



# Weekly Market Views

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11<sup>th</sup> 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).

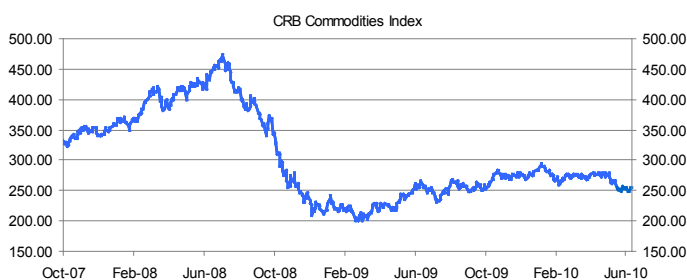
## Commodities Overview

This week commodities prices could move sideways in a more volatile range than last week. Gold, silver, and crude oil in particular may test highs and lows this week, as investors, speculators, and traders battle to see which direction has the most power. This week, the battle may be contained within recent ranges. Oil might bounce between \$72 and \$75 per barrel, basis WTI, while gold might test the lows around \$1,185 and \$1,215 - \$1,220 on the high side. Silver may have a one-dollar trading range. While these ranges may contain these three main commodities this week, each of them has the capacity to break out of these ranges on short notice. At this point, it seems that there is a greater likelihood that prices break out on the high side of recent ranges than fall below them, for gold, silver and petroleum at least. Base metals and the platinum group metals remain vulnerable to sharp moves lower, as investors back away from them and as seasonal lulls in fabrication demand set in.

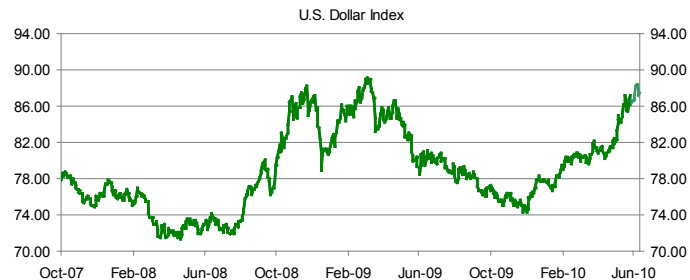
## Currencies Overview

Currency markets may trade largely sideways this week, continuing the overall pattern of the past few weeks. Investors are relatively balanced in their views toward the major traded currencies at present. They both like and dislike the economic prospects across the industrialized economies in roughly equal amounts. In light of this, the consensus view is to try to balance one's portfolio across these markets, and to hedge the entire exposure to the industrialized economies with increased investments in India and other emerging economies. There is a view that the U.S. economy may be somewhat stronger than economic prospects in Europe and Japan, but not so much stronger as to warrant further sharp appreciations of the dollar against these currencies at this time. Meanwhile, reduced investor anxiety over European government fiscal conditions have allowed the euro to recover a bit against the dollar. The euro may not have much further to gain against the U.S. currency, however, due to stronger economic activity in the United States. U.S. fiscal policies are not particularly compelling. The Chinese government statements last week that it would not abandon the dollar and U.S. Treasuries as major assets should help the dollar maintain value against other major traded currencies.

CRB Commodities Index

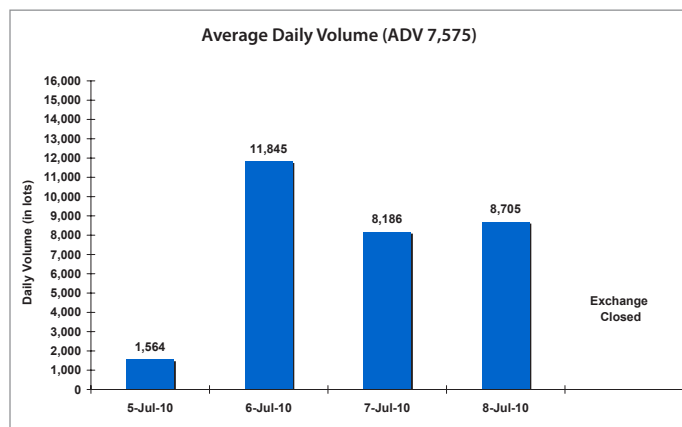


U.S. Dollar Index



## DGCX Prices & Daily Volumes

Market (as at July 8, 2010)	Current Week close	Current Week close	% Change	Weekly High	Weekly Low
Gold futures (\$/ounce)	\$1,197.5	▼	-1.11%	\$1,214.10	\$1,185.30
Silver futures (\$/ounce)	\$17.95	▲	0.76%	\$18.080	\$17.645
Euro Futures (\$/Euro)	\$1.268	▲	0.94%	\$1.270	\$1.252
GBP Futures (\$/GBP)	\$1.515	▼	-0.36%	\$1.524	\$1.509
INR Futures (\$/100 INR)	\$2.129	▲	0.12%	\$2.135	\$2.114
JPY Futures (\$/100 Yen)	\$1.133	▼	-0.60%	\$1.149	\$1.129
WTI Futures (\$/b)	\$75.44	▲	4.57%	\$75.85	\$71.40





