



Weekly Market Views

Provided by CPM Group, Vol.2, No. 23, 6 June 2010

6th June 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

Most financial markets are likely to remain on edge this week, rattled by a growing array of political, financial, and economic issues, problems, and uncertainties. Commodities markets will not be excluded from this nervous state of agitation. Prices may move sharply higher and lower across a band of commodities, as investors and commercial market participants struggle to ascertain where the world's economic and political futures lie. The markets may not have any respite from this volatility this week. The underlying global economic and political landscape remains too overloaded with a large number of near-term perils to allow market participants to settle on any expectations for too long. At present, economic conditions remain positive on a global basis, although the risks to continued recovery have risen sharply. Underlying economic conditions may not be deteriorating as much as investor expectations suggest, but it will be the reactions of nervous investors that determine market trends. The bifurcation of the U.S. dollar continues meanwhile, strengthening against the euro overall in a volatile fashion while remaining vulnerable against many other currencies. Investors remain interested in commodities, but are becoming increasingly nervous longs.

Currencies Overview

Currency market trends are likely to continue this week. The euro may test support levels while the pound and rupee consolidate in their recent respective trading ranges. The U.S. dollar and the yen meanwhile may see support from investors seeking safe haven assets amid turbulent financial market conditions and speculation over sovereign debt problems affecting euro zone member nations' economic standings. Hungary's recent comments late last week over its financial troubles helped spur increased concern over a broader span of European nations' finances. More investor concern actually may have been generated by comments in Europe and London suggesting that European commercial banks' financial positions are weakening to perilous levels. There was a broad sell-off in equity markets in both Europe and the United States as the euro fell to levels not seen since 2006. The U.S. dollar and the yen received a boost as investors moved toward safe haven currencies. While the recent trend in currency markets may remain in place this week, it should not be totally unexpected if volatility surges. Investor sentiment toward a broader scope of asset classes from bonds to equities to sovereign and bank debt insurance instruments may undergo large shifts. Increased political stresses may add to such changing views toward financial markets and economic conditions.

CRB Commodities Index

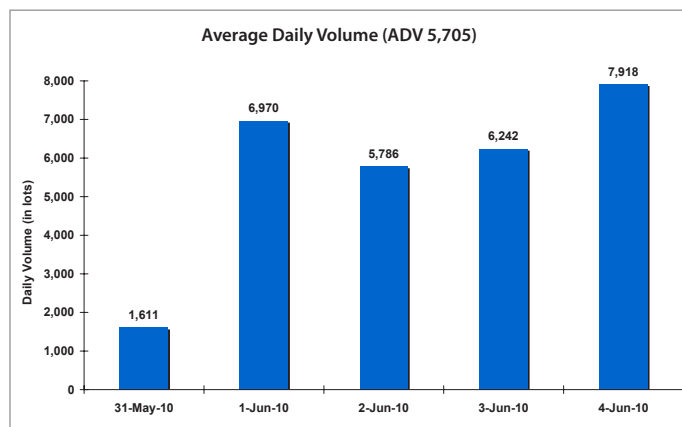


U.S. Dollar Index



DGCX Prices & Daily Volumes

Market (as at June 4, 2010)	Current Week close	Current Week close	% Change	Weekly High	Weekly Low
Gold futures (\$/ounce)	\$ 1217.10	▲	0.28%	\$ 1230.40	\$ 1198.50
Silver futures (\$/ounce)	\$ 17.420	▼	-5.25%	\$ 18.690	\$ 17.380
Euro Futures (\$/Euro)	\$ 1.196	▼	-2.61%	\$ 1.235	\$ 1.196
GBP Futures (\$/GBP)	\$ 1.447	▲	0.03%	\$ 1.476	\$ 1.444
INR Futures (\$/100 INR)	\$ 2.113	▼	-1.03%	\$ 2.152	\$ 2.105
JPY Futures (\$/100 Yen)	\$ 1.092	▼	-0.74%	\$ 1.104	\$ 1.077
WTI Futures (\$/b)	\$ 71.51	▼	-3.33%	\$ 75.30	\$ 70.94





