



# Weekly Market Views

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7<sup>th</sup> Mar 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 have been showing strength in recent weeks. This reflects a combination of continuing investor interest in commodities and increasing fabrication demand. Petroleum prices have moved above their recent range. Prices may not have much further to rise in the near term, but might now trade in a somewhat higher range than has been seen in recent months. Gold and silver prices also rose in recent weeks. Investor buying has been a major factor. The floor for gold prices may have moved somewhat higher, as investors raise their expectations. Prices may show more strength over the next week, and into late March. Gold continues to benefit from investors seeking to build bullion positions as an alternative asset and safe haven. Other commodities meanwhile are rising as fabrication demand recovers. Investors are keen on commodities, as many have tight balances between supply and demand, and the expectation is that prices will rise as global economic activity recovers. Commodities prices appear to have the capacity to rise in line with an economic recovery. Excess manufacturing capacity, large surpluses of commercial real estate, high unemployment, and slack labor markets suggest capital gains in other investments may be harder to achieve.

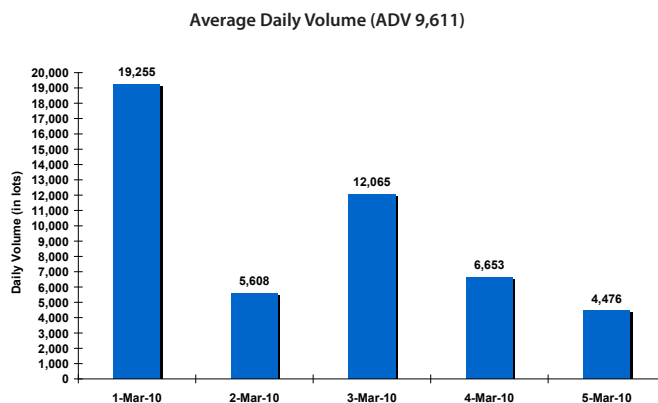
## Currencies Overview

Global economic conditions continue to improve. So, too, do U.S. economic trends. There still are many risks prevalent in the U.S. and global financial markets and economies, but conditions continue to suggest economic recovery is spreading. Events in the European government debt market meanwhile have suggested that Europe may further lag the U.S. recovery. Financial markets showed strong concern that the Grecian debt tragedy could spread to the U.S. and other markets initially, but now have backed away from these views. The view is that the European debt situation is symptomatic of weaker government financial positions in Europe compared to the United States, suggesting U.S. growth may outpace European recovery by an even greater margin than had been expected. This has helped the dollar against the euro and some other currencies. Many market participants have expressed surprise that commodities prices strengthened even as the dollar rose. They should not have been so surprised. Periods of a rising dollar exchange rate and increasing commodities prices have been very regular for decades. The long-run correlation between commodities prices and currency exchange rates is very low.



## DGCX Prices & Daily Volumes

Market (as at Mar 5, 2010)	Current Week close	Current Week close	% Change	Weekly High	Weekly Low
Gold futures (\$/ounce)	\$ 1133.80	▲	2.58%	\$ 1145.50	\$ 1112.90
Silver futures (\$/ounce)	\$ 17.250	▲	7.28%	\$ 17.520	\$ 16.580
Euro Futures (\$/Euro)	\$ 1.361	▲	0.44%	\$ 1.373	\$ 1.344
GBP Futures (\$/GBP)	\$ 1.513	▼	-0.77%	\$ 1.518	\$ 1.480
INR Futures (\$/100 INR)	\$ 2.193	▲	1.98%	\$ 2.193	\$ 2.165
JPY Futures (\$/100 Yen)	\$ 1.107	▼	-1.43%	\$ 1.134	\$ 1.104
WTI Futures (\$/b)	\$ 81.500	▲	4.26%	\$ 82.01	\$ 78.20





**Economic Indicators**

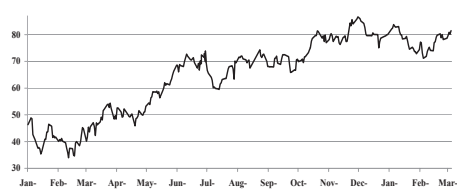
Indicator		Value	Change	% Change
CRB Index	▲	277.79	3.02	1.1%
U.S. Dollar Index	▲	80.42	0.06	0.1%
T-Bills	▲	0.14%	0.02%	0.0%
DJIA	▲	10,566	240.94	2.3%
FTSE Global All-Cap	▲	197.26	6.57	3.4%

Source: Bloomberg data

**COMMODITIES**

**Crude Oil**

\$ / BARREL



WTI crude oil traded closely on either side of \$80 last week. Oil prices could continue to orbit around this level. The cyclical turn in the economy has been gradual, which is keeping a lid on oil demand. Inventory data released by the United States Department of Energy for the week ending 26 February showed that crude oil stocks rose by 4.03 million barrels while gasoline inventories built by 773,000 barrels. Amid this backdrop, OPEC compliance with its quotas has been lackluster. In February, OPEC production

exceeded the aggregate quota by 7.8%, or an estimated 1.94 million barrels. This is the highest rate of non-compliance since late 2004. With both OPEC and non-OPEC production rising steadily, producer discipline will not be able to balance the market. A sustained demand recovery, or at least a better indication that the economy is grounded in an expansionary phase, will be needed for oil prices to move firmly above \$84.

