



Weekly Market Views

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8th 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.

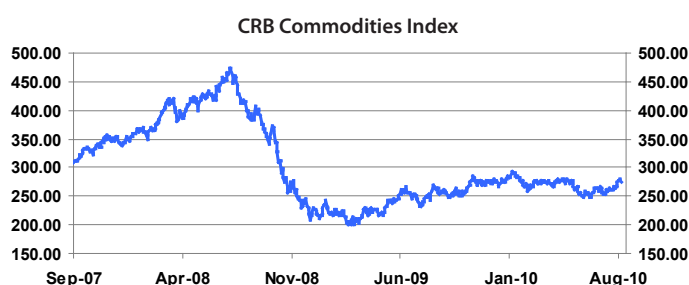
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Commodities Overview

Commodities prices took a clearer direction last week, following a brief period of price consolidation. A surge in investor buying, perhaps atypical of this time of the year, helped push most commodities prices to multi-week and multi-month highs. Although fundamentals remain supportive of commodities in general, it was more an investor rush to purchase these assets and not be left out of a rallying market than a major shift in supply and demand dynamics that influenced investor activity. As usual, as markets turn direction, investors follow. A weakening U.S. dollar also should not be left out of the equation. This week market participants are likely to filter through which commodities they would like to remain in and which ones they would like to take profits on. It should not be surprising if investors sentiment shifts broadly and commodities prices follow the same pattern. Gold prices may extend their rally early this week, with silver prices following suit. Once price targets are reached, however, gold and silver could succumb to profit-taking. Crude oil prices meanwhile may trade sideways, pushed and pulled by exogenous factors and by market participants whose views over economic prospects shift often and dramatically.

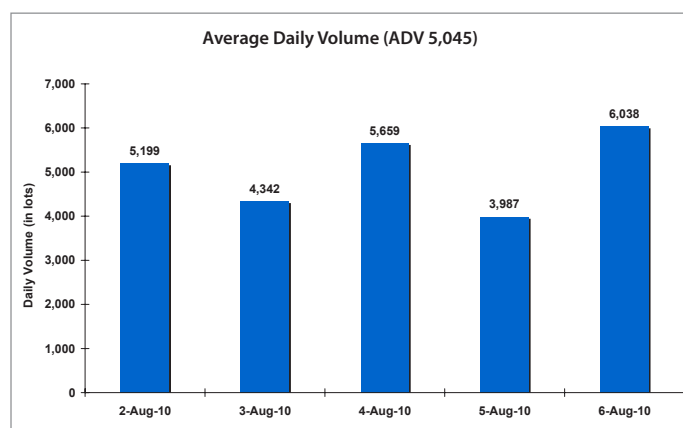
Currencies Overview

Investors are rebalancing their portfolios based on a less monochromatic view of the world economy. They have swung from being massively bearish on U.S. financial and economic prospects in the middle of 2009 to being massively negative on European debt conditions in the second quarter of 2010 to having a more equivocating view of economic prospects. Europe is doing better than many thought it would. The United States and China are slowing down as had been expected. While some worry this is the beginning of a new recession, the consensus in the mainstream market appears to be that it is instead an inter-cyclical slow down, following the post recession recovery. Investors are seeking to balance their assets globally, which means that they are not favoring any one currency over others. One can view the glass as half empty or half full. You can say that investors are seeking to spread their assets across geographic regions and currencies because they expect better returns in most countries in the next few quarters. Or, one can say that investors are equally uninspired by economic prospects in the major industrialized nations, and so are diversifying their risks to minimize their pain. The result for currency exchange rates is the same.



