



Weekly Market Views

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4th July 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

Commodity prices may stage small, hesitant recoveries this week, following the heavy sell-off last week. The selling last Thursday was inspired by concerns over global economic trends. There is a bearish sentiment abroad all financial markets that suggests the world economy is headed into renewed recession. These views are based on less than sterling economic data being released, but the view that all is bad in the major economies seems excessively negative compared to the actual data. Chinese and U.S. real growth are expected to continue over the next two quarters, but to slow dramatically. The markets are taking signs of this slowdown as indications of imminent recession. That seems too harsh of an outcome, given the strength that is evident in recent figures for autos, manufacturing, employment, inventories, and other sectors of the economy. This bearish view of economic prospects informed the sell off of stocks, bonds, and commodities last week. It appears overdone, however. This suggests some tentative rebound this week. Going into the economically slower summer months in North America and Europe, real demand, investor interest, and prices for commodities may not snap back too sharply in coming weeks. This leaves commodities vulnerable to further selling.

Currencies Overview

The overall impetus in the major traded currencies seems to be for a slight strengthening of the U.S. dollar against the euro, yen, and pound. This may not happen immediately, but the direction remains toward a somewhat stronger dollar against these currencies. This week may see exchange rates move sideways in a hesitant fashion, with this pro-dollar bias evident. The dollar may gain against these currencies this week, perhaps after trading lower early in the week. The dollar meanwhile may move sideways against the rupee and other emerging economy currencies. The dollar appears vulnerable to some weakness in the weeks and months ahead against these currencies, in contrast to its prospects against the euro and other major traded currencies. Any move toward a lower dollar against the rupee and other currencies may be delayed beyond this week, however, as investors remain concerned about overall global economic prospects. This investor nervousness may be reflected in still-strong tendencies to move toward the U.S. dollar and Treasuries as safe haven currencies. Also, financial markets are likely to express concern over the prospect that weak final demand in Europe, the United States, and China will be reflected in worse economic conditions in India, which could hold the rupee down for a bit longer.

CRB Commodities Index



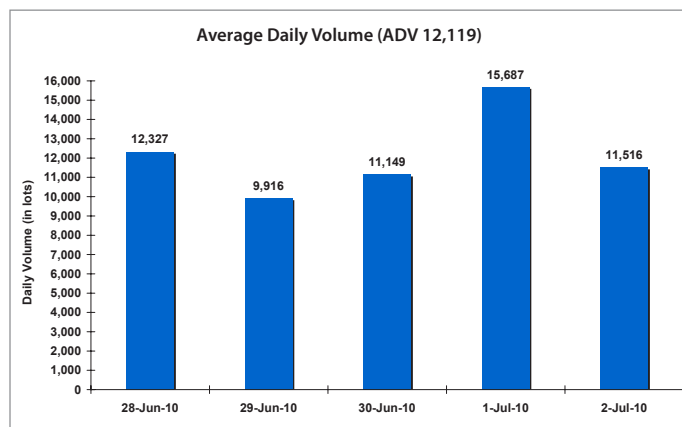
U.S. Dollar Index



DGCX Prices & Daily Volumes

Market (as at July 2, 2010)	Current Week close	Current Week close	% Change	Weekly High	Weekly Low
Gold futures (\$/ounce)	\$ 1211.00	▼	-3.54%	\$ 1263.60	\$ 1198.30
Silver futures (\$/ounce)	\$ 17.815	▼	-6.51%	\$ 19.165	\$ 17.715
Euro Futures (\$/Euro)	\$ 1.256	▲	1.40%	\$ 1.261	\$ 1.216
GBP Futures (\$/GBP)	\$ 1.520	▲	1.15%	\$ 1.523	\$ 1.488
INR Futures (\$/100 INR)	\$ 2.126	▼	-2.13%	\$ 2.163	\$ 2.117
JPY Futures (\$/100 Yen)	\$ 1.140	▲	1.64%	\$ 1.151	\$ 1.120
WTI Futures (\$/b)	\$ 72.140	▼	-8.52%	\$ 78.84	\$ 71.70

Average Daily Volume (ADV 12,119)