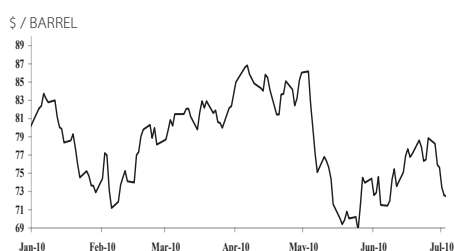
## Economic Indicators

Indicator		Value	Change	% Change
CRB Index	▲	260.62	6.14	2.4%
U.S. Dollar Index	▼	84.00	-0.43	-0.5%
T-Bills	▼	0.15%	-0.02%	0.0%
DJIA	▲	10,198	511.55	5.3%
FTSE All World	▲	185.10	9.03	5.1%

Source: Bloomberg data

## COMMODITIES

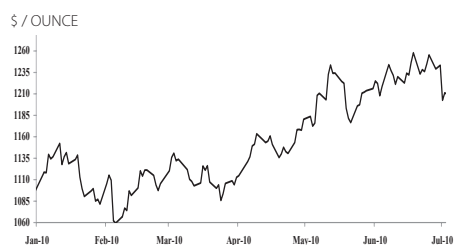
### Crude Oil



This week WTI oil could trade on either side of \$75 as unstable investor interest affects prices. The large inventory draw in the United States exerted upward pressure on oil prices toward the end of last week. U.S. inventories declined 1.4% week-on-week to stand at 358.2 million barrels, according to 2 July EIA data. This was the largest weekly decline since September 2009. Meanwhile, implied oil demand in the United States rose by 3.4% to 15.5 million

barrels per day. Further inventory declines and strengthening demand for oil products could prompt investors to rebuild their long positions and pull prices closer to \$80. However, macroeconomic data remains the key driver behind oil prices. Over the next few trading sessions Chinese trade data and U.S. industrial production for June will be released. These indicators are expected to provide critical direction to the oil market.

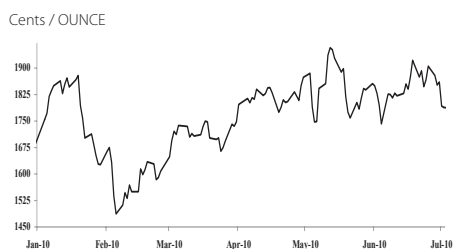
### Gold



Gold prices may trade between \$1,180 and \$1,220 this week. The impulse to see if gold can be pushed below \$1,180 was met with fresh long demand last week, leading the shorts to back off and reverse their positions on a short-term basis. A fresh run at \$1,180 may be expected, and may be similarly repelled. On the up side, gold prices could rise sharply higher this week. There may be some profit-taking and fresh short selling if prices stall below \$1,215 or \$1,220. If prices break above \$1,220 fresh buying could

quickly push gold to \$1,230, or even higher. Gold fabrication and investment demand are entering a seasonally weak period, which is expected to weigh on the price of the metal. Combined gold exchange traded fund (ETF) holdings rose 78,000 ounces in one week to a record high 65,697,224 ounces on 7 July. The rate of net additions to gold ETFs has slowed, reflecting a reduction in investor economic concerns.

### Silver



Silver prices are expected to move between \$17.60 and \$18.60 this week. Any weakness in gold prices is likely to negatively influence the price of silver. Many market participants would consider it a buying opportunity if the price of silver were to decline to the lower end of the above stated range. In the event that prices settle below \$17.60, there is a possibility that prices slip to \$17.50. Silver prices typically weaken during this time of the year because of seasonal weakness in

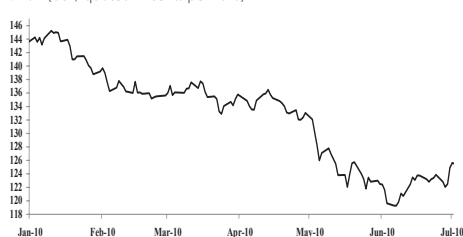
demand for the metal. Investors are likely to use any weakness in prices as a buying opportunity, however, given the positive medium to long term fabrication demand fundamentals of silver. This coupled with any short-term concerns regarding the prospects of the global economy also are likely to bode well for the price of silver, because of its safe haven quality.

