



Weekly Market Views

Provided by CPM Group, Vol.2, No. 34, 22 August 2010

22nd 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.

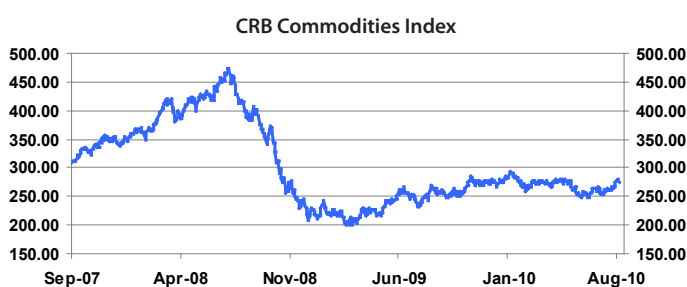
Please note that the observations and views expressed in this newsletter do not reflect the views of DGCX and are solely the view of the writer (CPM Group).

Commodities Overview

The release of mixed economic data in the United States pushed and pulled at many commodities prices last week. Better than expected U.S. industrial production figures for July temporarily boosted sentiment across the equity and commodities markets. However, concerns over a slowing economic recovery in the United States, Japan, and Europe capped the price gains for many industrial commodities, like crude oil and silver. These concerns meanwhile resulted in increased demand for gold. Gold prices continued to edge higher in a choppy fashion last week. Commodities with industrial end uses came under pressure after leading indicators for the United States in July were weaker than expected. Silver and crude oil closed lower for the week. With heightened concerns over the near term global economic recovery, market participants may continue to take direction from economic reports. Economic data releases in the U.S. may continue to give mixed signals this week, with certain segments of the economy faring better than others. After the price declines seen in many commodities last week, investor selling is expected to ease. In this environment, precious metals and crude oil prices could consolidate.

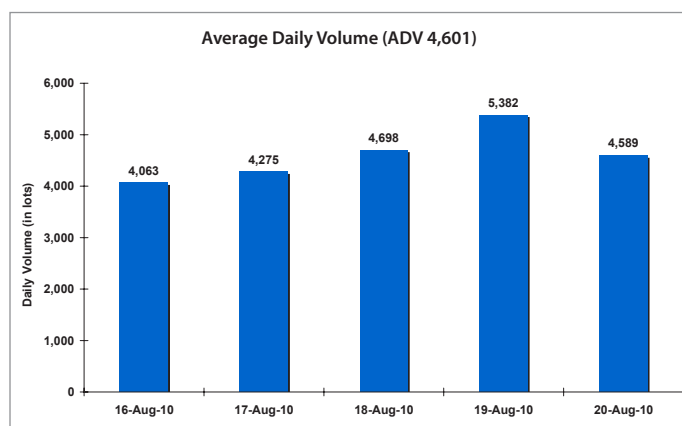
Currencies Overview

After several weeks of volatile moves in the major currency markets, exchange rates were relatively range-bound last week. Shifts in investor sentiment toward safe haven currencies in the second half of last week partially offset moves seen earlier in the week. The U.S. dollar rose against most major currencies as investors appetite for riskier assets, including stocks, continued to decline following the poor U.S. jobless-claims and manufacturing reports on 19 August. Meanwhile in Europe remarks made by the European Central Bank, indicating that they would likely wait until 2011 to begin phasing out short-term stimulus, amplified concerns about the economic recovery in that region. While the outlook for economic activity in Japan also weakened, with lower than expected gross domestic production estimates in the second quarter, demand for the yen strengthened last week. During the financial crisis, both the yen and the dollar have often benefited from uncertainty or a weakening outlook for global growth. This week volatility may pick up again in the major currencies markets. An active week of economic reports in the United States may continue to shape market sentiment.



