



Weekly Market Views

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28th 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 were volatile last week. There continues to be strong investor interest in commodities, but the investors are not fully committed to the view that prices will rise sharply. As a result, each round of buying has been met by profit-taking as soon as prices reach short-term technical resistant levels and stall out. On the flip side of the market, investors appear reluctant to be short precious metals, energies, and other commodities for any length of time. There appears to be very little short interest from institutional investors at recent prices. Also, there continues to be interest in buying into dips as soon as they appear to stall out. This has kept many commodities in trading ranges, albeit some of the trading ranges are rather wide. This pattern may continue for the next few weeks, as investors continue to equivocate about the overall direction of the global economy and thus the likely direction of commodities prices. At present the most likely outcome seems to be that at some point investors will commit to a view that the global economic recovery is underway. However, as long as questions linger over the potential for Europe, North America, and Japan to fall back into recession, investors will be hesitant to buy and hold long commodities positions.

Currencies Overview

The U.S. dollar is expected to continue on its recent path again this week. There clearly is an upward bias toward the dollar, at least against the euro and other major traded currencies. Investors are not rushing blindly into the greenback, however. Instead, they clearly remain very nervous about prospects for U.S. budget and trade deficits. Testimony by Federal Reserve Board Chairman Benjamin Bernanke before Congress last week helped fortify investor views that the U.S. economy is heading in the right direction and that monetary authorities have the capacity to manage the aftermath of their 2008 and 2009 monetary largesse. Even as some economic figures suggest continued weakness in the U.S. economy, investors have focused on other indicators of growing recovery in the United States. There also is a clear view that the U.S. economy is likely to outpace the European and Japanese economies at least in 2010, and maybe for a few years beyond that. This stimulates investor interest in U.S. assets, which leads to strength in the dollar as global investors buy dollars for use in re-deploying assets into the U.S. market. This trend may help support the dollar in the coming weeks and months, combined with stronger economic performance overall.

CRB Commodities Index

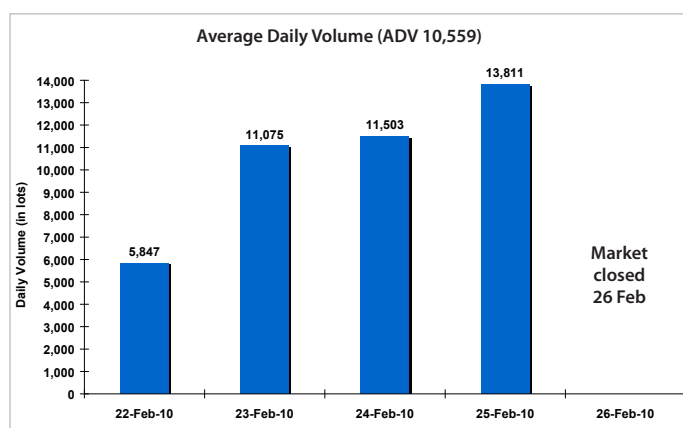


U.S. Dollar Index



DGCX Prices & Daily Volumes

Market (as at Feb 25, 2010)	Current Week close	Current Week close	% Change	Weekly High	Weekly Low
Gold futures (\$/ounce)	\$ 1105.30	▼	-1.41%	\$ 1128.70	\$ 1088.80
Silver futures (\$/ounce)	\$ 16.080	▼	-1.62%	\$ 16.535	\$ 15.900
Euro Futures (\$/Euro)	\$ 1.355	▼	-0.28%	\$ 1.369	\$ 1.346
GBP Futures (\$/GBP)	\$ 1.525	▼	-1.39%	\$ 1.557	\$ 1.519
INR Futures (\$/100 INR)	\$ 2.150	▼	-0.62%	\$ 2.166	\$ 2.146
JPY Futures (\$/100 Yen)	\$ 1.123	▲	3.00%	\$ 1.126	\$ 1.091
WTI Futures (\$/b)	\$ 78.170	▼	-2.05%	\$ 80.67	\$ 77.15





Economic Indicators

Indicator		Value	Change	% Change
CRB Index	▼	274.77	-3.03	-1.1%
U.S. Dollar Index	▼	80.37	-0.27	-0.3%
T-Bills	▲	0.12%	0.02%	0.0%
DJIA	▼	10,325	-77.09	-0.7%
FTSE Global All-Cap	▼	190.69	-0.13	-0.1%

Source: Bloomberg data

COMMODITIES

Crude Oil

\$ / BARREL



A large build-up in U.S. crude oil inventories and poor consumer confidence figures were the catalysts for lower crude oil prices last week. Some slack in the outlook for near-term demand, particularly in the United States, coupled with continued economic uncertainty could keep prices below \$80 this week. The trading range could be \$75 - \$82 as erratic investor sentiment pushes and pulls at prices. The U.S. Department of Energy reported a 3.03 million barrel increase in crude oil stocks, well above market expectations. The majority of the

build occurred on the west coast of the United States. The supply overhang in both the crude and product markets is expected to keep near-term price gains in check. Despite the recent economic weakness the United States remains the largest oil consuming country, accounting for more than 22% of global demand. The most likely source of upward pressure on prices in the near term would be Middle Eastern political tensions, but these factors seem unlikely to provide any price impetus at present.

