



# Weekly Market Views

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20<sup>th</sup> 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 commodities prices rose last week amid improved investor sentiment over financial markets and economic conditions. Rising equity values around the world boosted investor confidence last week, supporting the view that the global economic recovery is likely to continue. Investors also moved into commodities, although the buying was tempered. While most commodities prices were up last week, they were still off from the levels seen in March and April, when investors were just beginning to increase their attention on euro zone sovereign debt problems. Gold and silver prices, however, are up from the levels seen during those two months. Equity markets have recovered and investor confidence has improved, but most investors continue to increase their holdings of safe haven assets. This cautiously optimistic trend may continue in the near term and should benefit both gold and silver. Crude oil meanwhile is likely to remain exposed to swings in market sentiment although fundamentals are exerting increased influence on prices. Recent price gains for gold, silver, and oil will be vulnerable to profit-taking, although strong declines may not occur and prices are likely to hold at higher levels than seen two weeks ago.

## Currencies Overview

The euro continued to recover last week after having fallen to lows not seen since 2006 in the previous week. While anxiety over euro zone sovereign debt and fiscal problems remain, sentiment over the region's finances has improved. Government efforts to allay investor concerns are taking hold after several weeks of heightened levels of anxiety. Concern had been mounting over the region's financial troubles adversely affecting economic activity elsewhere around the world. Rising skepticism over the emerging global economic recovery resulted in increased financial market volatility, declining equity values, and a move toward safe haven assets by investors worldwide. The U.S. dollar and the yen made strong gains during this period while the euro fell precipitously. Developing economy currencies also declined. Over the past week sentiment has shifted toward a more positive view of market conditions. That said, investors continue to hold on to their safe haven investments. Yields on government securities have risen over the past week, but remain low compared to the levels seen in March and April, reflecting optimistic but cautionary sentiment.

CRB Commodities Index

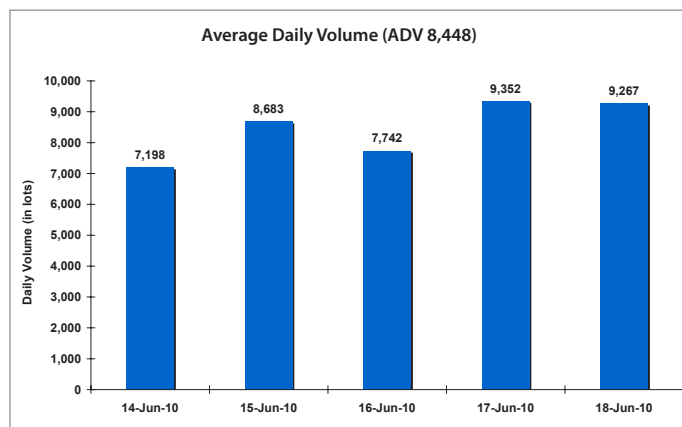


U.S. Dollar Index



## DGCX Prices & Daily Volumes

Market (as at June 18, 2010)	Current Week close	Current Week close	% Change	Weekly High	Weekly Low
Gold futures (\$/ounce)	\$ 1258.00	▲	2.33%	\$ 1263.70	\$ 1212.50
Silver futures (\$/ounce)	\$ 19.220	▲	5.52%	\$ 19.220	\$ 18.365
Euro Futures (\$/Euro)	\$ 1.238	▲	2.44%	\$ 1.242	\$ 1.218
GBP Futures (\$/GBP)	\$ 1.480	▲	2.03%	\$ 1.489	\$ 1.460
INR Futures (\$/100 INR)	\$ 2.170	▲	2.02%	\$ 2.175	\$ 2.136
JPY Futures (\$/100 Yen)	\$ 1.103	▲	1.04%	\$ 1.106	\$ 1.088
WTI Futures (\$/b)	\$ 77.18	▲	4.61%	\$ 78.00	\$ 74.23





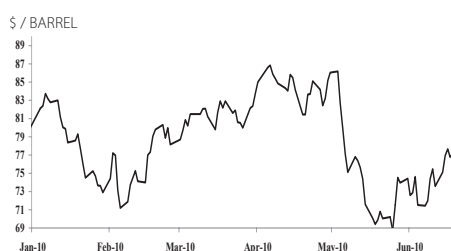
## Economic Indicators

Indicator		Value	Change	% Change
CRB Index	▲	262.93	7.01	2.7%
U.S. Dollar Index	▼	85.56	-1.95	-2.2%
T-Bills	▲	0.10%	0.03%	0.0%
DJIA	▲	10,451	239.57	2.3%
FTSE All World	▲	188.49	6.10	3.3%

Source: Bloomberg data

## COMMODITIES

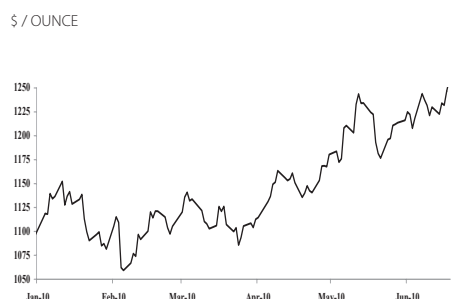
### Crude Oil



WTI oil prices could continue to trade in a choppy fashion this week, between \$73 and \$79. Investors who had been concerned about oil's near-term fundamentals may have largely exited the market. Another pronounced wave of long liquidation is not expected. However, higher prices may be averted by profit-taking with economic growth in the world's major economies expected to cool during the second half of 2010. Although supplies are ample to meet current demand levels, the longer term effect

of the Deepwater Horizon disaster is likely to exacerbate delays in bringing oil production on stream and could be the precursor to pushing prices sustainably above \$100 over the next five years. The International Energy Agency estimated that global offshore oil production could be reduced by 800,000 – 900,000 barrels per day by 2015 if there was an extended moratorium on new drilling activity worldwide, similar to the policies currently in place in the Gulf of Mexico.

