



# 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

Commodities prices should be expected to remain very volatile this week. Financial market stability remains tenuous in Europe. The meeting early next week involving European government officials and the International Monetary Fund could serve as a focal point for investor nervousness. Instead of seeing the meeting as a sign that government financial officials are moving to quell sovereign debt problems, the meeting may generate more investor concerns that the debt issues facing Europe (as well as the United States and Japan) are seemingly intractable. It will take a highly skilled diplomat to convince financial markets that government finance ministers have a credible solution to the debt and deficit problems they are facing. In light of this, gold and silver prices may move even higher this week. Petroleum prices may not move much lower, having already been hammered hard. Crude oil may recover slightly, but remain low compared to recent price levels. Regardless of these directional calls, all commodities prices should be expected to continue to trade in very volatile fashions. Overall financial markets are likely to remain deeply unsettled this week, and for weeks to come, and there is no reason to think that commodities prices will not be volatile in such an environment.

## Currencies Overview

Global currency markets will remain volatile this week. The dollar should be expected to gain against the euro and pound, as investors remain concerned about sovereign debt and deficit issues in Europe. Some of the concerns related to Greece have spread through other European countries, even lapping on the pound's shores. These conditions should be expected to keep investors interested in the dollar as a safe haven. The yen also may benefit from this trend, to some smaller extent. The rupee could recover from last week's weakness as investors focus on emerging economies as being more attractive than Europe. The problem is that the demand for government bonds from emerging economies has depressed yields on these bonds, reducing their attractiveness to investors. The potential exchange rate appreciation of the rupee and other emerging economies' currencies may be further limited by the smaller float of government issues available from these countries, and their governments' unwillingness to accept the inflationary consequences of allowing increased flows of foreign capital into their economies. These conditions may keep the dollar stronger this week. The EU meeting with the IMF on 11 May could generate a great deal of investor nervousness and volatility in currency markets.

CRB Commodities Index

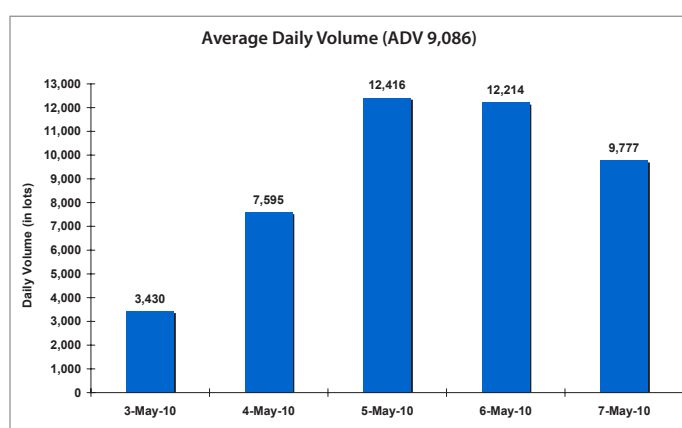


U.S. Dollar Index



## DGCX Prices & Daily Volumes

Market (as at May 7, 2010)	Current Week close	Current Week close	% Change	Weekly High	Weekly Low
Gold futures (\$/ounce)	\$ 1210.70	▲	2.64%	\$ 1214.50	\$ 1158.00
Silver futures (\$/ounce)	\$ 18.425	▼	-1.65%	\$ 18.870	\$ 17.090
Euro Futures (\$/Euro)	\$ 1.271	▼	-4.54%	\$ 1.325	\$ 1.253
GBP Futures (\$/GBP)	\$ 1.479	▼	-3.26%	\$ 1.528	\$ 1.449
INR Futures (\$/100 INR)	\$ 2.188	▼	-2.56%	\$ 2.245	\$ 2.181
JPY Futures (\$/100 Yen)	\$ 1.096	▲	2.92%	\$ 1.128	\$ 1.054
WTI Futures (\$/b)	\$ 75.110	▼	-12.8%	\$ 87.10	\$ 75.06





## Economic Indicators

Indicator		Value	Change	% Change
CRB Index	▼	261.32	-16.39	-5.9%
U.S. Dollar Index	▲	84.45	2.58	3.2%
T-Bills	▼	0.12%	-0.04%	0.0%
DJIA	▼	10,380	-628.18	-5.7%
FTSE All World	▼	0.00	-202.61	-100%

Source: Bloomberg data

## COMMODITIES

### Crude Oil

\$ / BARREL



Oil had a volatile week, trading as high as \$87.10 on Monday 3 May and as low as \$75.80 on Thursday. Prices recovered to settle at \$75.14 on Friday 7 May. We would like to say that prices dropped sharply as market participants aligned their price expectations with current fundamental realities. EIA data showed that U.S. crude oil inventories rose by 2.76 million barrels during the week ending 30 April, for example. However, the reality is that petroleum prices fell along with other assets as investors liquidated long positions

out of concerns over a possible Greek sovereign debt default and the economic consequences of broader sovereign debt issues. The U.S. dollar also exhibited strength in line with euro zone concerns, adding further weight on oil prices. While last week's sell-off may prove temporary, volatility may not. Oil prices could move toward \$80 this week if investors begin rebuilding some of their long positions. Prices also could test \$75 if the U.S. dollar continues to appreciate.

