



Weekly Market Views

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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

Commodity prices may see a mixed bag this week. Gold and silver have some upward momentum, and could move higher after some rocky price experiences last week. Petroleum prices meanwhile may well decline over the coming week, as fundamentals take some of the recent pressures off of prices. Overall investors remain committed to commodities. In the past few weeks there have been several news stories involving respected and prominent investors adding to their gold assets. The flow of funds into gold and other commodities markets from investors meanwhile continues. With prices showing support some of the shorter term speculative traders that were selling gold, silver, petroleum, and other commodities short over the past three months may be repositioning themselves to take advantage of higher prices: Liquidating any short positions they have and possibly preparing to establish fresh long positions. This shift in shorter term investor market positions could be sufficient to push precious metals prices higher in the next week or two. Any such increase in prices then would be expected to stimulate follow-on buying by other short-term investors and by proprietary traders at banks and brokerage companies.

Currencies Overview

Currency markets may reflect more of a rugby field than a football game this week. The dollar may move lower against the euro and rupee, while showing strength against the pound and yen. Markets are focusing on the diverse range of economic and political conditions in individual markets. While many investors and bank trading desks like simple, clean stories against which they can trade, sometimes the details of how individual countries' economic and financial markets are performing demand attention. This could be more forcefully demonstrated in the market this week, as individual currencies may trade based on key developments within their countries. Overall economic conditions continue to improve. Investors remain wary, and are on guard for anything that might derail recovery, either in individual countries or globally. Even as this caution continues, investors are moving toward more optimistic views of the economic prospects for the world. Some of the political problems that had threatened to potentially derail economic recovery appear to be receding, at least for now. That can reverse quickly, but if it does not, it bodes well for the dollar against some currencies. The reduction in concerns over the recent Greek tragedy may be a key issue this week.

CRB Commodities Index



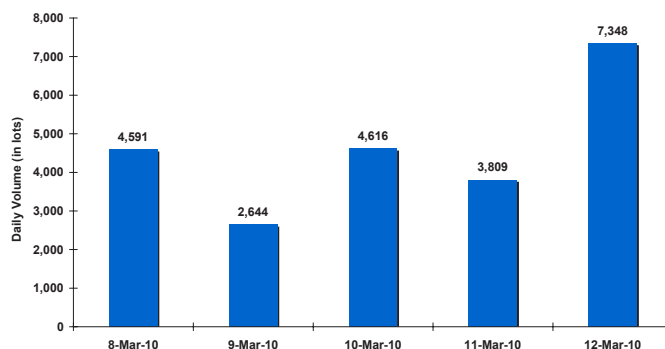
U.S. Dollar Index



DGCX Prices & Daily Volumes

Market (as at Mar 12, 2010)	Current Week close	Current Week close	% Change	Weekly High	Weekly Low
Gold futures (\$/ounce)	\$ 1102.90	▼	-2.73%	\$ 1137.80	\$ 1097.00
Silver futures (\$/ounce)	\$ 17.075	▼	-1.01%	\$ 17.660	\$ 17.000
Euro Futures (\$/Euro)	\$ 1.376	▲	1.11%	\$ 1.378	\$ 1.354
GBP Futures (\$/GBP)	\$ 1.519	▲	0.41%	\$ 1.529	\$ 1.489
INR Futures (\$/100 INR)	\$ 2.192	▼	-0.05%	\$ 2.202	\$ 2.186
JPY Futures (\$/100 Yen)	\$ 1.105	▼	-0.16%	\$ 1.115	\$ 1.102
WTI Futures (\$/b)	\$ 81.240	▼	-0.32%	\$ 83.01	\$ 80.22

Average Daily Volume (ADV 4,602)





Economic Indicators

Indicator		Value	Change	% Change
CRB Index	▼	273.31	-4.48	-1.6%
U.S. Dollar Index	▼	79.83	-0.59	-0.7%
T-Bills	▲	0.15%	0.01%	0.0%
DJIA	▲	10,625	58.49	0.6%
FTSE Global All-Cap	▲	200.20	2.94	1.5%

Source: Bloomberg data

COMMODITIES

Crude Oil

\$ / BARREL



WTI oil prices held firm last week, settling closer to \$81 on Friday 12 March. Prices could move sideways with a slight downward bias this week. The WTI – Dubai spread has edged higher recently as both physical and investment fundamentals in these two markets diverged. WTI traded at a \$3.78 average daily premium over Dubai from 1 March though 12 March compared to \$2.85 in February. WTI oil, the North American light, sweet benchmark, has been buoyed by strengthening investment demand and a modest tightening in the supply – demand

balance. Notably, reformulated gasoline prices in the United States have rallied as market participants prematurely priced-in a strong demand rebound during the summer driving season. Meanwhile, the bounce higher for Dubai prices, the light, sour Persian Gulf benchmark, has been less pronounced as there are concerns about Asia's ability to absorb rising sour crude oil shipments. OPEC is expected to keep quotas unchanged during its 17 March meeting, although noncompliance with these quotas is likewise expected to remain unchanged.

