



Weekly Market Views

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5th September 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

After recording significant gains last week commodities prices may consolidate at new elevated levels during this shortened trading week. On Monday 6 September markets in the United States will be closed in observation of Labor Day. Economic data from the United States can give mixed signals. Releases related to consumption continue to reveal sluggish demand. Meanwhile, data gauging output paints a more positive picture of the economy. The economic recovery, thus far, largely lies with producers. A series of positive economic data reports related to output in the United States and China helped foster a 293 basis point run-up in the Dow Jones Industrial Average over the course of last week. The purchasing managers' indices from both these countries revealed month-on-month expansion in manufacturing that surprised the market. With a thin economic reporting schedule this week, the upward momentum in commodities prices may lose steam. Data on housing and retail sales expected later this month may bring economic concerns back to the forefront. In the interim, however, precious metals and crude oil may trade in a sideways fashion this week.

Currencies Overview

Volatility for developed economy currencies has shown signs of easing lately, although developing economy currencies' exchange rate volatility remains high. Part of the reduced movement in exchange rate fluctuations over the past few weeks may be seasonal in nature as investors in industrialized economies go on leave during the summer months in the Northern Hemisphere. Part of the reduced volatility also may be due to the reduced monetary policy actions taken compared to the last couple of years. Current accommodative monetary policy measures in most developed economies are likely to remain largely unchanged over the next several months, barring any major shock to financial markets, although developing economy monetary policy may see much more activity. This does not suggest that there will be a minimal increase in exchange rate fluctuations, but that for the moment industrialized economy currencies may not have as forceful influences as in prior months. The approaching U.S. midterm elections should provide some increased direction to the dollar. Fiscal policy, which is set by the elected governing institutions, will heavily influence investor attitudes toward the U.S. economy and the dollar.

CRB Commodities Index



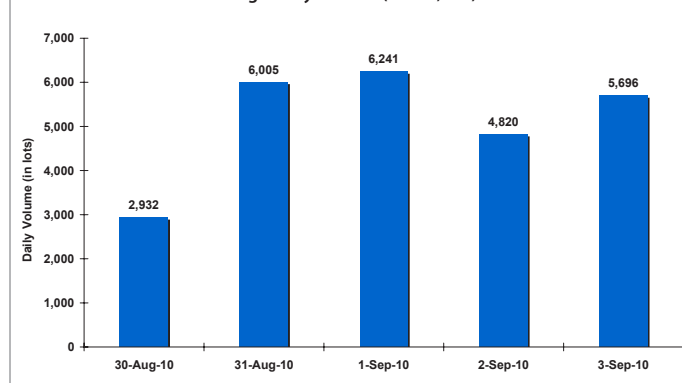
U.S. Dollar Index



DGCX Prices & Daily Volumes

| Market (as at September 3, 2010) | Current Week close | Current Week close | % Change | Weekly High | Weekly Low |
|----------------------------------|--------------------|--------------------|----------|-------------|------------|
| Gold futures (\$/ounce) | \$1,248.10 | ▲ | 0.95% | \$1255.10 | \$1232.50 |
| Silver futures (\$/ounce) | \$19.875 | ▲ | 4.28% | \$19.875 | \$19.290 |
| Euro Futures (\$/Euro) | \$1.289 | ▲ | 1.26% | \$1.289 | \$1.263 |
| GBP Futures (\$/GBP) | \$1.545 | ▼ | -0.39% | \$1.557 | \$1.533 |
| INR Futures (\$/100 INR) | \$2.141 | ▲ | 0.34% | \$2.143 | \$2.115 |
| JPY Futures (\$/100 Yen) | \$1.184 | ▲ | 1.05% | \$1.194 | \$1.170 |
| WTI Futures (\$/b) | \$74.60 | ▼ | -0.76% | \$75.48 | \$71.56 |

Average Daily Volume (ADV 5,139)





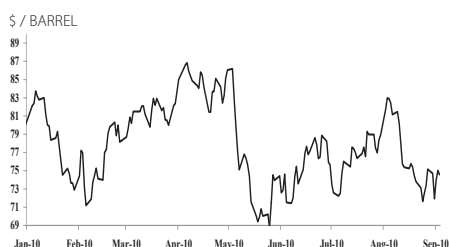
Economic Indicators

| Indicator | | Value | Change | % Change |
|-------------------|---|--------|--------|----------|
| CRB Index | ▲ | 272.77 | 5.50 | 2.1% |
| U.S. Dollar Index | ▼ | 82.02 | -0.90 | -1.1% |
| T-Bills | ▼ | 0.13% | -0.01% | -7.1% |
| DJIA | ▲ | 10,448 | 297.28 | 2.9% |
| FTSE All World | ▲ | 190.29 | 5.08 | 2.7% |

Source: Bloomberg data

COMMODITIES

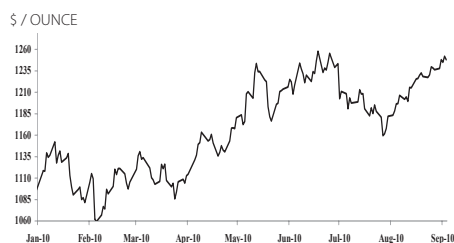
Crude Oil



WTI oil may trade between \$71 and \$77 this week. Early last week concerns that slowing economic growth in the United States could suppress crude oil demand in the second half of this year weighed on oil prices. Prices pared their losses later in the week as better than expected United States manufacturing data reversed this negative investor sentiment. Prices also were buoyed by the explosion of an oil rig in the Gulf of Mexico. Although the rig was under maintenance at the time of the explosion and not producing

crude oil, the incident raised concerns that tighter offshore drilling regulations in the United States could dampen future oil exploration and production. If oil prices head higher they are likely to be met with profit-taking at around \$77. Forward spreads indicate that near term demand is easing, although expectations are for a jump in end-use later this year. As refiners undergo fall maintenance in September and October, demand for crude oil is expected to weaken. This may push prices lower toward \$71.