DGCX Prices & Daily Volumes

Market (as at Aug 20, 2010)	Current Week close	Current Week close	% Change	Weekly High	Weekly Low
Gold futures (\$/ounce)	\$1,228.50	▲	1.09%	\$1238.00	\$1215.90
Silver futures (\$/ounce)	\$17.995	▼	-0.50%	\$18.570	\$17.995
Euro Futures (\$/Euro)	\$1.270	▼	-0.39%	\$1.291	\$1.267
GBP Futures (\$/GBP)	\$1.553	▼	-0.42%	\$1.569	\$1.547
INR Futures (\$/100 INR)	\$2.139	▲	0.37%	\$2.151	\$2.130
JPY Futures (\$/100 Yen)	\$1.167	▲	0.67%	\$1.178	\$1.164
WTI Futures (\$/b)	\$73.82	▼	-2.08%	\$76.80	\$73.53





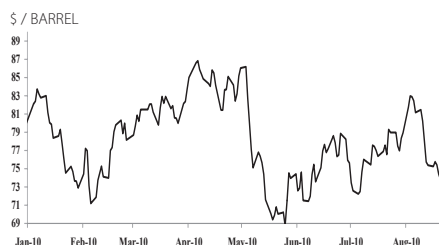
Economic Indicators

Indicator		Value	Change	% Change
CRB Index	▼	267.01	-1.78	-0.7%
U.S. Dollar Index	▲	83.06	0.11	0.1%
T-Bills	-	0.14%	0.00%	0.0%
DJIA	▼	10,214	-89.53	-0.9%
FTSE All World	▼	186.33	-1.27	-0.7%

Source: Bloomberg data

COMMODITIES

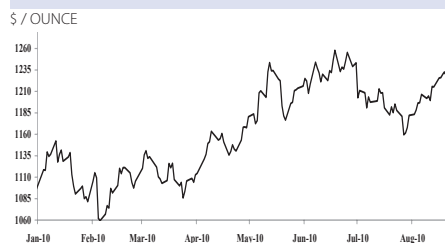
Crude Oil



WTI oil may trade on either side of \$73 this week. Crude oil prices succumbed to selling pressure late last week as higher United States unemployment figures suggested the economic recovery may be slowing. The supply overhang in the oil product market also contributed to the downward price momentum. On 13 August total oil product inventories in United States storage tanks totaled over 1.1 billion barrels, the highest level in 20 years of EIA data. If investors continue to take a bearish perception toward

the economic recovery, prices could decline to around \$72. Crude oil forward spreads have narrowed recently, indicating physical demand for crude oil in the United States may be stronger than weak economic data suggests. Deliveries in the United States of crude oil and oil products averaged 19,327 million barrels a day in July, up 3.8% year-on-year according to the American Petroleum Institute. If investors perceive recent price weakness as a buying opportunity, prices could rise to \$75 in the near term.

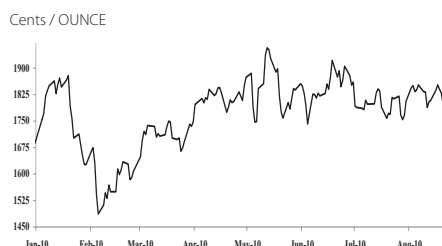
Gold



Gold prices are expected to consolidate this week. The price of the metal is forecast to move between \$1,210 and \$1,240 during the week. Market participants are likely to book profits following the overall increase in gold prices since the end of July. If this selling gains momentum, there is a possibility that the gold price slips toward \$1,200. Any weakness in price is expected to be short-lived, however. Market participants remain concerned over the health of the global economy and are likely to view weakness in the price of gold as a buying opportunity.

Weak U.S. economic data released last week generally aggravated these concerns, which was positive for the price of gold. Several important U.S. economic indicators will be released this week. If these indicators suggest further deterioration in the U.S. economy, gold prices could rapidly rise toward the higher end of the above stated range. Combined gold exchange traded fund holdings reached 65.61 million ounces on 20 August, up 710,051 ounces from the end of the previous week.