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## CURRENCIES

### Euro / Dollar

DEUR (US \$ quoted in cents per Euro)

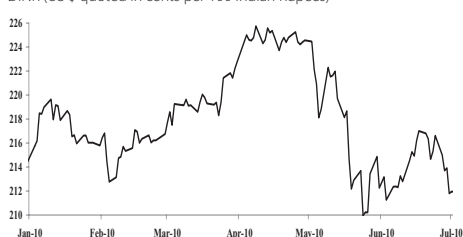


The euro may continue to trade between \$1.24 and \$1.27 this week. The euro rose to \$1.2679 on 8 July, a 6% increase from a month ago when it settled at \$1.1939, on 8 June. The European Central Bank's (ECB) net lending to banks in Europe declined last week as a major 12-month lending facility matured on 2 July. That the ECB felt the facility could lapse was seen as a vote of confidence for European economies, and added to a reduction in investor concerns about

Europe. Additionally, positive economic data from Germany released has boosted investor sentiment. German exports rose 9.2% while industrial production increased by 2.6% in May from the previous month. Greece plans to auction \$1.58 billion in six-month treasury bills on 13 July, its first attempt to borrow in the international markets since May. With that, the euro will be sensitive to investor sentiment regarding the Greek debt auction in the next few trading sessions.

### Indian Rupee / Dollar

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

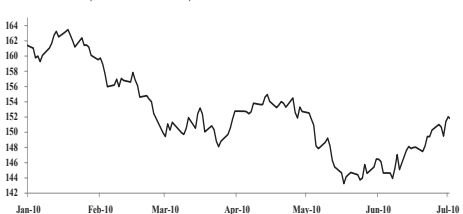


The rupee may trade between 212 cents and 215 cents per 100 rupees this week. The rupee traded vertically in the beginning of last week after inflation data reflected a rise to 10.2% in May from the previous month. Shortly thereafter the Reserve Bank of India (RBI) raised the rate by which it lends to commercial banks by 25 basis points to 5.5% on 2 July. The rupee rose on Friday, 9 July following gains in global equity markets.

Investor sentiment toward risky assets and, by extension, emerging markets improved last week after the Eurozone exhibited financial strength when a major Eurosystem lending facility closed smoothly. This eased concerns over the global recovery a bit. Foreign fund inflows to India's domestic markets rose by \$1.6 billion as of 9 July from last week. If the rupee breaks above 215 cents, it may extend gains toward 216 cents momentarily.

### Sterling Pound / Dollar

DGBP (US \$ quoted in cents per Pound)

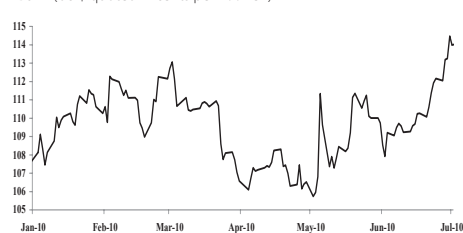


The pound may edge slightly higher this week, possibly towards \$1.53, before easing off later in the week. The pound consolidated around \$1.52 early last week as mixed economic data prevented the pound from moving too forcefully in any one direction. There have been some increased positive views toward the pound in recent weeks, reflecting the new U.K. government's plans for fiscal reform within the country. While that is an underlying view of the market, market sentiment has turned noncommittal.

Weak net export figures then pushed prices slightly lower amid concerns of a subdued economic recovery later in the week. The increasing possibility of weaker growth in the United Kingdom may keep the pound trading below resistance at \$1.53. The pound has been trending higher recently, however, and is below historic levels. This juxtaposed against economic concerns may push and pull at the currency to prevent it from breaking out of its current trading range of \$1.50 - \$1.53.

### Japanese Yen / Dollar

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



The yen may remain volatile this week, possible ranging between 112.5 and 115.0 cents. The yen rallied early last week to almost 115 cents on 5 July, before falling to around 113 cents on Friday. Demand for yen as a safe-haven currency declined as European debt concerns eased and world equity markets rose. There is speculation that the yen could head lower this week if the current ruling party suffers a bad result in Japan's upper house election on Sunday. The yen also could suffer from signs of moderation in

Japan's economic growth. Japanese industrial production and machinery orders dropped in May. However, the country's economy could be helped by new lending activities resulting from the Bank of Japan's scheme to lend up to three trillion yen to commercial banks. Demand for yen from overseas investors, including the Chinese government and Chinese corporations, has helped keep the yen strong, while speculative follow-on buying by banks has added to this trend.

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