### Gold

\$ / OUNCE



Gold price volatility is expected to continue this week, given current investor unease over financial markets, in particular European countries' financial problems. Gold has come within \$15 of its December high in dollar terms, and is at records in euros and other currencies. Prices may move somewhat higher, and are expected to set new dollar levels later in May. First, however, gold is vulnerable to some heavy downward drafts due to nervous investors taking profits on any sign of financial market stability. Gold may

see both higher prices and profit-taking this week. Prices may rise toward \$1,230, while a plunge to \$1,180 also is within easy range. Investors have been stocking up on gold in the face of sovereign debt issues in Greece and other countries. Prices rallied from a low of \$1,177.40 at the start of last week to \$1,211.60 by Thursday, before ending the week at \$1,202.50. Combined exchange traded fund gold holdings reached a record 59.11 million ounces by 6 May, up 943,686 ounces in one week.

### Silver

Cents / OUNCE



Prices may top \$19.00 early this week, but could decline soon afterward on profit-taking. Silver fell sharply early last week amid a broad commodities sell-off and a rising U.S. dollar. Concerns also surfaced over fabrication demand prospects for silver as European sovereign debt problems increased. Demand for raw materials came into question as prices for many commodities fell. Silver's financial traits were not enough to support silver, but relatively low prices attracted strong buying on Friday 7 May. Prices rallied from a low of \$17.27 on Thursday to close above \$18.00 on Friday.

Investors took the dip in prices as a buying opportunity, and there also may have been increased purchases from some fabricators. Silver price volatility should be expected to continue this week. While seasonal weakness for silver is nearing, investors may keep prices supported, at least this week. A sharp decline in prices may be limited to the \$17.00 level, at which point bargain hunting may resume. Combined exchange traded fund silver holdings were 462.8 million ounces on 6 May, up from 459.4 million ounces at the end of the previous week.



## CURRENCIES

### Euro / Dollar

DEUR (US \$ quoted in cents per Euro)



After a volatile week and a sharp drop, the euro may consolidate in a wide band this week. Last week Grecian financial problems overflowed into other markets around the world. In light of this investors rushed to gold, the yen, and the U.S. dollar as safe havens. Speculation has increased over Greece possibly rescheduling or defaulting on its sovereign debt. The latter seems unlikely. The violent public resistance to Greece's proposed austerity measures to address the country's fiscal imbalances have not helped

instill any confidence that the proposed programs will resolve Greece's problems. That lack of confidence has been reflected in the euro. While euro zone officials have stated that they support Greece's financial reform proposals, there still is ambiguity over the terms and conditions for the proposed 110 billion euro package, along with the realization that it will not solve the ongoing financial deficit problems of Greece. The euro will continue to face further downside risk.

### Indian Rupee / Dollar

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



The rupee may hold above 218 cents per 100 rupee this week. The rupee fell sharply last week, after several weeks of trading around 224 cents. Concerns over Grecian financial problems spread into emerging markets when equity values fell sharply. The Sensex fell 4.5% last week as investors moved into the U.S. dollar and gold. The rupee may be vulnerable to further declines amid current

market sentiment, but longer term the rupee should be expected to appreciate against the dollar. Economic data for India continues to show strong growth, although there have been increasing concerns over rising inflation. High consumer prices index figures may continue to influence the Reserve Bank of India's decision to keep raising interest rates.

### Sterling Pound / Dollar

DGBP (US \$ quoted in cents per Pound)



The pound could trade around \$1.47 this week as investors digest the results of parliamentary elections. The pound had been declining modestly early last week, but fell sharply on Thursday as sovereign debt concerns surged and parliamentary elections were held. No political party won the majority, suggesting that a hung parliament may have more difficulty in addressing the United Kingdom's budget problems. The pound fell to \$1.4489 on

Thursday before moving back above \$1.46. On Friday 7 May the pound received a boost from ratings agencies as they stated that the United Kingdom's credit rating was in no near-term danger of being downgraded. This gives the newly elected parliament time to address the government debt problems. If weak economic conditions persist, however, the pound may have scope for further declines.

### Japanese Yen / Dollar

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



The yen may move between 108 and 110 cents this week, although investors could repatriate more funds if turmoil in overseas markets continues. The yen rallied last week as investors became increasingly risk averse amid euro zone financial problems and large declines across most asset classes. The yen rallied from 105 cents at the start of last week toward 112 cents before settling at 109 cents

on Friday. A sharp decline in equity markets in the United States on Thursday in addition to European sovereign debt concerns helped push the yen higher while stronger than expected employment data and relatively stable financial markets on Friday weighed on the yen. If financial market volatility begins to ease this week, the yen may move to test support levels.

## Further Information

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