



Weekly Market Views

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25th 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).

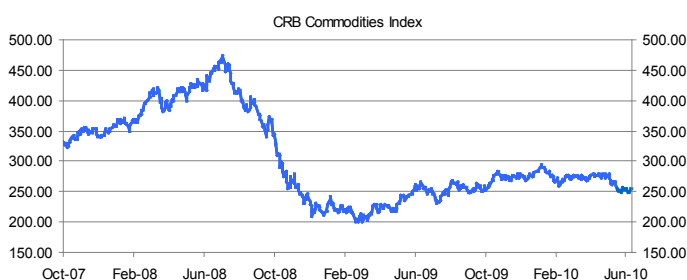
Commodities Overview

Most commodities prices rallied last week as investor sentiment shifted toward a more positive tone over economic conditions. Recovering equity values provided a boost to most commodities along with better than expected economic data for Europe. Although there is the expectation that economic activity in Europe will improve in the months ahead, concerns remain over still fragile conditions there. The projected reduction in economic expansion in the United States for the remainder of the year has become a major focus for investors. That said, conditions are improving in Europe and Japan, which may help offset slower growth in the United States. Demand for commodities meanwhile remains strong in developing countries. Seasonal demand patterns have been prevalent in recent weeks, but have been dulled by ongoing investor focus on euro zone debt and deficit problems. Gold and silver prices should continue to benefit as investors remain concerned over financial and economic prospects. Silver prices will likely receive stronger support in the medium to longer term as demand for silver improves amid the global economic recovery. Crude oil meanwhile has rallied in recent weeks, but has been unable to forcefully break above \$80. High inventory levels have weighed on prices along with tepid investor sentiment.

Currencies Overview

The dollar may consolidate against developed economy currencies this week, following almost two months of consistent weakness. Volatile currency activity began to ease last week ahead of the results of the much awaited euro zone banking sector stress tests. The stress test results, made public on Friday 23 July, did not have a major impact on financial markets. There was mixed sentiment over the results and the testing methods, with some market participants questioning the credibility of the tests. Increased currency trading activity may be seen early this week after market participants have had some time to form a more conclusive view of the euro zone banking sector stress tests and of the region's economic conditions and prospects in general. While economic conditions remain vulnerable in Europe they have shown signs of improvement in recent weeks. The PMI index for the manufacturing sector surprisingly strengthened for July. Meanwhile recent economic data in the United States has continued to paint a picture of slower economic growth for the second half of this year. Weak housing activity and high unemployment are expected to remain a major drag on the economy. Economic conditions in India have been robust, but the rupee has not been able to benefit given ongoing concerns over developed economy financial and economic problems.

CRB Commodities Index



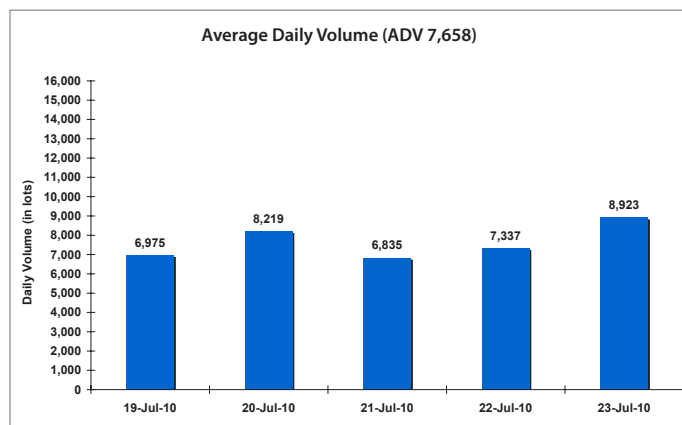
U.S. Dollar Index



DGCX Prices & Daily Volumes

Market (as at July 23, 2010)	Current Week close	Current Week close	% Change	Weekly High	Weekly Low
Gold futures (\$/ounce)	\$ 1187.9	▲	0.25%	\$1,203.50	\$1,175.50
Silver futures (\$/ounce)	\$ 18.105	▼	-1.34%	\$18.225	\$17.470
Euro Futures (\$/Euro)	\$ 1.2921	▲	0.15%	\$1.302	\$1.274
GBP Futures (\$/GBP)	\$ 1.5429	▼	-0.88%	\$1.545	\$1.513
INR Futures (\$/100 INR)	\$ 2.1258	▼	-0.30%	\$2.138	\$2.105
JPY Futures (\$/100 Yen)	\$ 1.1444	▲	0.97%	\$1.158	\$1.144
WTI Futures (\$/b)	\$ 78.98	▼	-3.91%	\$79.55	\$76.00