Gold

\$ / OUNCE



Gold prices may head toward \$1,140 later this week as investors are expected to show continued interest in gold. Prices appear to have found a base around \$1,100. Prices could drop to around \$1,080 in further selling, but right now investors appear likely to support prices around \$1,100. Any drop below that would likely trigger fresh buying. Investment demand has been stable over the past week. Combined exchange traded fund gold holdings were 56.36 million ounces as of 11 March, up 338,448 ounces from the end of February. Economic data continues to show an emerging recovery. Investor concerns that the recovery could

be derailed have and should be expected to keep providing support to gold prices. Many investors continue to be long gold. The support for gold around \$1,100 last week has encouraged short-term investors to put on fresh long positions. Prices around current levels may attract increased buying this week from both short-term and longer term investors. The roll of gold futures contracts in the New York market also may begin to lend support to prices next week, although the contract remains more than two weeks away. This week the Federal Reserve will likely maintain its posture toward the economy and short-term interest rates.

Silver

Cents / OUNCE



Silver prices are expected to move sideways to slightly higher this week. Prices could rise as high as \$18.00, a level not seen since 21 January. Jewelry demand for silver in India and the Middle East has tapered off slightly over the last couple of months due to relatively higher prices. Secondary recovery of silver from Indian scrap, on the other hand, remains firm. Recent estimates from India indicate that silver recovery from scrap almost doubled last year from 2008 levels. High silver prices have encouraged many individuals in India to sell their old jewelry and silverware to scrap refiners. Industrial

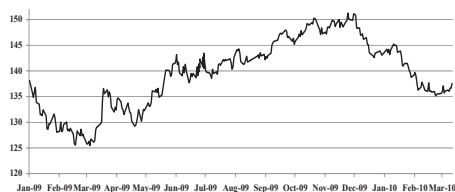
demand for silver has been holding up well on improvements in the global economic conditions. Consumer spending on several silver-bearing items such as flat panel televisions, batteries, and cell phones has been reviving. Investors have become more optimistic or perhaps less pessimistic about financial, economic, and political conditions. That said, there still is a fair amount of investor concern regarding the pace and strength of the current recovery. Combined ETF silver holding were 469.2 million ounces at the end of last week, down from 472.9 million ounces on 5 March.

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CURRENCIES

Euro / Dollar

DEUR (US \$ quoted in cents per Euro)



The euro could break above \$1.38 this week and possibly make a move toward \$1.40. Investor anxieties over Greece's fiscal debt problems have eased as Greece is seemingly taking concrete steps toward structural reform with an aim to substantially reduce its debt burden. That said, Greece's financial troubles will not be resolved overnight

and are likely to take years to be brought to manageable levels. Sentiment toward Greece and the broader region has improved, however, and the euro could appreciate as a result. As the euro heads higher there could be short covering by banks and investors that had bet against Europe, which may push the euro toward \$1.40 very quickly.

Indian Rupee / Dollar

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



This week the Indian rupee could hold around 218 cents — 219 cents per 100 rupee. There may be bouts of short-term selling or profit-taking, but they would be expected to be short-lived. Last week the rupee hovered around 219 cents. The rupee has strengthened against the U.S. dollar in recent weeks, reflecting ongoing inflows of foreign funds into domestic equity markets.

Also, many corporations have been selling U.S. dollars in anticipation that the rupee might further appreciate against the dollar. Industrial production in India has been recovering over the last two months. If the recent economic recovery in India is sustained, the Reserve Bank of India could raise interest rates sooner rather than later. This may help tame high inflation in India.

Sterling Pound / Dollar

DGBP (US \$ quoted in cents per Pound)

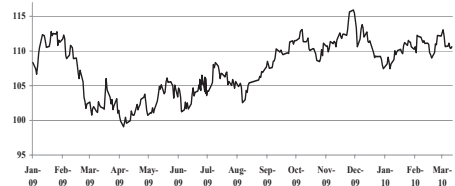


The selling pressure on the pound is easing, but sterling is unlikely to move above \$1.53 this week. Investor confidence in the pound remains low. Similar to other parts of Europe, high government debt levels and weak economic growth are weighing on the pound. The economy in the United Kingdom requires both fiscal tightening and stronger economic activity, both of which should

not be expected in the near term. Adding further weight on the already weak pound are rising political stresses as parliament elections approach in the United Kingdom. Uncertainty over what stance the elected officials will take toward the economy and the government debt situation may help keep the pound weak.

Japanese Yen / Dollar

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



The yen may trade slightly lower this week, with support around 108 cents. Year-to-date demand in Japan for the yen has been strong as the economy lifts itself out of the recession. With economic activity gaining momentum, the Japanese government is expected to lift its economic outlook. The Japanese equity market also has performed well thus far in 2010. A weaker yen is needed to boost exports and reduce deflationary

pressures, however. The cyclical turn could be derailed by a persistently strong currency. Meanwhile, the yen recently strengthened as money flowed into defensive currencies when European fiscal concerns surfaced. This trend could push and pull at the value of the yen over the short term. Domestic economic conditions, which favor a weaker yen, could provide a more enduring downward bias.

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