



Weekly Market Views

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13th 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

Gold continues to signal that investors are concerned about European sovereign debt issues, and the potential that these problems could derail global economic recovery. There is concern that the recovery could be halted and that the world could return to recessionary conditions due to the credit constraints and lack of investor confidence brought on by the European governments' debt and deficit issues. The European situation has driven home to investors that the euro does not have the international stature of the U.S. dollar, and that no real alternative currency yet exists. Thus, investors are held captive by the dollar. As much as the U.S. Treasury may have lost stature in recent years around the world, it still is seen as more credible than the European network of central banks and finance ministries. Thus, investors are turning to gold and silver, as a hedge against currencies in general. Investors, including institutional managers, will continue to add gold to their portfolios. It is both a long and short term trend. There are trend followers who are buying gold because prices are rising. If and when prices pause, they will flee the market, as they always do. There are more investors that are taking a longer term view, however. They will take any dip in prices due to short-term investors exiting the gold market as a buying opportunity, as they have in recent weeks and months.

Currencies Overview

Currency market volatility may lighten this week after several weeks of heightened activity. The euro continued its strong declines early last week, but by the middle of the week had recovered as investor sentiment improved over euro zone sovereign debt problems. Recovering equity values in developed economies bolstered investor confidence, providing a boost to developing economy equity markets. Last week better than expected data for China, Japan, and India provided additional positive investor sentiment, but was weighed down by weaker than anticipated economic figures for the United Kingdom and the United States. Monetary policy officials in developed economies meanwhile tried to convey confidence in financial markets, and economic developments and prospects. Currency market volatility may be reduced this week, but could quickly surge on shifting investor sentiment. The euro is likely to face continued selling pressure, while safe have currencies remain supported by ongoing concerns over financial markets, economic conditions, and political stresses. Euro zone sovereign debt and deficit problems should be expected to remain in the spotlight in the near to medium term.

CRB Commodities Index



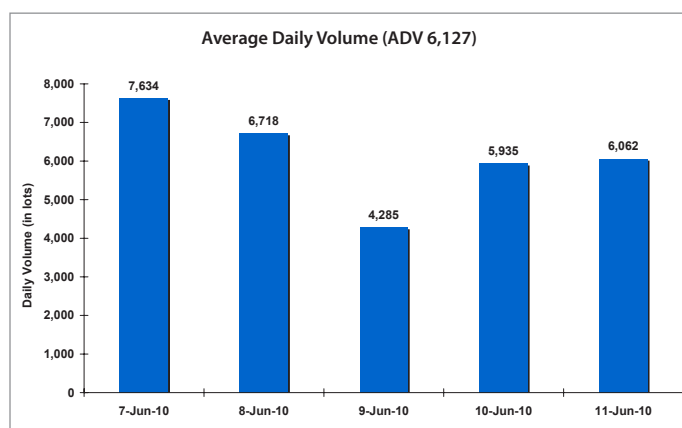
U.S. Dollar Index



DGCX Prices & Daily Volumes

Market (as at June 11, 2010)	Current Week close	Current Week close	% Change	Weekly High	Weekly Low
Gold futures (\$/ounce)	\$ 1229.30	▲	1.00%	\$ 1253.50	\$ 1212.50
Silver futures (\$/ounce)	\$ 18.215	▲	4.56%	\$ 18.520	\$ 17.350
Euro Futures (\$/Euro)	\$ 1.208	▲	0.98%	\$ 1.215	\$ 1.190
GBP Futures (\$/GBP)	\$ 1.451	▲	0.31%	\$ 1.474	\$ 1.435
INR Futures (\$/100 INR)	\$ 2.127	▲	0.70%	\$ 2.134	\$ 2.110
JPY Futures (\$/100 Yen)	\$ 1.091	▼	-0.05%	\$ 1.101	\$ 1.086
WTI Futures (\$/b)	\$ 73.78	▲	3.17%	\$76.04	\$ 70.10

Average Daily Volume (ADV 6,127)