Average Daily Volume (ADV 7,658)





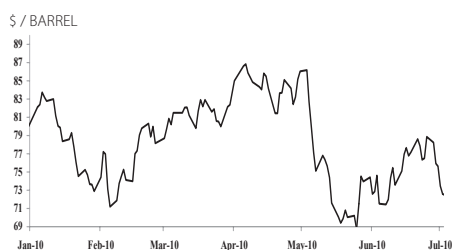
Economic Indicators

Indicator		Value	Change	% Change
CRB Index	▲	266.62	4.40	1.7%
U.S. Dollar Index	▼	82.46	-0.02	0.0%
T-Bills	=	0.14%	-0.00%	0.0%
DJIA	▲	10,425	326.72	3.2%
FTSE All World	▲	189.62	4.84	2.6%

Source: Bloomberg data

COMMODITIES

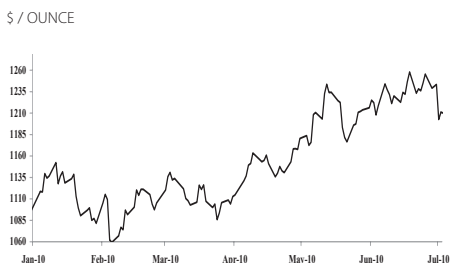
Crude Oil



WTI oil prices may head lower later this week, possibly moving back toward \$77. Last week crude oil fell after EIA data revealed United States crude oil inventories had unexpectedly increased 360,000 barrels. Later in the week crude oil rose toward \$80 on concern over adverse weather conditions possibly disrupting offshore oil production in the Gulf of Mexico. Rising equity markets lent additional support to prices. Strong refinery runs in Asia and the United States are expected to continue until late August,

supporting demand for feedstock. This could keep crude oil from falling below \$75 in the near term. The potential of supply disruptions from storm systems in the Gulf of Mexico also could lend support to crude oil in the coming weeks. Crude may trade above \$80 early this week, and may even head toward \$82, but such a move could be short-lived. Profit-taking may weigh on crude oil prices later this week amid the lack of supportive macroeconomic data.

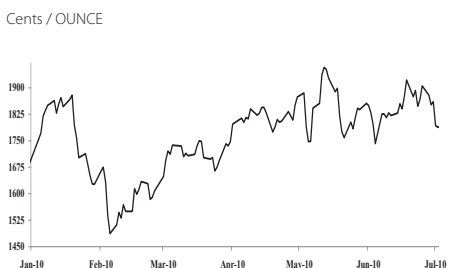
Gold



Gold prices may manage to hold above \$1,180 this week, with stronger support at \$1,160. Gold traded below \$1,180 on an intraday basis early last week, but rose later in the week amid bargain hunting and short covering. Gold moved to trade above \$1,200, but by Friday 23 July profit-taking and an easing of investor concerns over Europe's banking sector weighed on prices with gold moving to settle below this level. Prices have been testing support levels over the past few weeks and may continue to do so this week. The roll of the futures contracts

in the New York market may help keep gold above \$1,180, but it should not be surprising if prices fall below this level later this week or in August. That said, while prices are trending lower amid reduced investor activity and concerns, longer term investors may look to increase their gold holdings if prices head toward \$1,160. Combined exchange traded fund gold holdings were 65.41 million ounces on 22 July, down 415,127 ounces from the end of the previous week, but 8.71 million ounces higher than at the start of the year.

Silver

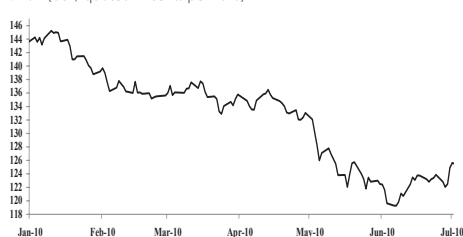


Silver prices may move between \$17.40 and \$18.50 this week. Prices tested support levels early last week, but moved higher on better than expected economic data for Europe, rising equity markets, and improved investor sentiment. Recovering gold prices also helped lift silver prices. Investors took advantage of relatively lower silver prices last week, increasing their combined exchange traded silver holdings to 487.2 million ounces by 22 July, up 472,391 ounces from the end of the previous week. If silver heads

lower this week it could draw increased buying interest again. Reduced trading from investors during the summer months in the Northern Hemisphere typically helps keep silver price activity quiet. Low trading volumes, however, make silver much more susceptible to large price swings. Increased volatility may not occur unless volatility picks up in other financial markets, however. In the meantime silver will likely continue to consolidate.

