



Weekly Market Views

Provided by CPM Group, Vol.2, No. 31, 1 August 2010

1st August 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

Volatility in the gold, silver, and crude oil markets has eased in recent weeks. This in large part may be attributed to the summer doldrums, typical of markets in the Northern Hemisphere. Investor activity is reduced as many of the market participants in this region go on vacation. Concerns over Europe's financial troubles have eased over the past week and second quarter corporate earnings results are coming in better than expected. This may be weighing on gold prices along with the reduced investor activity. Low trading volumes, however, will provide potential for increased volatility should market participants decide to enter or exit positions en masse. Structural problems in developed economies remain and should keep longer term investors interested in gold and silver. Prices for these metals may head lower in August, but perhaps not much lower given the longer term concerns. These next several weeks could provide buying opportunities for both gold and silver. Demand for gasoline has been rising over the past few weeks, which has been supportive of crude oil prices. A move above \$80 remains plausible, but support for such an increase may not be as strong in the weeks ahead, given that the current period of seasonally strong demand is about half over.

Currencies Overview

The U.S. dollar may begin to trend lower again this week, after having managed to consolidate last week. The dollar moved sideways against most currencies as financial markets digested the results of the European banking sector stress tests. Mixed macroeconomic data also kept the dollar from moving forcefully out of recent support and resistance levels. Investor focus has been shifting toward the possibility that economic activity in the United States will be less robust for the remainder of the year than in the past few quarters. A growing chorus of market observers indicate that conditions will be much gloomier. There are even some market participants who have suggested the likelihood of another recession. Recent data has portrayed a slowdown in economic expansion in the United States. The overall mainstream consensus is that the recovery may be slower than previously expected and that recessionary conditions are not likely. Only time will tell what the world economy will look like over the next six months, but for now perceptions based off of recent economic figures will dictate the direction of most asset classes. This data over past few weeks has been mixed and investor views will likely reflect this.

CRB Commodities Index



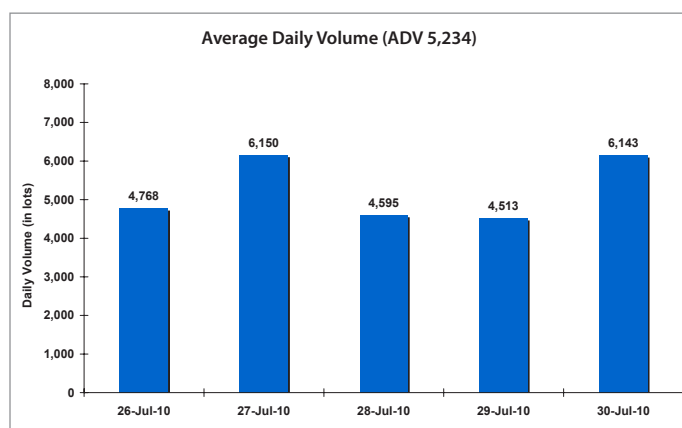
U.S. Dollar Index



DGCX Prices & Daily Volumes

Market (as at July 30, 2010)	Current Week close	Current Week close	% Change	Weekly High	Weekly Low
Gold futures (\$/ounce)	\$1,183.50	▼	-0.37%	\$1,196.00	\$1,157.70
Silver futures (\$/ounce)	\$18.04	▼	-0.36%	\$18.185	\$17.345
Euro Futures (\$/Euro)	\$1.31	▲	1.02%	\$1.311	\$1.289
GBP Futures (\$/GBP)	\$1.60	▲	3.66%	\$1.571	\$1.543
INR Futures (\$/100 INR)	\$2.15	▲	1.04%	\$2.152	\$2.117
JPY Futures (\$/100 Yen)	\$1.16	▲	1.14%	\$1.164	\$1.135
WTI Futures (\$/b)	\$78.95	▼	-0.04%	\$79.60	\$76.05

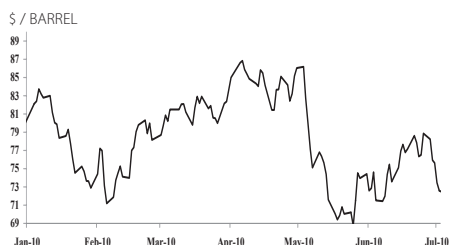
Average Daily Volume (ADV 5,234)





COMMODITIES

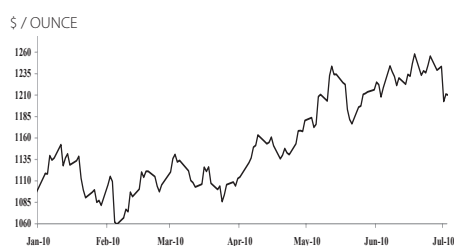
Crude Oil



WTI oil prices may move largely between \$76 and \$80 this week. Crude oil fell in the middle of last week after EIA data showed a 7.3 million barrel increase in United States crude oil inventories in the week ended 23 July. Later in the week crude oil rose above \$78 as a weakening U.S. dollar helped support prices. Support for oil is coming from seasonally stronger demand for gasoline in the Northern Hemisphere. According to EIA data, gasoline demand averaged 9.8 million barrels per day in the week ended 23 July,

the highest weekly figure seen since August 2007. Prices are capped by high inventory crude oil levels, however. While the weather appears less likely to disrupt supply this week, a turn in weather conditions in the Gulf of Mexico could quickly push oil toward \$82. Profit-taking would be expected shortly thereafter if this level is reached, especially if concerns over adverse weather conditions disrupting supplies ease.

