of the global economy, by and large, most investors continue to hold on to their silver holdings. Bargain hunting has picked up at prices below \$16.00 and \$17.00. Combined ETF silver holdings were 466.1 million ounces as of 5 February, down 0.2% from 467.0 million ounces on 29 January.

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CURRENCIES

Euro / Dollar

DEUR (US \$ quoted in cents per Euro)



The euro may begin to stabilize around current levels this week. The euro may have fallen too sharply too quickly and could hold above \$1.35. Concerns over high budget deficits in several member countries of the eurozone have weighed on the euro. Attention has focused on the ability of Greece to be able to pay its sovereign debt obligations. There also

has been a rising expectation that the European Central Bank may hold interest rates at the current low level of 1.0% for most of 2010. With economic expansion being seen in the United States there has been an increased expectation that the Fed will raise interest rates in the second half of this year. After a volatile week, there may be some consolidation of the euro.

Indian Rupee / Dollar

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



The Indian rupee could swing between 211 cents and 216 cents this week, with a bias on the upside. The rupee moved in a wide band last week, settling at 212.75 cents on 5 February. This was the lowest level since December 2009. A large part of the weakness in the rupee reflected a sharp drop in the domestic equities markets along with strong demand for

U.S. dollars from importers. The Indian benchmark stock index, Sensex, fell 3.5% last week. Foreign institutional investors (FII's) continue to repatriate funds from Indian equity markets and move into other high yielding assets and currencies. Last week FII's sold \$202.9 million in Indian equities, becoming net sellers so far this year.

Sterling Pound / Dollar

DGBP (US \$ quoted in cents per Pound)



The pound may hold above \$1.55 this week. The pound had been trading around \$1.60 early last week, but as the monetary policy meeting for the Bank of England (BOE) neared the pound began to decline. The BOE confirmed that its quantitative easing program had ended, with the bank having purchased \$200 billion pounds in assets. There is rising speculation, however, over whether the BOE will resume its asset

purchase program in the near future if economic conditions deteriorate. Despite this uncertainty of future policy decisions there may be increased bargain buying around current levels. The pound may head toward \$1.58 later this week. Recent economic data for the United Kingdom has shown signs of slight improvement in recent months.

Japanese Yen / Dollar

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



The Japanese yen is expected to come off this week, possibly heading toward 108 cents. Profit-taking and technically based selling could set in at levels above 112 cents. The yen rose 1.4% last week, settling at 112.12 cents on 5 February. Fundamentally, the yen remains in an overbought condition. The Japanese economy remains weak. Despite quantitative measures by the Japanese government, consumer spending in Japan

remains low due to high unemployment. An appreciating yen has been detrimental to Japanese exports. The new Japanese finance minister has been silent about the uptick in the yen against most major currencies. It is likely that the Bank of Japan may intervene in to the currencies market in the near future should the yen continue to appreciate in the coming weeks. Deflationary pressures continue to weigh on the Japanese economy.

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