DGCX Prices & Daily Volumes

Market (as at Aug 6, 2010)	Current Week close	Current Week close	% Change	Weekly High	Weekly Low
Gold futures (\$/ounce)	\$1,206.50	▲	1.94%	\$1,212.00	\$1,175.50
Silver futures (\$/ounce)	\$18.50	▲	2.55%	\$18.680	\$18.105
Euro Futures (\$/Euro)	\$1.328	▲	1.73%	\$1.333	\$1.306
GBP Futures (\$/GBP)	\$1.596	▼	-0.23%	\$1.600	\$1.572
INR Futures (\$/100 INR)	\$2.161	▲	0.60%	\$2.169	\$2.153
JPY Futures (\$/100 Yen)	\$1.171	▲	1.18%	\$1.175	\$1.158
WTI Futures (\$/b)	\$80.70	▲	2.22%	\$82.95	\$79.11





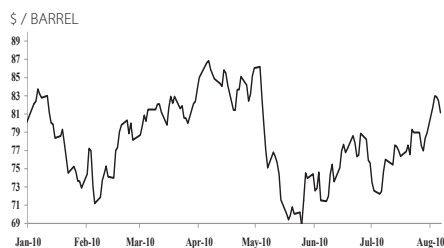
Economic Indicators

Indicator		Value	Change	% Change
CRB Index	▲	274.71	0.36	0.1%
U.S. Dollar Index	▼	80.39	-1.15	-1.4%
T-Bills	-	0.14%	0.00%	0.0%
DJIA	▲	10,654	187.62	1.8%
FTSE All World	▲	195.60	4.54	2.4%

Source: Bloomberg data

COMMODITIES

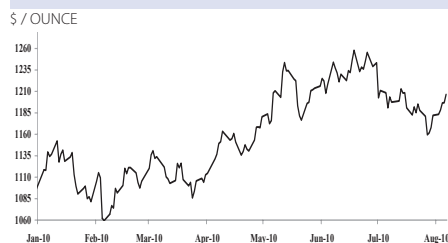
Crude Oil



WTI oil may trade on either side of \$80, but a weakening U.S. dollar could keep prices above this level. Crude oil managed to trade above \$80 for most of last week, rallying on Monday 2 August amid a broad increase in most commodity and equity values. This was followed by a sell-off on 6 August in line with a drop in equities. A weaker dollar and concerns that storms in the Gulf of Mexico may disrupt North American supplies helped support prices above \$80 last week. Crude oil stocks in the United States fell slightly

for the week ending 30 July to 358 million barrels, but remain well above their seasonal averages according to the EIA. Gasoline stocks meanwhile rose for the sixth straight week. If the North American gasoline surplus weighs on crack spreads, a measure of refiner profitability, refiners may eventually ease refinery runs. This could soften refiners' demand for crude oil and keep prices from moving upward too forcefully in the near term.

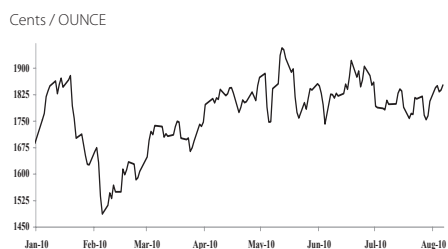
Gold



Gold prices may head higher early this week, continuing the rally which began at the end of July. Prices may test \$1,220 - \$1,230 before profit-taking sets in. A price decline from these levels could push gold back toward \$1,200, with \$1,180 as a stronger base. Gold has received support over the past several days from a weakening U.S. dollar. Investors also have been buying gold, chasing prices higher. An upward momentum in prices and a weakening dollar may provide a boost to gold early this week, but they all will likely have difficulty breaking resistance levels. August is typically a period of reduced

investor activity and fabrication demand. Investors will keep looking for buying opportunities, however, which should lend support to prices. The long liquidation during July, as gold prices trended lower, is likely over. Investors may begin to rebuild their long positions, although the bulk of the rebuilding may not be done until later this month or September. Combined ETF gold holdings were 65.59 million ounces on 5 August, down 113,631 ounces from the end of the previous week, but up 17,261 ounces from the previous day.

Silver



Silver may move toward \$19 before easing later in the week. After rising 2.1% on Monday 2 August, silver consolidated for the remainder of the week, settling at \$18.36 on Friday. Silver has benefited from healthy investor interest recently. Combined exchange traded fund silver holdings remain at high levels. Economic conditions in the United States have spurred increased purchases of safe haven metals such as gold and silver. A softening U.S. dollar also has helped support the price of silver. Silver

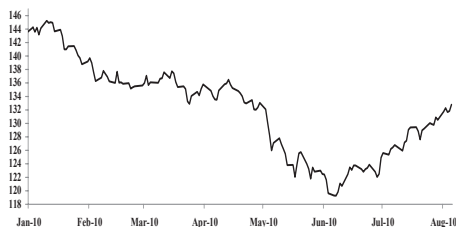
most likely will not fall below \$18.00 over the next few days. Any price declines this week would likely spur increased purchases of the physical metal by consumers, especially in India ahead of the wedding and festival seasons. Firm investor interest also may prevent silver from declining too far. Seasonal weakness in the silver market as well as reduced trading activity in the Northern Hemisphere during this time of year could weigh on the price of the metal beyond this week.