Silver



Silver is forecast to trade between \$17.50 and \$19 this week. Increased investor interest in silver as a financial asset pushed prices higher in the beginning of last week, but softening economic growth prospects weighed on silver prices later in the week. Silver settled at \$17.995 on 20 August. This price decline may spur physical buying from consumers, particularly in India. In India, interest in the metal rises during this time of year ahead of the Indian wedding and festival seasons. Combined holdings in exchange traded funds physically backed

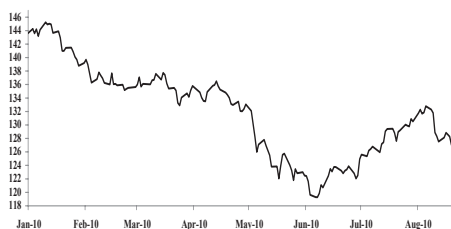
by silver were 489,365,918 ounces on 19 August, up 452,786 ounces from 12 August. Industrial demand for silver, particularly from the semiconductor industry, has been firm so far this year, although seasonal weakness in fabrication demand for silver will continue to weigh on prices over the next few weeks. Large price swings could move silver prices in a wider range over the remainder of the month due to reduced trading activity in the Western hemisphere. The roll of the futures contracts in the New York market could provide support to silver prices.

**DGCX**بورصة دبي للذهب والسلع
DUBAI GOLD & COMMODITIES EXCHANGE

CURRENCIES

Euro / Dollar

DEUR (US \$ quoted in cents per Euro)

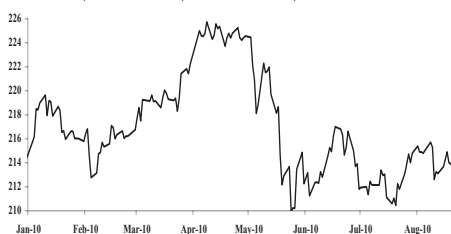


The euro may consolidate around \$1.26 this week. The euro trended higher in the first half of last week, but a wave of safe haven buying amid waning investor confidence in the global recovery pushed the currency lower to settle at \$1.2692 on 20 August. The \$1.27 level has been a firm support for the euro this past month. However, last week it broke below this level. This break could trigger additional declines, possibly toward \$1.24. Investor sentiment toward economic conditions worsened after soft jobs data in the United States was released last Thursday.

Investors shifted away from risky assets such as the euro and into safe havens such as gold and the U.S. dollar. Spain eased its austerity plans last week, raising concerns among investors regarding its ability to service debt. A European Central Bank (ECB) member suggested that unlimited ECB lending to European countries be extended into 2011 rather than until October as previously stated. Lingering concerns regarding euro area debt and deficit problems may subject the euro to further declines.

Indian Rupee / Dollar

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

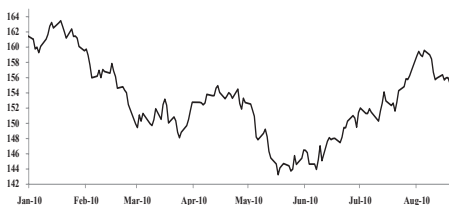


The rupee may trade sideways this week. The rupee moved between 213 and 215 cents per 100 rupees last week. Negative investor sentiment toward emerging economies last week weighed on the rupee after global economic growth prospects were reduced two weeks ago. Foreign investment in India's domestic markets has been strong this year nonetheless. Equity values fell in the beginning of last week but trended

higher thereafter. The Sensex was 18,455 on 19 August, the highest since 5 February 2008 when it was 18,663. Wholesale prices in July rose by 9.97% from the previous month. This was lower than the 10.55% increase in wholesale prices in June. As inflation concerns continue to ease and domestic economic activity improves, the rupee could rise toward 217 cents. The rupee may not be able to reach this level this week, however.