**Gold**

\$ / OUNCE



Gold prices may test \$1,150 - \$1,160 later this week. A floor for prices is building at \$1,120 - \$1,130 and any price decline may be limited to these levels, although there is stronger support at \$1,100. While Grecian fiscal problems are in midst of being addressed, the reality is that financial conditions remain fragile in Greece and in many other nations in Europe. The gold price in euros and pounds has been rising over these past several weeks, continually reaching record highs. Last week the gold prices set record highs of €838.60 and £761.36 on 2 March. Investors increased their gold purchases last week. As

of 4 March combined exchange traded fund gold holdings were 56.17 million ounces, up 259,588 ounces from 55.91 million ounces on 26 February. This increase in ETF gold holdings is the largest increase in any four-day period since the middle of December 2009. Gold price volatility also may begin to increase this week. There is a large amount of open interest in futures, and call and put options in the New York market that will become deliverable and expire later this month. Most of these contracts will have to be rolled forward, which could apply upward pressure on prices.

**Silver**

Cents / OUNCE



Silver prices could hold above \$17.00 this week. Prices continue to be buoyed by strong investment and fabrication demand. That said, silver prices remain susceptible to a wave of selling by short-term investors. This could push prices lower for a brief time. Silver prices remain supported at \$15.50. Physical demand for silver in India, the Middle East, and some of other Asian nations remains firm. The marriage and festive seasons have resulted in many consumers increasing their purchases of silver jewelry rather than

higher priced gold and platinum jewelry. As the economic environment show signs of improving, industrial users of silver have been increasing their purchases of silver on expectation that demand for silver will surge in the later part of this year. Most investors have been holding on to silver as a safe haven because a large number of longer term issues continue to be a concern. Combined ETF silver holding were 472.3 million ounces on 5 March, down from 474.1 million ounces on 26 February.

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## CURRENCIES

### Euro / Dollar

DEUR (US \$ quoted in cents per Euro)



The euro is finding support above \$1.35 and may consolidate above this level this week. Early last week the euro fell below this mark as uncertainty was building over how Greece and other euro member nations would resolve Grecian fiscal problems. The euro managed to hold above \$1.343, however and rallied toward \$1.38 in the middle of the week as Greece and euro

members nations took concrete steps to address Greece's financial troubles. Despite seemingly positive steps toward fiscal health in Greece, confidence remains fragile. Investor sentiment toward the euro has not been as negative as it was just a few months ago, but it also may not be as positive. This may keep the euro above support at \$1.35, but also capped at \$1.38.

### Indian Rupee / Dollar

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



The Indian rupee could move in a wide band this week, most likely between 215.5 cents and 219.5 cents. That said, the rupee remains vulnerable to profit-taking and technically based selling at such high levels. Last week the rupee rose 1.4%, settling at 219.3 cents on 5 March. The 2010 national budget released by the Indian government aims to reduce the fiscal deficit to 5.5% of the gross domestic product, from the current

6.7% level. The Indian benchmark stock Index, Sensex, rose 3.4% last week on strong foreign investor buying. Last week foreign institutional investors purchased \$930.3 million of Indian equities. Foreign investors have been flocking in money into the domestic Indian markets on expectations of stronger economic growth this year. Inflation in India remains at high level.

### Sterling Pound / Dollar

DGBP (US \$ quoted in cents per Pound)

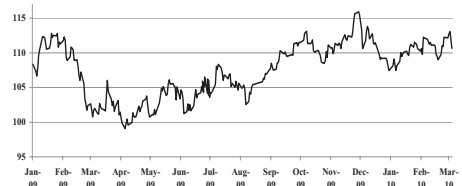


The pound may head toward \$1.54 later this week. The pound sold off sharply on Monday 1 March as it broke below support at \$1.51. The selling pressure continued as technical support levels were broken. The pound eventually fell toward \$1.48 before recovering. Concerns over the United Kingdom's government debt situation increased on par with rising concerns over

financial problems in Greece. The pound managed to climb back above \$1.50 as the week progressed, ahead of the Bank of England's (BOE) monetary policy meeting on 4 March. The BOE's decision to not increase its accommodating monetary policies program was taken as being supportive of the pound.

### Japanese Yen / Dollar

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



The yen may head toward 108 cents this week, following a couple of weeks of strength. Investor concerns eased over international markets late last week as funds began to flow overseas. Safe haven buying of the yen had increased a couple of weeks ago as financial and economic data for Europe and the United States became increasingly

mixed to negative. Greece's positive steps toward fiscal health and better than expected unemployment figures in the United States helped reduce investor demand for the yen. There also has been increased speculation that the Bank of Japan will initiate a stimulus plan, which would weigh on the yen.

## Further Information

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**Tel:** +971 (0)4 361 1616

**Email:** [info@dgcx.ae](mailto:info@dgcx.ae)

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