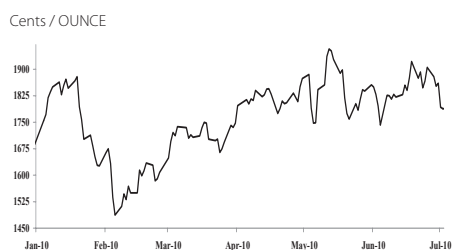
Gold



Gold prices will be vulnerable to further declines, but bargain hunting may increase given recent relatively low prices. Gold fell last week to trade below \$1,160, although by week's end it had recovered to move above this level. Prices have trended lower after reaching record highs in June. Since late June support levels have been tested as short-term investors took profits and short-selling increased. With the roll of the futures contract in the New York market mostly complete toward the end of this week, support for prices may be reduced.

Gold could head toward \$1,140 if current support at \$1,160 is forcefully broken. That said, longer term investors continue to hold large amounts of gold. Combined exchange traded fund (ETF) gold holdings have not been substantially reduced over the past several weeks, even though prices have come off more than 7% since reaching record highs. Combined ETF gold holdings were 64.5 million ounces as of 29 July, down 113,448 ounces or 0.2% from 18 June, when prices settled at a record \$1,258.

Silver



Silver may continue to trade between \$17.40 and \$18.50 this week. Prices have potential to head lower as seasonally weak demand may weigh on prices over the next several weeks. Silver prices fell last week, although the price decline spurred some bargain hunting. August is typically the weakest monthly period of the year for silver prices. Reduced market participation over the next few weeks and tepid demand for the metal may weigh on prices, but could also have potential to increase volatility. Silver's

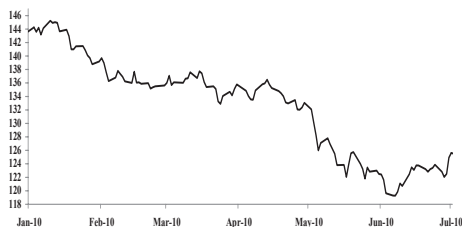
function as a financial asset continues to prevent prices from falling too low for too long, however. Price declines are expected to be met by investor buying. Combined silver exchange traded fund holdings (ETF) were at a record high of 488.5 million ounces on 29 July, up from 487.8 million ounces at the end of the previous week.

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DUBAI GOLD & COMMODITIES EXCHANGE

CURRENCIES

Euro / Dollar

DEUR (US \$ quoted in cents per Euro)

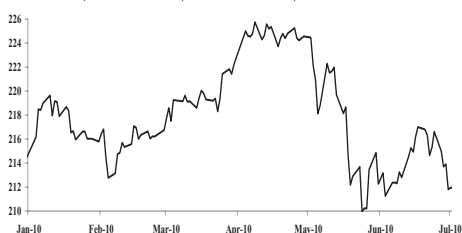


The euro may move toward \$1.32 this week, although the gross domestic product figure for the second quarter for the United States could help push the euro toward \$1.34. The euro traded sideways last week, mostly between \$1.29 and \$1.31. Market reaction toward the results of the European bank stress tests last week leaned toward being positive overall. European equity values trended higher. The June unemployment

rate for the euro zone meanwhile was 10.0%, unchanged from the previous month. Investor sentiment toward a slow economic recovery in the euro zone could cap the currency from rising much higher. Beyond this week the currency will likely trade in a wider range, as mixed economic data for Europe and the United States push and pull at the euro.

Indian Rupee / Dollar

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



The rupee may move between 214 cents and 217 cents per 100 rupees this week. The rupee reversed its declining trend after falling toward 210 cents on 21 July. Since then the rupee has managed to settle above 211 cents. The rupee gained 1.0% from 23 July to 30 July. The Sensex fell below 18,100 last week. The index trended higher since 25 May. The dollar meanwhile weakened against most currencies last week, lending

support to the rupee. Foreign fund net inflows to Indian domestic markets were \$1.4 billion for the week ended 30 July, up from the previous week. Net foreign investment inflows to India during July were more than twice the amount of net inflows realized in June. The rupee may move toward 217 cents if the currency manages to firmly trade above 215 cents.

Sterling Pound / Dollar

DGBP (US \$ quoted in cents per Pound)

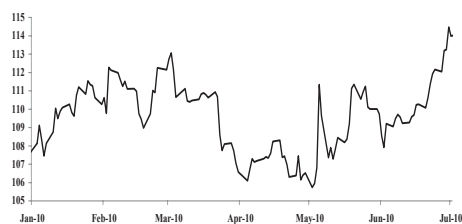


The pound could test \$1.59 this week before easing. Last week the pound moved above \$1.57 after investors were encouraged by an improved economic outlook for the United Kingdom. Recent figures showed the country's gross domestic product expanded 1.6% year-on-year in the second quarter, much stronger than had been expected. A higher pound could lead to profit-taking, however. There also has been resurfacing

concerns over economic conditions going forward. There are worries that the United Kingdom's planned VAT sales tax increase and spending cuts could hinder economic activity. The governor of the Bank of England meanwhile hinted that further stimulus measures may still be needed, outweighing current concerns over inflationary pressures.

Japanese Yen / Dollar

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



The yen may trade on either side of 115 cents this week. Last week the yen traded in a choppy fashion. The currency dipped below 114 cents but reached 116 cents on Friday. The equity markets were mixed while European debt and deficit concerns eased. Focus has shifted toward recent United States economic data, which has been worse than expected. The yen gained some strength on the weaker U.S. dollar last week.

Japan's economy may lend less support to the yen in the third quarter. Industrial production decreased 1.5 percent in June from the previous month. The country's manufacturing and exports are expected to moderate in the third quarter. Japan's biggest export markets, the United States and China, are also expected to experience slower economic growth in the third quarter.

Further Information

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