Sterling Pound / Dollar

DGBP (US \$ quoted in cents per Pound)

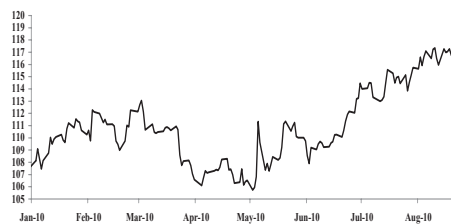


The pound may trade sideways in a volatile fashion this week, possibly around \$1.55. Stronger than expected economic data pushed the pound above \$1.56 last week, but concerns the global economic recovery may be slowing weighed on the pound later in the week. Although investors remain concerned about the United Kingdom's fiscal deficit, figures published by the Office for National Statistics suggest the government's

fiscal outlook may be improving. Public sector net borrowing totaled 3.2 billion pounds, 1.1 billion pounds lower than previously estimated. Although this may shore up investor confidence regarding the outlook for the United Kingdom economy in the longer term, the pound may be subdued by weaker macroeconomic sentiment in the immediate future.

Japanese Yen / Dollar

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



The yen could continue to rise toward 118 cents this week. Concerns over the slowing global economic recovery during the remainder of this year could maintain support for the yen. Last week the yen rose from 116 cents on 16 August and consolidated around 117 cents during the remainder of the week. Bearish sentiments rose after the release of weaker economic data of the United States. Despite the lower than expected second quarter Japanese gross domestic product

figure, demand for the yen as a safe haven currency increased last week. Japanese government bonds also edged higher. The Bank of Japan is assessing the impact of the yen appreciation while considering further stimulus measures. Speculations of government intervention could prevent the currency from rising too fast, although in the near term investors remain reluctant to pull out of the yen.

Further Information

Full details on all of our products and DGCX news can be found at www.dgcx.ae. Alternatively, if you would like to speak with a Relationship Manager, please contact us.

Tel: +971 (0)4 361 1616

Email: info@dgcx.ae

CPM Group is a leading independent commodities market research and consulting firm. CPM focuses on various commodities markets from precious metals to soft commodities. In its twenty three years as an independent company, CPM has consistently delivered unique, market-leading research and services to clients ranging from individual investors to leading international organizations worldwide. For more information and additional research please contact Adam Crown at +1 (212) 785 - 8324 or acrown@cpmgroup.com or visit www.cpmgroup.com.

Copyright CPM Group 2009. The views expressed within are solely those of CPM Group. Such information has not been verified by the DGCX, nor does DGCX make any representations as to its accuracy or completeness. Any statements non-factual in nature constitute only current opinions, which are subject to change. While every effort has been made to ensure that the accuracy of the material contained in the reports is correct, CPM Group or DGCX cannot be held liable for errors or omissions. CPM Group or DGCX are not soliciting any action based on it. Information contained here should not be relied on as specific investment or market timing advice. At times the principals and associates of CPM Group may have long or short positions in some of the markets mentioned here. This report is distributed weekly by DGCX to provide market participants with information and statistics related to specific commodities and currencies. CPM Group, a commodities consulting company, produces this report for DGCX. Visit www.cpmgroup.com for additional information.

Reference herein to "DGCX" shall mean the Dubai Gold & Commodities Exchange DMCC. This publication is for information only and does not constitute an offer, solicitation or recommendation to acquire or dispose of any investment or to engage in any other transaction. Neither DGCX nor its affiliates, associates, representatives, directors or employees, shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this publication. DGCX shall not be responsible for any errors or omissions contained in this publication. All information, descriptions, examples and calculations contained in this publication are for guidance purposes only and should not be treated as definitive. No part of this publication may be redistributed or reproduced without written permission from DGCX. Those wishing either to trade futures and options contracts on DGCX, or to offer and sell them to others should establish their regulatory position before doing so. DGCX is regulated by the Emirates Securities and Commodities Authority (ESCA). ESCA is a member of the International Organisation of Securities Commissions (IOSCO).