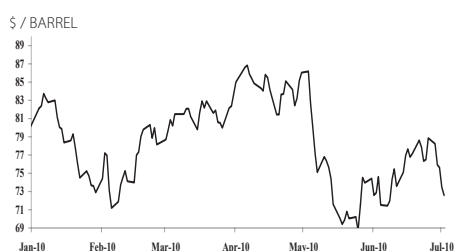
Economic Indicators

Indicator		Value	Change	% Change
CRB Index	▼	254.48	-11.13	-4.2%
U.S. Dollar Index	▼	84.40	-181.21	-68.2%
T-Bills	▲	0.16%	0.04%	0.0%
DJIA	▼	9,686	-457.33	-4.5%
FTSE All World	▼	176.07	-7.11	-3.9%

Source: Bloomberg data

COMMODITIES

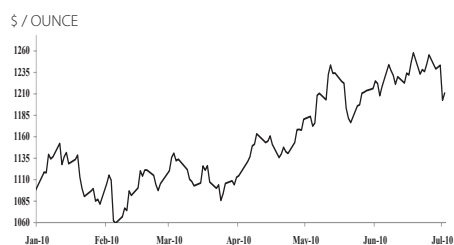
Crude Oil



WTI oil prices are expected to edge higher this week, in line with strengthening gasoline demand. Prices could rise back above \$75, but the trading range could be as wide as it was last week. Oil investors increasingly are taking cues from global economic sentiments rather than petroleum market fundamentals. Leading indicators for the Chinese and U.S. economies surprised on the downside last week. These exogenous variables pushed crude oil prices close to \$72 at the end of the week. U.S. Department of Energy data from

25 June showed a decrease in crude oil and distillate inventories, alongside an increase in gasoline stocks. Refiners may have been processing crude oil in advance of the July 4th holiday in the United States, when drivers typically demand more gasoline. Oil prices also could receive some support from reduced OPEC supplies. After reaching a 17-month high in May, OPEC oil output is expected to fall by 190,000 barrels per day (bpd) to 29.1 million bpd in June.

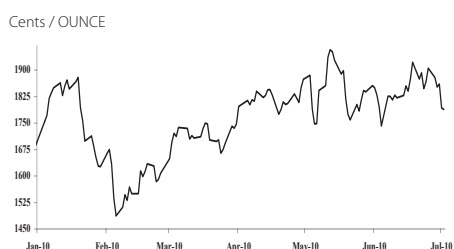
Gold



Gold prices are likely to recover this week, possibly heading back above \$1,230. Given the sharp decline in prices late last week, however, there has been increased nervousness over whether prices may have more scope for downside. Investors have been buying safe haven assets over the past several months on concerns over European sovereign debt problems and weak macroeconomic data, which have been supportive of gold prices. More recently investors have opted to increase their purchases of U.S. Treasuries and soften their

purchases of gold. This suggests that while there remains concern over financial markets and economic conditions, investor anxieties are not as strong as were seen during May and the first half of June, and have not warranted as forceful a move toward gold. Combined exchange traded fund gold holdings were 65.35 million ounces as of 1 July, up 155,151 ounces from the end of the previous week. During May and the first half of June investors were buying on average around 1.0 million ounces of gold per week through exchange traded funds.

Silver



Silver prices may extend their declines this week, following the weakness in prices last Thursday. Renewed nervousness and negative investor sentiment regarding global economic growth has been weighing on the prices of most industrial commodities, and silver has joined them. Concern regarding future fabrication demand for silver coupled with seasonal weakness in prices are expected to push silver prices lower. Prices could potentially decline toward \$17.40. Investors would be expected to be buyers

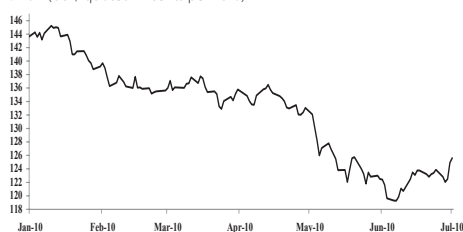
of silver at this level. Silver's safe haven attributes make it an attractive investment during troubled economic times. While some investors may sell silver on expectations of weaker industrial demand, more investors would be expected to buy silver as a gold-like alternative asset. This could drive the price of silver back toward \$18.60, all within the span of a week. Silver exchange traded fund holdings rose slightly last week, reaching 476.5 million ounces on 1 July, up from 476.3 million ounces on 25 June.