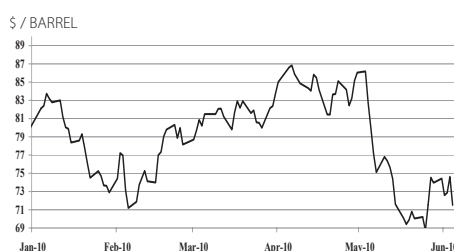
Economic Indicators

Indicator		Value	Change	% Change
CRB Index	▼	248.94	-5.86	-2.3%
U.S. Dollar Index	▲	88.23	1.75	2.0%
T-Bills	▼	0.12%	-0.03%	0.0%
DJIA	▼	9,932	-204.66	-2.0%
FTSE All World	▼	179.29	-3.02	-1.7%

Source: Bloomberg data

COMMODITIES

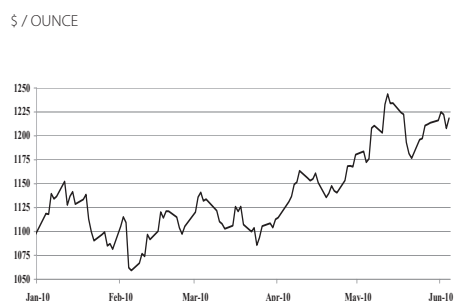
Crude Oil



WTI oil prices could move in a wide band this week, between \$69 and \$76. Demand began to pick up in the middle of last month ahead of the driving season in the northern hemisphere, but there has been increased skepticism over actual demand figures and demand prospects for the next couple of months. Concerns over limited growth potential in developed economies has weighed on prices over the past week. These concerns in addition to a strengthening U.S.

dollar have helped cap oil price increases. Supplies of oil meanwhile remain ample, as inventories continue at high levels along with spare capacity levels in OPEC nations. Near-term concerns over demand for oil may keep prices from moving much higher, but oil may not have much more scope for downside. Medium and longer term prospects remain positive, with demand from developing nations expected to continue to rise.

Gold



Gold seems most likely to trade in a wide band this week, possibly as wide as \$1,180 and \$1,250. Gold's appeal as a safe haven and hedge against volatile economic conditions continues to be evident. Prices were unable to break above \$1,230 last week despite still strong investment demand. Profit-taking and easing investor concerns over sovereign debt problems in the euro zone weighed on prices as the week progressed, but gold managed to hold above \$1,200. Prices around this level drew increased buying interest and gold

moved toward \$1,220 by week's end. The surge in prices also was aided by declining equity values, as investors sought safe haven assets. Combined exchange traded fund gold holdings rose to a record 63.75 million ounces as of 3 June, up 804,029 ounces from the end of the previous week. Gold will likely continue to trade in a choppy fashion as short-term investors trade on technical cues while longer term investors look for buying opportunities. Ongoing investor concerns over financial markets should keep gold prices supported above \$1,180.

Silver



Silver prices are likely to weaken further before rising this week. If prices settle below their present support of \$17.40, they could drop quickly to \$16.60. Any decline in prices is expected to be short-lived, however, with market participants using lower price points as a buying opportunity. Concerns in the market regarding the potential of another recession, as a result of the European sovereign debt crisis, should keep investors interested in silver for its safe haven characteristics. U.S. Mint Silver Eagle

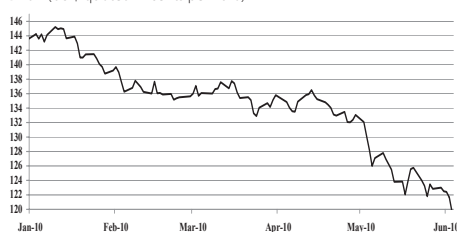
coin sales reached 3,636,500 ounces in May. This was the highest monthly coin sales on record. Cumulative investor holdings in exchange traded funds reached 475.5 million ounces on 1 June, a record high. Demand for electronics has been robust during the first few months of the year. Global semiconductor sales in April were \$23.6 billion, according to the Semiconductor Industry Association, the highest level since November 2007.

