



Weekly Market Views

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15th 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

Commodity prices reflected the broader weakness in investor optimism this week. Industrial commodities showed vulnerability to declines, while gold and silver rose as investors moved back toward portfolio diversifiers and safe havens. While gold and silver remained within recent price ranges, they moved toward the higher ends of these ranges. There has been net buying as investors move out of equities and interest bearing assets. Industrial commodities may remain under pressure this week and beyond. Prices may not decline sharply from current levels, but investors will seek to avoid commodities whose prices are tied to rising economic output. The fact that real economic growth is continuing in most parts of the world will provide a counter to the negative attitudes behind the investor selling. Additionally, there are indications that some investors, including some large macro-driven institutional fund management companies, are maintaining a less pessimistic view of economic trends, seeing the recovery as weakening but continuing. The upward pressure on agricultural commodities, especially wheat, clearly has been over-extended by speculative buying. This is likely to reverse at some point in the near future. There could be some spill-over investor selling from agricultural into industrial commodities, but the metals and energy markets appear to have marked down their economic expectations already.

Currencies Overview

The world is marking down economic prospects. We have written about the battle between overly pessimistic economic viewpoints and a reality that shows a weak but sustainable economy. These struggles have been the push and pull in the markets over the past two months. The problem for the global economy is that opinions often become self-fulfilling prophecies, as people act on their expectations. That is happening now. Consumers, businesses, banks, and investors are pulling in their reins, with the result that business activity is slowing more dramatically than had been expected. Final demand, real economic activity, and financial markets are ratcheting down. The political environment, especially in the United States, has been weighing on the markets, with a great deal of dissatisfaction with government actions and expectations that the politicians will not do what is needed. Real economic activity had been expected to slow in the United States and China in the second half of this year. The slowdown may be more severe than had been expected. Recession still seems most likely to be avoided, but investor anxieties have risen sharply over the past few weeks, which raises the risks of further weakness going forward.

CRB Commodities Index



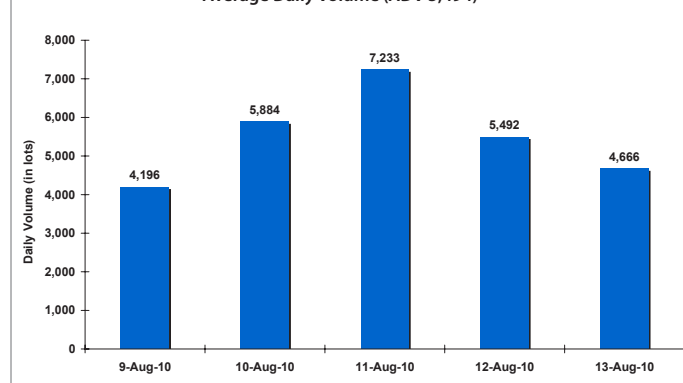
U.S. Dollar Index



DGCX Prices & Daily Volumes

Market (as at Aug 13, 2010)	Current Week close	Current Week close	% Change	Weekly High	Weekly Low
Gold futures (\$/ounce)	\$1,215.20	▲	0.72%	\$1218.00	\$1191.70
Silver futures (\$/ounce)	\$18.085	▼	-2.24%	\$18.545	\$17.845
Euro Futures (\$/Euro)	\$1.275	▼	-3.96%	\$1.330	\$1.275
GBP Futures (\$/GBP)	\$1.560	▼	-2.27%	\$1.598	\$1.556
INR Futures (\$/100 INR)	\$2.131	▼	-1.37%	\$2.165	\$2.119
JPY Futures (\$/100 Yen)	\$1.160	▼	-0.97%	\$1.178	\$1.158
WTI Futures (\$/b)	\$75.39	▼	-6.58%	\$81.64	\$75.20

Average Daily Volume (ADV 5,494)