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CURRENCIES

Euro / Dollar

DEUR (US \$ quoted in cents per Euro)

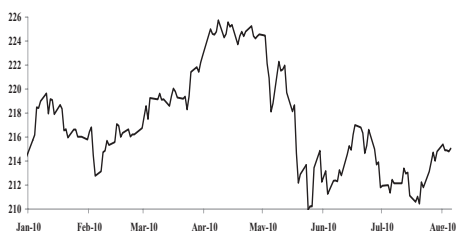


The euro may move toward \$1.35 this week. The euro spiked higher last week as investor sentiment toward economic conditions in Europe improved. Manufacturing orders in Germany rose 3.2% in June from the previous month and a Spanish bond auction's results were seen as positive. Over the past several weeks investor concerns over economic prospects for the United States have risen. This has provided the impetus for a move

toward euro denominated assets. Equity values in Europe experienced strong rallies last week. Monetary policy for the euro zone meanwhile was left unchanged, with suggestions that the European Central Bank (ECB) may further reduce its liquidity programs. The ECB president also suggested that economic activity was likely to be mixed over the next several months.

Indian Rupee / Dollar

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

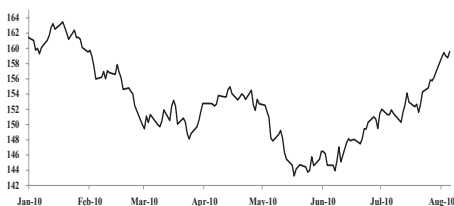


The rupee could head toward 218 cents per 100 rupees this week. The recent increase in interest rates coupled with cooling inflation, and firm economic activity have provided support to the rupee. Last week an official from the Reserve Bank of India stated that the central bank has taken sufficient action to ease inflationary pressures in India, implying that further increases in interest

rates are unlikely. Investor sentiment toward developing economies has been improving in recent weeks. Prospects for growth are expected to be stronger than in industrialized nations. Through July of this year foreign institutional investment flows into India were a net \$18.25 billion, almost triple the \$6.67 billion in inflows during the same period last year.

Sterling Pound / Dollar

DGBP (US \$ quoted in cents per Pound)

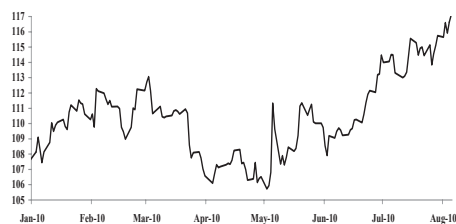


The pound may move higher this week, but a move above \$1.60 may not be sustainable. The pound surged to its highest level in 10 months, to \$1.59 early last week, on better than expected manufacturing data, strengthening conditions in the euro zone, and increased concerns over economic prospects for the United States. Although the recent softening in the outlook for

economic growth in the United States may lend support to the pound, investors may remain cautious regarding the strength of the United Kingdom's own economic recovery. This cautiousness may keep the pound from rising too far above \$1.60 in the near term. The pound should be supported above \$1.56, however, by the recent measures to shore up the government's fiscal policy.

Japanese Yen / Dollar

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



The yen may trade around 116 cents this week. The currency surged from 115 cents early last week to above 117 cents by Friday. Concerns over a slower pace of economic recovery in the United States have prompted investors to buy Japanese government bonds. Last week the yield on the benchmark 10-year government bond touched a low not seen since August 2003. Demand for the yen is reported to be

strong from Chinese investors. There also has been speculation that the Federal Reserve may announce further economic stimulus measures this week, which could send the dollar lower. If the yen rally accelerates, the Bank of Japan will be pressured to temper any such increase. However, Japanese monetary officials may let the currency markets dictate the yen's direction a while longer.

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