Gold

\$ / OUNCE



Gold may continue to trade in a range this week. Investors and other market participants continue to equivocate about prices at recent levels. Investors appeared as buyers if prices drop below \$1,100 but seemed to find modest support around \$1,090. They turned around and took profits when prices stalled out around \$1,130. There remains a great deal of nervousness about economic and financial market stability, exacerbated by the Grecian financial debacle, mixed economic indicators in the United States and Europe, and choppy currency markets. The concerns are not great enough to push gold

above \$1,150 at present, although a batch of particularly bad news could trigger stronger buying. Similarly, investors are not ready to give up their guard and let go of their gold. Any drop in prices may be limited to \$1,060 - \$1,080. Gold prices recently rose to record highs in euros. Combined exchange traded fund gold holdings have been fluctuating between 55.8 million ounces and 56.0 million ounces over the past several weeks. Commodity funds and institutional investors meanwhile have decreased their long positions in recent weeks, but still hold large net long positions.

Silver

Cents / OUNCE



Silver prices could move higher early this week, possibly testing \$17.00 before tapering off slightly. The roll from March positions into forward months in the New York market is mostly complete. This could take some support away from prices, with prices dropping back toward \$15.25. The Indian government recently raised import duties on silver and gold, which makes silver more expensive in the domestic markets and raises the prospects of resumed unreported imports of silver and gold into India. High silver prices are expected to put a lid on

silver demand from India, especially in the jewelry and silverware sectors. Many market participants forecast that silver imports to India in 2010 could fall to around 32.2 million ounces, down 25.9% from an estimated 43.4 million ounces in 2009. Investment demand for silver in major markets continues to be firm. There has been little redemption in some of the ETFs. Total ETFs have been rising, albeit at a slow pace. Combined ETF silver holding reached a record 474.2 million ounces at the end of last week, up slightly from 473.6 million ounces on 19 February.

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DUBAI GOLD & COMMODITIES EXCHANGE

CURRENCIES

Euro / Dollar

DEUR (US \$ quoted in cents per Euro)

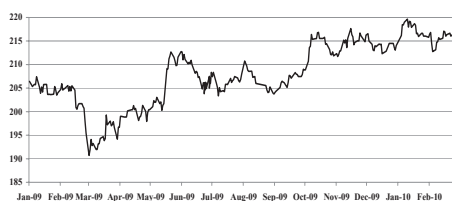


The euro may hold up early this week, but could decline to test \$1.345 later in the week. There has been rising anxiety among investors over Greece's debt problems as well as weak economic conditions facing several other nations in the eurozone. There is no clear resolution yet to how Greece will deal with its domestic finances. Political stresses between eurozone member nations and Greece have been rising as plans are

being discussed over an aid package. As this situation continues uncertainty may keep the euro under downward pressure. Market participants continue to hold large short positions. The euro may rally once there is a clearer indication of what measures will be adopted by Greece, but that could be a while. Short-covering also would be expected to support prices, to a lesser extent.

Indian Rupee / Dollar

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

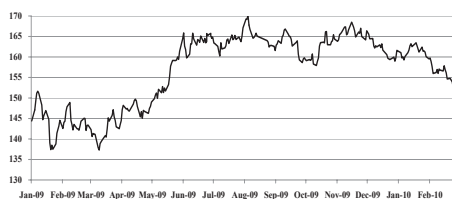


The Indian rupee may test 218 cents this week. A break above this level could spark follow-through buying and push the rupee toward 222 cents. Support for the rupee has recently come from the government's pledge to reduce its fiscal deficit. There is some skepticism over this proposed plan, but the Sensex and the rupee nonetheless were

given a boost. India plans to sell some state assets and reduce tax breaks. A government budget that is accepted as being more credible by investors could translate into increased investor confidence and even possible upgrades on India's sovereign debt ratings. The rupee should be expected to test resistance levels this week.

Sterling Pound / Dollar

DGBP (US \$ quoted in cents per Pound)



The pound is expected to remain vulnerable to further declines this week. That said, the pound may find support at \$1.50. The pound already has fallen to nine-month lows last week, from above \$1.55 to slightly below \$1.52. If the pound holds around current levels market participants may begin to see this as a buying opportunity. The economy in the United Kingdom is not contracting as it did in most of 2009, but economic growth

has been sluggish. The United Kingdom economy grew 0.3% in the fourth quarter of last year and is only projected to expand 1.3% for all of 2010. Investor confidence in the United Kingdom has been lacking and there is a rising expectation that the Bank of England may need to resume monetary accommodation, which would put further downward pressure on the pound.

Japanese Yen / Dollar

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



The yen may hold around current levels this week. Investors shifted their focus toward the domestic market last week as concerns rose over major economies' government finances as well as global economic growth. The yen may hold around 112 cents this week, but this strength may be limited and the yen would be expected to decline later this month. Japan continues to be confronted

with deflationary conditions and economic growth has been revised lower in recent weeks. There is a growing expectation that the Bank of Japan may have to embark on a stimulus package to both combat deflation and weaken the yen. Japan's consumer price index fell 1.3% in January year-on-year, the eleventh consecutive monthly decline.

Further Information

Full details on all of our products and DGCX news can be found at www.dgcx.ae. Alternatively, if you would like to speak with a Relationship Manager, please contact us.

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