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CURRENCIES

Euro / Dollar

DEUR (US \$ quoted in cents per Euro)



The euro may head lower this week and could test \$1.23. The euro fell early last week amid concerns that euro zone banks would find it difficult to roll over more than \$500 billion of debt. This came ahead of the termination of a European Central Bank medium-term lending facility. However, a short-term lending window was opened to offset liquidity issues. The euro managed to hold above \$1.21 and rallied on Thursday as better than expected bond auction results for Spain lifted the euro. Weaker than

expected economic data for the United States contributed to the rise in the euro. Investors have moved forcefully into the euro over the past couple of days and the currency may have risen too fast. The euro zone continues to be plagued with weak economic conditions and financial troubles, despite the shift in investor sentiment seen last week. Markets appear to have taken a more rational, balanced view of Europe's relative economic prospects.

Indian Rupee / Dollar

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

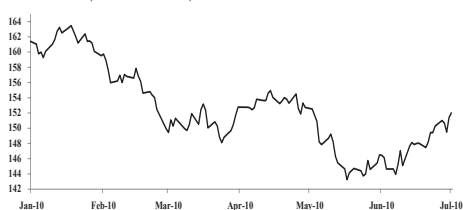


The rupee may trade around 212 cents per 100 rupees this week. The rupee fell last week, as investors moved into U.S. Treasuries and the euro later in the week. Sentiment that economic conditions were dampening in developed economies and were likely to affect developing economies weighed on the rupee. While sentiment may have shifted last week, underlying economic fundamentals remain supportive of the rupee. The Reserve Bank of India increased interest rates late last week, an effort to cap

upward inflationary pressures seen in recent months. Foreign institutional investment flows into India's equity markets stood at \$2.4 billion in June, a sharp contrast from the \$1.3 billion of foreign investment outflows seen in the previous month when euro zone sovereign debt problems heightened investor anxieties. While the rupee has more potential for upside, resurfacing investor worries over economic growth prospects are likely to weigh on the currency in the near term.

Sterling Pound / Dollar

DGBP (US \$ quoted in cents per Pound)

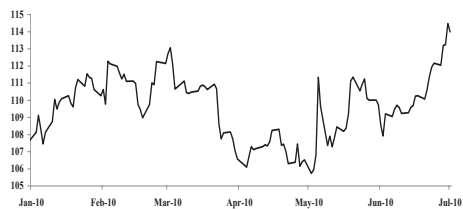


The pound may be capped at \$1.53 this week and could head lower toward \$1.50 by week's end. The pound edged higher last week on concerns over euro zone capital markets liquidity prospects. Later in the week the pound received a stronger boost from weaker than expected economic data for the United States. In the United Kingdom, mixed economic data and a delay in the release of the gross domestic product figure helped keep the pound from

moving too forcefully in one direction. The pound may consolidate overall this week with economic data expected to be mixed. Although ongoing concerns over the United Kingdom's sovereign debt problems and fiscal imbalances may weigh on the pound, the currency could be supported by investors that shy away from the euro and U.S. dollar. The more forceful approach of the new U.K. government toward deficit reduction may continue to benefit the pound.

Japanese Yen / Dollar

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



The yen may consolidate around 114 cents this week. Last week the yen rallied toward 115 cents, as the lack of confidence in financial markets and global economic conditions drove up demand for the currency. Equity values fell around the world, as investors remained concerned over Europe's sovereign debt and deficit problems. There also was weaker than expected economic data for the United States and a major economic

indicator for China was revised lower. The yen may be supported in the near term, but is likely to head lower over the next couple of months. Japan favors a weaker yen because of its large dependence on exports. The Bank of Japan recently announced that it would provide 3 trillion yen of loans to financial institutions to help stimulate its domestic economy.

Further Information

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