



Weekly Market Views

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14th 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

Commodities prices may move sideways for the most part next week. In general investors are coming to view economic conditions more favorably from China to the United States, although concerns over Europe and Japan remain, and even worsened in recent weeks. In this environment, investors remain interested in being long many commodities. Base metals could see some weakness, reflecting lower physical demand due to the Lunar New Year in China and other Asian markets. Any such declines are expected to be modest, however, reflecting the continuing shift in investor attitudes toward viewing the global economy as being in the recovery phase, which suggests stronger demand for commodities. Energy prices also may move sideways, but with more of an upward slant to them. Crude prices in New York have bounced off of lows near \$72, and may trend toward \$78 - \$80 this week. Gold and silver could see continued testing of recent lows. While many Indian and Middle Eastern investors appear to be waiting for lower prices before stepping up purchases, investors in North America and Europe appear to be more impatient, stepping in as buyers at higher levels than are Asian investors. A dip in precious metals prices could trigger heavy buying in India.

Currencies Overview

The dollar has had a strong run against the euro. It has moved less dramatically against other currencies. Indeed, the dollar-euro exchange rate has reflected market concerns over European financial and economic conditions. It has been a vote against the euro and not so much a vote for the dollar, although better economic conditions and improved investor attitudes toward the U.S. economy have helped bolster the dollar to some extent. The degree to which the dollar has remained weak against the rupee and other currencies, and moved sideways against the pound and long term concerns pressing against the U.S. currency. Meanwhile, as discussed later, the negativity toward the euro seems enormously overdone at this point. The dollar may stop rising against the euro this week, as markets regain a sense of better proportion over the Greek government's financial position and the implications of the Greek dilemma for broader European economic activity. The dollar thus may back down against the euro, and move sideways to slightly lower on a trade-weighted basis, this week. This may be a pause in a longer term strengthening of the dollar, but recent dollar strength seems a bit overdone for now.

CRB Commodities Index



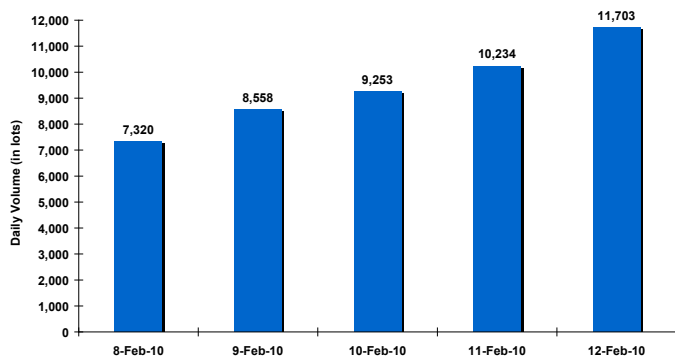
U.S. Dollar Index



DGCX Prices & Daily Volumes

Market (as at Feb 12, 2010)	Current Week close	Current Week close	% Change	Weekly High	Weekly Low
Gold futures (\$/ounce)	\$ 1091.70	▲	3.06%	\$ 1096.90	\$ 1062.00
Silver futures (\$/ounce)	\$ 15.500	▲	4.24%	\$ 15.595	\$ 15.260
Euro Futures (\$/Euro)	\$ 1.384	▲	1.53%	\$ 1.384	\$ 1.354
GBP Futures (\$/GBP)	\$ 1.568	▲	0.53%	\$ 1.576	\$ 1.554
INR Futures (\$/100 INR)	\$ 2.153	▲	1.21%	\$ 2.158	\$ 2.130
JPY Futures (\$/100 Yen)	\$ 1.111	▼	-0.91%	\$ 1.122	\$ 1.107
WTI Futures (\$/b)	\$ 74.130	▲	4.13%	\$ 75.66	\$ 70.85

Average Daily Volume (ADV 9,414)





Economic Indicators

Indicator		Value	Change	% Change
CRB Index	▲	266.96	8.41	3.3%
U.S. Dollar Index	▼	80.24	-0.20	-0.3%
T-Bills	-	0.09%	0.00%	0.0%
DJIA	▲	10,099	86.81	0.9%
FTSE Global All-Cap	▲	186.53	2.39	1.3%

Source: Bloomberg data

COMMODITIES

Crude Oil

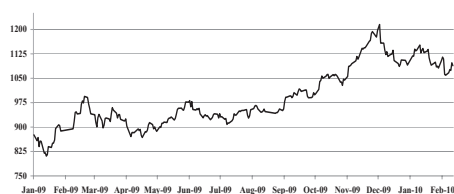
\$ / BARREL



WTI oil prices could move between \$71 and \$78. Prices inched above \$75 last week as the U.S. dollar depreciated and winter storms across the Northeastern United States caused some bullish sentiment regarding heating demand. Despite OPEC's cautious outlook on global demand, the U.S. Energy Information Administration raised its 2010 and 2011 projections for global liquid fuels consumption to 85.3 million b/d and 86.9 million b/d, respectively. Meanwhile, the International Energy Agency also made upward revisions to its demand forecasts.

The OECD energy watchdog expects global oil demand to total 86.5 million b/d in 2010, 170,000 barrels higher than its January projection. Strong demand from emerging markets could continue to add upward momentum to crude oil prices. The major downside risk remains a sluggish economic recovery in other major consuming regions. Economic growth and consequently oil demand may surprise markets by being stronger in the United States than has been expected, but weaker in Europe and Japan.