**CURRENCIES****Euro / Dollar**

DEUR (US \$ quoted in cents per Euro)

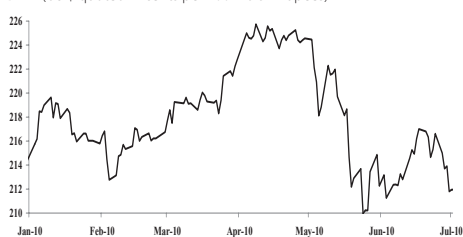


The euro may be capped at \$1.31 this week after having trended higher since early June. The currency began to consolidate last week with support building at \$1.27. The euro had appreciated around 8% as of 23 July from this year's low of \$1.1939 on 8 June. Prior to June, the euro had been on a decline after having traded above \$1.50 in late 2009. Concerns over sovereign debt and deficit problems weighed on the euro earlier this year, but these concerns shifted

toward expectations of slower economic growth in the United States in the second half of the year. Results from the stress tests on the European banking sector were released on Friday 23 July, but did not have a major impact on financial markets. This may change early this week after market participants have had more time to review and opine over the results of these tests. It is likely, however, that the broad consolidation in the euro may continue.

Indian Rupee / Dollar

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

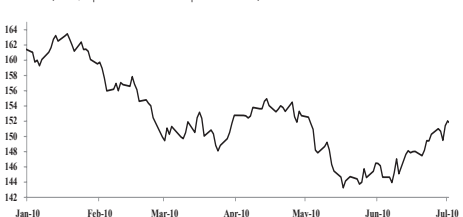


The rupee may trade between 212 cents and 214 cents per 100 rupees this week. The rupee fell in the beginning of last week toward 210 cents. This was the lowest level seen since 25 May. On 21 July foreign fund net outflows from India's debt market stood at \$139 million. This was the largest daily withdraw since 29 June. Foreign investment in India's domestic markets remains elevated, however. The Sensex rose above 18,100

for the first time since 15 February 2008 to settle at 18,113 on 22 July. Concerns over domestic inflation have eased recently and investor sentiment toward India's economic growth prospects has improved. The rupee should appreciate in the medium to longer term, but will remain sensitive to developed economy debt and deficit problems, and economic conditions abroad.

Sterling Pound / Dollar

DGBP (US \$ quoted in cents per Pound)

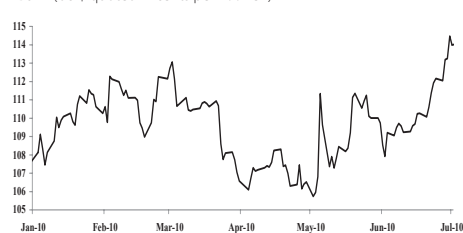


The pound may trade on either side of \$1.55 this week. The pound fell toward \$1.51 early last week after public borrowing in June by the United Kingdom rose more than anticipated. Strong June retail sales and second quarter gross domestic product data helped the pound pare its losses and head higher later in the week. Although profit-taking across financial markets could spill over to hurt the pound this week, an

improved economic outlook for the United Kingdom may sway investors to increase their pound holdings. With few economic data figures available this week the pound may trade sideways and upward moves are likely to be capped at \$1.56. Growing confidence in the United Kingdom's economic recovery should keep the pound above \$1.53 in the near term.

Japanese Yen / Dollar

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



The yen may hold above 114 cents this week. The yen has trended higher since early June as concerns about sovereign debt problems in Europe increased safe haven buying of the currency. More recently there has been increased expectation that economic activity in the United States will slow from the strong levels seen in the first half of this year. Weakening global equity values also provided additional support to the yen

earlier this month, although most equity indices did show signs of stabilizing last week. The Japanese government has voiced its concern over an appreciating yen, as the currency reached seven-month highs last week. Government officials have expressed their willingness to stem a strengthening yen and provide additional economic stimulus measures.

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