### Gold



Gold prices could head toward \$1,300 this week. Gold set record highs last week, making it the second consecutive week of record prices. Investment demand remains firm, but has eased from the levels seen over the past seven weeks. Record high prices may be deterring increased buying activity, but they also are tempering sales of gold investments. Combined exchange traded fund gold holdings were a record 64.81 million ounces on 17 June, up 140,592 ounces from 64.67 million ounces at the end of the previous week. Investor sentiment toward

financial markets and economic conditions improved last week. Investors moved back into equity markets, but also held on to safe haven assets. Nervousness over financial markets remains despite recent recovering stock markets and improved economic data. While investors may be feeling more comfortable moving back into a broad array of asset classes, they continue to buy gold to hedge against another possible wave of volatile and vulnerable financial and economic activity.

### Silver



Silver prices may test \$20.00 this week. Prices have not been able to break above this resistance level since March 2008, however, the potential for a move higher is possible given the recent surge in investor buying. The next resistance level to be tested may be \$22.00. Unease over financial markets and economic conditions over the past couple of months has fueled investor interest in silver due to its financial traits, in particular its safe haven quality. A round of profit-taking could

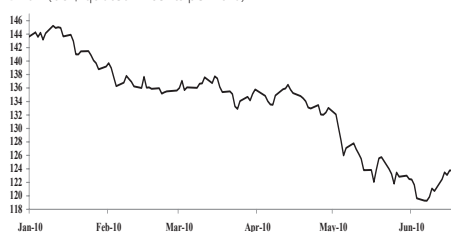
push silver back toward \$18.00, but investor and industrial buying should be expected if prices do head lower. Relatively low prices have drawn increased buying interest over the past few weeks. The contract roll in the futures market in New York may provide additional support to silver prices over the next two weeks. Combined exchange traded fund silver holdings remain at elevated levels, totaling 476.15 million ounces as of 17 June.



## CURRENCIES

### Euro / Dollar

DEUR (US \$ quoted in cents per Euro)



The euro may consolidate in a wide band this week, between \$1.21 and \$1.25. The currency recovered over the past two weeks after having fallen sharply during the previous two months. Sentiment toward the euro has improved, as euro zone governments try to address the debt and deficit problems that have become a focal point for investors. Last week the euro rallied amid short covering and improved confidence in the euro

zone's ability to sustain economic activity, as better than expected economic data was released. Rising equity values in the region also boosted investor sentiment. Efforts to increase transparency in the euro zone's finances have lent additional support to the currency. The region plans on releasing results of stress tests on the banking sector in late July.

### Indian Rupee / Dollar

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

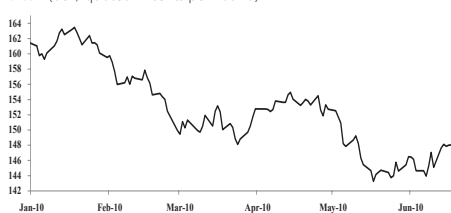


The rupee may break above 218 cents per 100 rupees this week, but could be capped at 220 cents. The rupee moved to trade above 216 cents on 17 June, the strongest level since 20 May. Investor sentiment toward financial markets improved over the past week. On 18 June foreign investors purchased a net 5.44 billion rupees of equities, marking the sixth consecutive day of positive capital inflows into Indian equity markets, according to the Securities and

Exchange Board of India. The rupee will be vulnerable to a reversal of market sentiment, but could hold above 216 cents. Inflation meanwhile remains a concern, which rose to 10.2% in May year-on-year from 9.6% in April. The Reserve Bank of India is unlikely to tighten its monetary policy in the near term, however, given current shaky financial market and economic conditions around the world.

### Sterling Pound / Dollar

DGBP (US \$ quoted in cents per Pound)

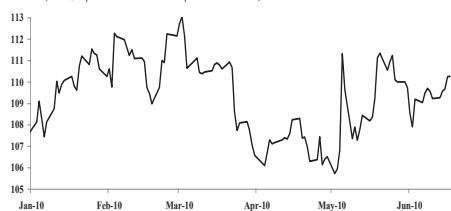


The pound may trade on either side of \$1.48 this week. The pound consolidated around this level for most of last week. The United Kingdom's consumer price index fell 3.4% in May year-on-year from 3.7% in April. Concern had grown over rising inflationary pressures, but the latest figures support the Bank of England's stance to maintain its loose monetary policy. A budget outlining

spending cuts for the United Kingdom is scheduled for release this week. If investors perceive the budget to be able to draw down the United Kingdom's fiscal deficit without greatly hindering economic growth, the pound may head toward \$1.50. If the budget fails to allay investor concerns, however, the pound may move to test support levels, possibly heading back toward \$1.45.

### Japanese Yen / Dollar

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



The yen may trade between 109 cents and 111 cents this week. The yen traded around 109 cents early last week, but moved above 110 cents by Thursday. Concerns over euro zone sovereign debt and deficit problems eased over the past week, but investors continue to hold on to their safe haven investments. The yen also is receiving support from recovering domestic equity markets and initial confidence in the

Japanese government's new administration. The administration of Naoto Kan, the Prime Minister, is targeting an average economic expansion of 3.0% per year for the next ten years. It also aims to address deflationary pressures by spurring domestic demand. Many other areas to stimulate economic activity are being focused on. The yen is likely to be supported in the near term.

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