\$ / OUNCE



Gold may trade around current levels this week. Support for prices is building at \$1,050 – \$1,060, but gold remains vulnerable to short-term selling. A price decline toward \$1,020 or even \$1,000 should not be ruled out. Volatility across financial markets eased last week, showing signs of stabilizing. The U.S. dollar consolidated against most major currencies, relieving some of the downward pressure it had put on gold prices in the prior weeks. Investment demand eased last week after picking up in the prior week on bargain-hunting. Combined exchange traded fund gold holdings were 55.9 million

ounces on 11 February, down 141,669 ounces from 5 February, but slightly higher than 55.89 million ounces on 4 February. Many market participants continue to hold large long positions, although in industrialized economy markets these have been reduced a small amount over the past two weeks as prices declined. If prices in fact head lower toward support levels there could be another surge in bargain-hunting, especially if the decline is toward \$1,000. The Indian market is reportedly waiting for prices to move toward \$1,000 before buying picks up.

Silver

Cents / OUNCE



Silver may move sideways to higher this week. Prices could extend their rally to \$16.00 or even higher this week, if investors feel the dip in prices in recent weeks is over. While prices might rise further, silver may not be able to sustain such levels as profit-taking might set in. Near-term resistance for silver is positioned at \$17.00. Bargain hunting has picked up over the past several weeks, as many buyers have been taking advantage of silver prices below \$16.00. Investors remain interested in silver on expectations that silver prices could rise sharply later this year. Investment demand has been stronger

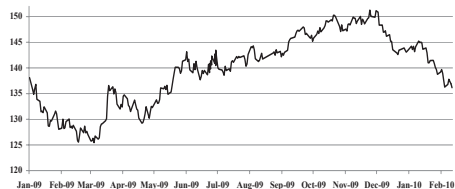
in the U.S. market, populated by global institutional and individual investors, than it has been in India and the Middle East, where investors take a more value-oriented approach to investing. Many investors in the New York market continue to hold large net long positions. Fabricators also have been taking the opportunity to buy silver on price declines. Demand for silver in several industries remains strong. As of 12 February combined ETF silver holdings were 468.9 million ounces, up 0.5% from 466.6 million ounces on 5 February.

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CURRENCIES

Euro / Dollar

DEUR (US \$ quoted in cents per Euro)



The euro may be supported above \$1.35 this week. The euro has fallen very sharply over the past several weeks and could begin to consolidate. Investor concerns continue over Greece's sovereign debt problems. These concerns appear overblown in the market, pushing the euro lower than reasonably may have been expected. Confidence remains shaky, as details are not yet forthcoming as to exactly what European support for Greece will entail. Plans for backing Greece are expected to be

solidified soon, however, and some backing away from unduly negative euro views is expected this week and next. Concurrent to the Greek problems there have been increased market awareness of the relatively weak economic growth prospects in the euro zone. Fourth quarter gross domestic product was less than expected at 0.1%, down from an anemic 0.4% in the third quarter. Both country budget problems and weak economic growth prospects may already be priced into the euro, however.

Indian Rupee / Dollar

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



The Indian rupee may remain volatile this week, most likely moving between 212 cents and 216 cents. The rupee rose 1.2% last week on strengthening domestic equity markets and on expectations that the positive growth of the Indian economy could be sustained. Foreign institutional investors (FIIs) have been net sellers of Indian equities over the past several weeks. This has largely been weighing on the rupee. Last week FII's

were net sellers of \$620.5 million worth of domestic Indian stocks, more than three times what they sold during the week ending 5 February. FIIs have been pulling back their funds from the Indian equity markets largely because of alternative investment opportunities in other markets. The Reserve Bank of India's move to increase its cash reserve requirement has been supportive of the Indian rupee, however.

Sterling Pound / Dollar

DGBP (US \$ quoted in cents per Pound)



The pound may trade between \$1.55 and \$1.58 this week. The pound is not likely to head much lower at this time, since it already is bouncing off of multi-month lows. Sterling appears to be receiving some support from market participants moving away from the euro. The strength in the U.S. dollar, however, is capping gains made by the pound. The United Kingdom economy

is expected to recover at a slow pace in the coming quarters and this week's economic indicators may continue to demonstrate this. Concerns linger over the United Kingdom's government budget debt as well as the country's sluggish economic recovery. The coming weeks' economic data may provide further cues on the Bank of England's stance over monetary policy.

Japanese Yen / Dollar

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



The Japanese yen could drift lower, toward 108 cents — 109 cents, this week. Last week the yen mostly traded around 111 cents. The Japanese gross domestic product (GDP) has risen for the past two consecutive quarters. Japan's GDP rose at an annualized rate of 3.6% during the fourth quarter of 2009. This was up from 1.3% growth during the third quarter. A large part of the growth in the fourth quarter may have come from

increasing exports. Domestic demand from consumers, on the other hand, remains weak. Despite low prices and monetary easing measures by the Japanese government, many domestic consumers are still reluctant to purchase. They expect prices of many goods and services to fall further. The Bank of Japan may provide further quantitative easing to drive consumer spending in order to sustain current economic growth.

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