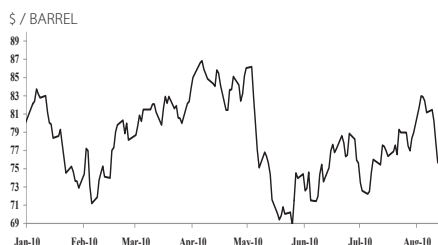
Economic Indicators

Indicator		Value	Change	% Change
CRB Index	▼	268.79	-5.92	-2.2%
U.S. Dollar Index	▲	82.92	2.51	3.1%
T-Bills	▲	0.15%	0.00%	3.6%
DJIA	▼	10,303	-162.79	-1.6%
FTSE All World	▼	187.60	-8.00	-4.1%

Source: Bloomberg data

COMMODITIES

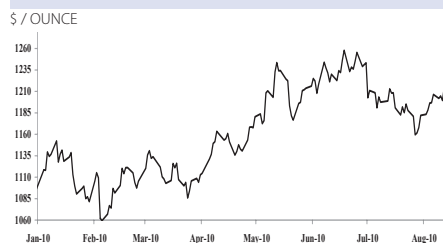
Crude Oil



WTI oil prices may fall toward \$74 this week. Crude oil prices declined toward \$75 last week amid a broad sell-off in most equity and commodity markets, driven by perceptions that the global economic recovery may be slowing. Concerns over demand prospects caused short-term traders to liquidate their long positions. There also was a buildup of short positions, following the run up in crude oil prices to \$82 in the previous week. As refiners soften run rates toward the end of the North American driving season, demand

for crude oil may soften. Capacity utilization was 88.1% on 6 August, down from 91.2% on 30 July. Stable supplies and easing refiner demand for crude oil could add to the already high levels of North American inventories, reducing the potential for strong upward moves in crude oil prices in the near term. Prices are likely to be volatile, however, as fluctuations in market sentiment toward the economic recovery push and pull at both industrial and investor demand for crude oil.

Gold



Gold may trade between \$1,180 and \$1,230 this week, although prices will likely trend toward the upper end of this range. Investors have been rebuilding long positions liquidated in July, a trend which could continue this week. Prices have moved higher overall since late July and could be vulnerable to profit-taking. It should not be surprising if gold fell toward \$1,200 or lower, given reduced fabrication and investor activity in August. Any such sell-off may draw increased buying interest, however, so any sharp price decline may be quickly followed by a price rally. Reduced investor optimism

over economic prospects and rising concerns over financial market conditions should continue to stimulate demand for gold. Combined exchange traded fund gold holdings were 64.86 million ounces on 12 August, up 205,219 ounces from the end of the previous week. Last week long positions began to be rebuilt, although at a moderate pace, after a little more than month of long liquidation, which followed a descent from record prices. A run to record prices may not be seen this week, but investors may increase their long positions in expectation of higher prices in the coming months.

Silver



Silver is expected to trade between \$17.50 and \$19 this week, with additional support at \$17.00. Investor concerns over the global economic recovery weighed on silver prices in the beginning of last week. This coupled with profit-taking pushed silver down 3.3% from 6 August to settle at \$17.89 on 11 August. Silver recovered in the second half of last week to settle at \$18.09 by 13 August. Resurfacing sovereign debt problems in Europe coupled with weakening investor sentiment toward economic conditions should support silver prices to an extent. Silver's function as a safe haven asset, next

to gold, could increase investor interest in the metal this week. Concerns over reduced industrial demand for silver-bearing products will help cap silver prices, but is likely to be outweighed by investor demand. As of 12 August combined exchange traded fund (ETF) silver holdings were 487.4 million ounces. Silver holdings in ETFs have remained around this level over the past month. Demand for silver jewelry ahead of the Indian festival and wedding seasons will induce purchases of physical silver amid any price dips.