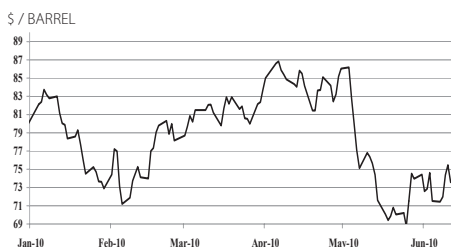
Economic Indicators

Indicator		Value	Change	% Change
CRB Index	▲	255.83	6.89	2.8%
U.S. Dollar Index	▼	87.51	-0.72	-0.8%
T-Bills	▼	0.07%	-0.05%	-0.1%
DJIA	▲	10,211	279.10	2.8%
FTSE All World	▲	182.39	3.10	1.7%

Source: Bloomberg data

COMMODITIES

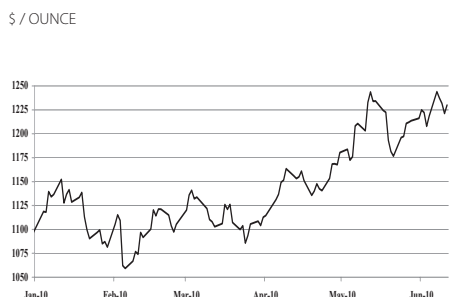
Crude Oil



Oil product demand continues to improve but supplies of both crude oil and distillates are ample. These fundamentals may prevent WTI oil prices from moving firmly above \$75 this week. Prices moved in a relatively wide band last week, between \$70 and \$76. On Friday 11 June, oil prices edged below \$74 as May retail sales in the United States fell 1.2%, compared to a 0.6% growth rate in April. Market sentiment, which remains erratic, may be the key driver behind prices over the near term. Economic news flow will continue

to push and pull at prices as investors buy and sell oil with a short-term bias. The International Energy Agency revised its forecast for 2010 global oil demand upward to 86.4 million barrels per day on greater than expected strength in OECD economies. Recent statistics from BP showed that OECD oil demand was 45.3 million barrels per day in 2009, down by 2.0 million barrels. This is the largest contraction since 1981. Demand in non-OECD Asia meanwhile rose 4.3% in 2009.

Gold



There is scope for gold prices to set record highs again this week. That said, gold is facing strong resistance as it trades near \$1,250. Profit-taking by short-term investors and technical traders has weighed on gold soon after it has moved to trade around this level. Early last week gold managed to briefly break above \$1,250, setting a record intraday high of \$1,253.50 on 8 June on the Dubai Gold and Commodities Exchange, but fell soon after to settle below this level that day. Despite high gold prices and volatile price activity, investment demand remains strong.

Combined exchange traded fund gold holdings were a record 64.59 million ounces on 10 June, up 814,678 ounces from 63.78 million ounces at the end of the previous week. Rising investor concerns over financial markets and economic conditions helped push gold prices higher early last week, but slightly better investor sentiment and recovering equity values weighed on gold by week's end. A surge in gold purchases was seen in the run up to record high prices, but firm buying also was evident when gold tested support levels.

Silver



Silver prices are expected to move between \$17.80 and \$18.80 this week. If prices are able to settle above this range, a move toward \$19.40 should not be ruled out. Seasonal weakness in silver fabrication demand between May and August is expected to weigh on silver prices. This could drag silver prices toward the lower end of the above stated range or even toward \$17.40, if there is a broad market selloff. Any potential weakness in fabrication demand

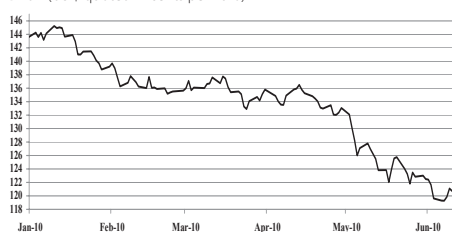
is expected to be offset, to some extent, by strong investment demand. U.S. Mint Silver Eagle coin sales had reached 16.3 million ounces, through 10 June 2010 and are on track to break the previous record annual coin sales of 19.5 million ounces reached in 2008. Exchange traded fund silver holdings also are near record high levels. Investors are expected to continue increasing their silver holdings as nervousness regarding the health of the global economy lingers.