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CURRENCIES

Euro / Dollar

DEUR (US \$ quoted in cents per Euro)

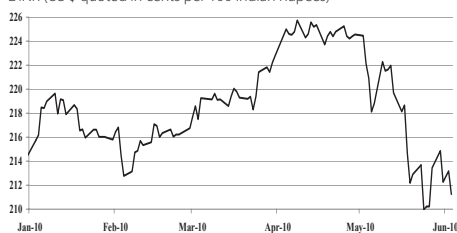


The euro may continue to edge lower this week, possibly testing support at \$1.17. Investor concerns over euro zone sovereign debt and deficit problems continue to expand. Week after week investor sentiment toward the euro has become increasingly pessimistic, as reports surface about heavily indebted euro zone member countries facing worsening credit conditions and political friction among member countries

intensifies. Speculation over developing economy governments possibly selling their euro denominated assets has weighed on the currency. Concerns over European sovereign debt problems spreading into the broader economy have kept investor sentiment on edge. Equity values in Europe have been trending lower over the past several weeks, affecting stock markets around the world.

Indian Rupee / Dollar

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

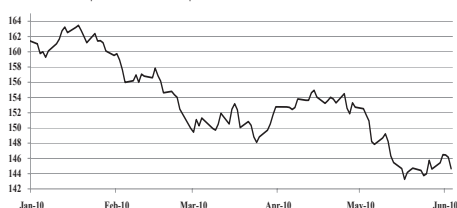


The rupee may trade between 210 cents and 214 cents per 100 rupee this week. Early last week the rupee fell toward 210 cents as equity markets in India declined and demand for safe haven investments surged. Market participants may still be hesitant to invest in developing markets, however, positive economic data over the past several weeks and a recovering stock market point toward strong fundamentals. India's gross

domestic product growth rate for the first quarter of this year was 8.6% year-on-year, up from 6.0% in the previous quarter. Inflation remains a concern, but consumer and wholesale prices have eased recently. Despite most equity markets having come off last week, the Sensex managed to post a 1.5% gain. Beyond this week the rupee should have more scope for upside.

Sterling Pound / Dollar

DGBP (US \$ quoted in cents per Pound)

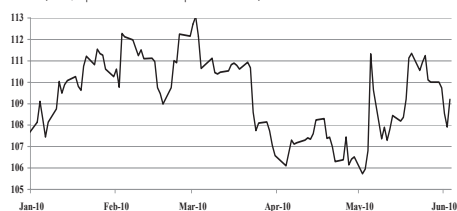


The pound may trade between \$1.44 and \$1.48 this week. The pound recovered last week, moving above \$1.46 as bargain hunting increased after the currency had declined to levels not seen since early 2009 the week prior. Investors seem to be viewing pound denominated fixed income investments in a better light than those of euro zone markets. However, the United Kingdom has problems of its own related to

fiscal imbalances, sovereign debt issues, and exposure to euro zone investments. Banks in the United Kingdom have substantial holdings of euro zone sovereign debt instruments. While economic conditions are improving in the United Kingdom and are more robust than in the euro zone, they are not as strong as economic conditions in the United States. The pound is likely to be capped at \$1.48 this week.

Japanese Yen / Dollar

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



The yen may move mostly between 108 cents and 110 cents this week. The yen traded around 110 cents early last week, declining from a high of 112 cents in the week prior, as concerns over European sovereign debt problems eased. The yen fell toward 107 cents on Wednesday 2 June following the resignation of Japan's prime minister. Expectations surged over the likely successor as being the finance minister, who

is perceived to be in favor of a weaker yen and likely to intervene in currency markets. Concerns over financial markets surged on Friday 4 June, however, as equity values declined and investors moved toward the yen as a safe haven. If investor sentiment improves over economic conditions the yen may head lower, but is likely to hold above 107 cents.

Further Information

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