DGCX

بورصة دبي للذهب والسلع
DUBAI GOLD & COMMODITIES EXCHANGE

CURRENCIES

Euro / Dollar

DEUR (US \$ quoted in cents per Euro)

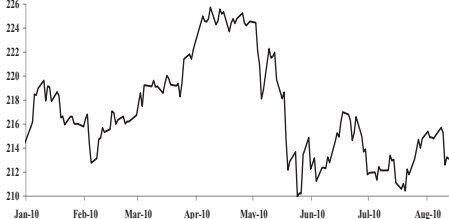


The euro could test support levels this week. After climbing for two months to close at a peak of \$1.3279 on 6 August, the euro fell 4.0% to settle at \$1.2753 on 13 August. Investor sentiment toward economic conditions for the second half of the year were downgraded last week, both before and as a result of the Federal Reserve commenting that it sees softer economic conditions than it had anticipated earlier. The European Central Bank (ECB) echoed the Fed, cautioning that euro zone growth also may be lower than previously expected, despite the positive results announced last week. Renewed concerns regarding

sovereign debt problems also weighed on the currency, overshadowing positive economic data released on Friday. The euro zone grew at a 1.0% rate in the second quarter from the first quarter of 2010, which was led by a 2.2% growth rate in Germany. Rising problems and increased focus on sovereign debt issues in Europe could push the euro lower. The ECB was reported to have purchased Irish government bonds last week, aiming to calm credit conditions. The euro may find support at \$1.26, but a decline toward \$1.25 is possible. Any gains in the euro may be capped at \$1.30.

Indian Rupee / Dollar

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

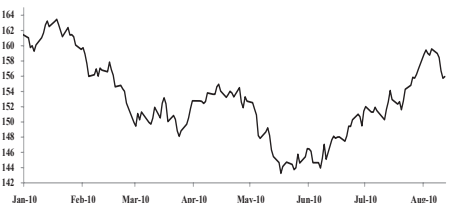


The rupee may trade between 212 cents and 215 cents per 100 rupees this week. The rupee fell sharply last week, as investor sentiment toward developing economies weakened amid expectations of reduced economic global activity for the remainder of the year. A move toward safe haven assets weighed on the rupee. The rupee will continue to

be sensitive to investor sentiment toward developed and developing economic prospects. High inflation and a widening trade deficit in India continue to worry investors. A reduction in capital inflows to India's markets amid softening economic growth prospects could push the rupee lower, possibly toward 210 in the near term.

Sterling Pound / Dollar

DGBP (US \$ quoted in cents per Pound)

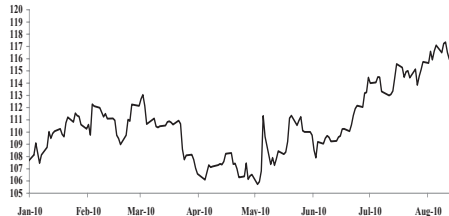


The pound may consolidate around \$1.56 this week. The pound fell from \$1.60 last week on worse than expected economic data that suggested the economic recovery in the United Kingdom may be slowing. The Bank of England (BOE) cut its gross domestic product (GDP) growth forecast for 2010 to 1.6%, down from its earlier estimate of 1.7%.

Weaker GDP growth estimates may compel the BOE to enact further economic stimulus measures, which could weigh on the pound. The government's efforts to cut its fiscal deficit meanwhile should provide some confidence in the currency, but such budget balancing may weigh on future economic growth prospects and the pound.

Japanese Yen / Dollar

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



The yen is likely to test 115 cents this week. The yen touched 118 cents last week, as concerns over euro zone debt problems increased safe haven demand for the currency. The yield on Japanese 10-year government bonds remained at low levels. By last Friday the yen moderated to around 116 cents, following comments from the Japanese finance minister suggesting the government may act against any further strengthening of the yen. The Bank of Japan (BOJ) performed

a rate check last week, which involves inquiring about commercial bank currency transaction details, fueling speculation that the BOJ may take currency intervention measures. Such a move has preceded some previous government currency intervention actions. The second quarter gross domestic product figure, scheduled to be released this week, is expected to show slowing economic activity. This may remove some support from the yen.

Further Information

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