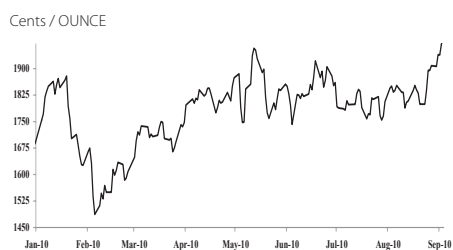
Gold



Gold prices are expected to move between \$1,230 and \$1,260 this week. Prices are likely to stick to the upper end of this range. If prices dip below \$1,230 there is a possibility that prices slip toward \$1,210. Positive economic reports last week are expected to weigh on the price of gold. Investors remain concerned regarding economic growth going forward, however. As a result, decline in prices is expected to attract significant investor buying. A decline in prices toward the lower end of the above stated ranges is

also expected to stimulate jewelry demand from India. A string of festivals over the next couple of months typically results in increased gold buying in India. Any weakness in prices is expected to push this demand higher. The monsoons have also been favorable in India this year which is expected to boost farm output and farmer income. Farmers in India typically convert a significant amount of their savings into gold.

Silver



Silver prices are likely to move between \$19 and \$20.50 this week. Silver fabrication demand is expected to benefit from the strength in global manufacturing activity. Global semiconductor sales reached \$25.2 billion in July, up 1.2% from June and 37% year-on-year, according to the Semiconductor Industry Association. Silver is used in the fabrication of semiconductors. Rising demand for laptops and cell phones in Asia is expected to result in healthy demand for semiconductors going forward. Additionally, investors have remained keenly interested in silver because the price of the metal benefits from both turbulence in

the global economy (investors purchase silver as a safe haven) and from the increase in fabrication demand. Combined silver exchange traded fund holdings reached 496.97 million ounces on 2 September, a record high. Investors added around three million ounces of silver to their ETF holdings between 27 August and 2 September. Since the beginning of this year through 2 September investors have added 32.1 million ounces to their holdings. Delivery of silver through Comex reached 3.5 million ounces in the active September delivery period as of 2 September.

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

DEUR (US \$ quoted in cents per Euro)

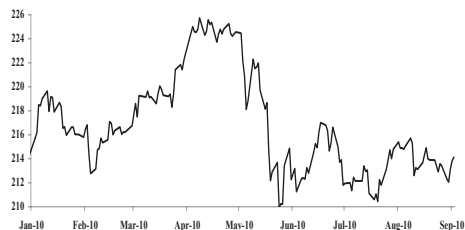


The euro may inch higher this week. The euro has fluctuated mostly between \$1.26 and \$1.29 since 12 August, but has been trending toward the upper end of this range since last week. The European Central Bank (ECB) left interest rates unchanged and extended its unlimited lending policy for one-week and one-month funds into January 2011, which were set to expire at the end of this month. The ECB also revised

higher its economic outlook based on strong second quarter growth. The ECB raised its forecast for euro zone gross domestic product to 1.6% for 2010 and 1.4% for 2011 from its June estimates of 1.0% and 1.2%, respectively. A rise above \$1.30 could occur, but the currency may be capped at \$1.31. Banking institutions in the financial troubled nations in euro zone continue to heavily rely on the ECB for lending.

Indian Rupee / Dollar

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

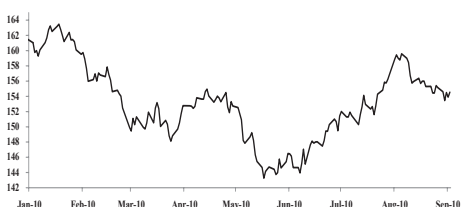


The rupee could rise toward 217 cents per 100 rupees this week, but may be volatile en route. The rupee moved sideways last week, with a bias toward the upside. Investor concerns regarding the global recovery eased last week as economic data for industrialized nations were mostly better than expected. India's economy grew by 8.8% in the second quarter of 2010 year-on-year, the highest quarterly growth rate in two and

a half years. India's domestic equity values rose last week, with the Sensex up 1.2% for last week. Inflation remains a concern among investors, however. Food prices rose in the third week of August by 10.86%, up from 10.05% in the previous week. There has been increased talk about the Reserve Bank of India raising interest rates further this year, which should provide added support to the rupee.

Sterling Pound / Dollar

DGBP (US \$ quoted in cents per Pound)



The pound may consolidate around \$1.54 this week. The pound fell last week on concerns that manufacturing growth in the United Kingdom may be slowing. The PMI manufacturing index was 54.3 in August, well below the expected level of 57.0. Lower than anticipated housing prices also contributed to a weaker pound. Recent data suggest the economic recovery in the United Kingdom may be softening, but

the Bank of England (BOE) may be unlikely to pursue further economic stimulus measures unless economic conditions deteriorate much more significantly. The BOE's accommodative monetary policy is expected to remain largely unchanged from last month's monetary policy stance. This may prevent the pound from declining too much this week.

Further Information

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Tel: +971 (0)4 361 1616

Email: info@dgcx.ae

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