CURRENCIES

Euro / Dollar

DEUR (US \$ quoted in cents per Euro)

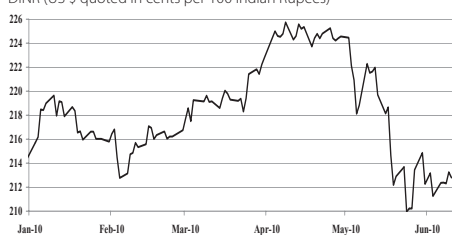


The euro may be capped at \$1.22 and could ease back toward \$1.19 later in the week. A break above \$1.22 could spark a surge in short covering and could push the euro toward \$1.25, but this may be unlikely given still weak investor sentiment toward the euro zone. After weeks of consistent declines the euro managed to recover after briefly trading below \$1.19 early last week. Recovering equity values and easing

investor concerns over euro zone sovereign debt problems helped provide support for the currency. The European Central Bank left interest rates unchanged last week and tried to bolster investor confidence in the euro. This temporarily boosted the currency above \$1.21 along with short covering. This week the euro may be range bound as investors adjust to the trading levels not seen since 2006.

Indian Rupee / Dollar

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

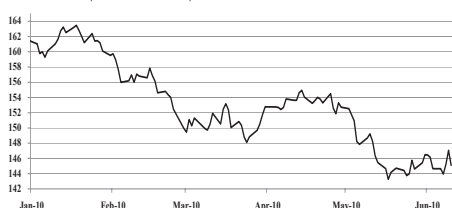


The rupee may trade between 211 cents and 214 cents per 100 rupees this week, although could move toward 216 cents by week's end if investor sentiment improves. The rupee strengthened last week in line with domestic equity markets and improved economic sentiment over India's growth prospects. After having seen around \$2 billion in funds leaving the domestic equity market in May, month-to-date through 11

June foreign funds were net buyers of \$84 million of equities. Industrial production rose 17.6% in April year-on-year, which was better than expected. Inflation meanwhile remains a concern, but it is unlikely that the Reserve Bank of India will raise interest rates anytime soon as financial markets and economic conditions around the world remain on edge.

Sterling Pound / Dollar

DGBP (US \$ quoted in cents per Pound)

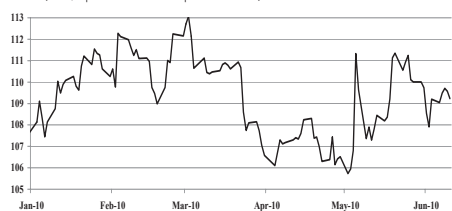


The pound may move between \$1.44 and \$1.48 this week. The pound trended higher for most of last week before dropping on Friday as an unexpected decline in industrial production in April weighed on the currency. Investor concerns over the United Kingdom's ability to firmly recover from weak economic conditions removed support from the pound. The United Kingdom also faces inflationary pressures, with the consumer price index having jumped 3.7% year-on-year in April,

a level not seen since August 2008 and much higher than the Bank of England's (BOE) target of 2.0%. The BOE meanwhile left interest rates unchanged last week. The pound is likely to be capped by unfavorable economic conditions in the United Kingdom in a backdrop of problematic fiscal issues. The pound should receive support from weaker investor sentiment toward the euro, however.

Japanese Yen / Dollar

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



The yen may trade mostly between 108 cents and 110 cents this week. Last week the yen consolidated above 109 cents but was capped at 110 cents. Ongoing concerns about European sovereign debt problems maintained support for the safe haven currency. Speculation that the new Japanese government would act to weaken the yen eased after the new finance minister remarked that he would not intervene in

currency markets. The yen also received support from a better than expected gross domestic product figure for the first quarter of 2010. The Japanese economy expanded at a 1.2% rate quarter-on-quarter or 5.0% on an annualized basis, better than its developed economy counterparts. Data on consumer confidence and machinery orders also showed signs of improvement over the past couple of months.

Further Information

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