



Weekly Market Commentary

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Provided by Market News International

Welcome to the Weekly Market Commentary from DGCX, providing you with a snapshot of what's happening in the energy, precious metal and currency futures markets.

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Economic Data Overview

Next week's US data includes several important economic data releases, notably on retail sales, inflation, and conditions in the factory sector as well as the statement issued after the FOMC meeting.

The highlight of the economic data in the coming week is likely to be that for retail and food sales on Tuesday.

Stellar activity over the Black Friday weekend has heightened expectations for a solid report as the holiday shopping season got off to a start. The same - store sales comparisons for fiscal November were consistent with robust sales activity, although shoppers clearly were sticking to looking for bargains. Motor vehicle sales were strong in the month. Prices for gasoline declined, and will cut into the dollar level of overall sales.

The data on inflation will also reflect the impacts of falling gasoline prices, although to varying degrees. Rising prices for some foods will be visible as well.

Data in import and export prices on Wednesday will see some upward pressure in imports as petroleum costs rose for the month. Additionally, the uptick in the US dollar versus some currencies will raise non - petroleum import costs somewhat.

The November PPI on Thursday and the CPI on Friday will probably show only modest increases, at most. Contrary to the rise in petroleum prices, the cost of gasoline has been declining and should restrain any gains in the indexes' respective overall energy categories. Food prices have generally been rising only slightly, but a jump in the cost of some fresh fruits and vegetable will probably offset declines elsewhere.

We will get an early look at manufacturing activity in December on Thursday with the release of the New York Fed's Empire State Survey and the Philadelphia Fed's Business Outlook. Both reports may show readings for modest expansion as they continue to move forward from the softer readings over the summer months.

Industrial production and capacity utilization for November is due on Thursday and should be consistent with very modest gains in manufacturing that are restrained by declines in utilities due to relatively mild weather for the season and lower output for mining industries.

Initial jobless claims on Thursday could raise hopes that some of the slack in labor markets is finally beginning to tighten. Claims levels have been showing signs of moving a bit lower, and the drop of 23,000 in the December 3 week was substantial. While claims have yet to decisively move below the psychologically important 400,000 mark for more than a few weeks before going higher again, the underlying trend does appear to be more favorable.

The weekly data for the ICSC / Goldman - Sachs Retail Chain Store Sales Index for the week ended December 10 on Tuesday will provide another glimpse of how the holiday shopping season is progressing. While the week ended November 26 - - which contained a record breaking Black Friday - - was quite strong, the subsequent week ended December 3 lost a lot of momentum. So far sales remain stronger compared to a year - ago, but there is anecdotal evidence that the initial burst of spending is not being maintained.

Business inventories for October on Tuesday will add fresh data on retail inventories. Those for manufacturers (+0.9%) and wholesalers (+1.6%) have already been reported, and suggest that the change in inventories in the GDP report will be a nice boost for growth in the fourth quarter.

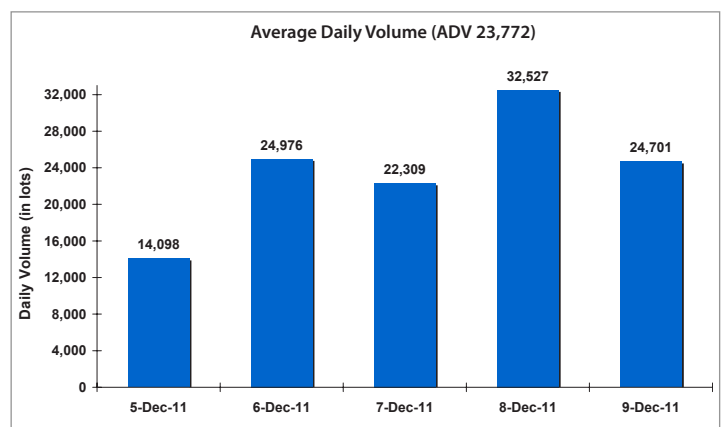
The remaining data for the week will probably have difficulty in gaining much attention from markets.

The FOMC will meet on Tuesday. No change in the current policy for the fed funds rate target range of 0% - 0.25% through mid - 2013 is expected, nor is it expected that the Fed will expand its balance sheet through more asset purchases. This is the final scheduled meeting in 2011. The next is on January 24 - 25, 2012, at which the rotation of FOMC voters will take place.

No other major central bank announcements are scheduled for December except the Bank of Japan meeting on Tuesday and Wednesday, December 20 - 21. By this time of year, central bank activity normally quiets down until after the New Year. However, with the euro zone crisis continuing, it opens the possibility of more surprise announcements like that related to central bank swap lines that took place on November 30.

DGCX Prices & Daily Volumes

Market (as at Dec 9, 2011)	Current Week close	Current Week close	% Change	Weekly High	Weekly Low
Gold futures (\$ / ounce)	\$1,719.30	▼	-1.68%	\$1,760.20	\$1,709.00
Silver futures (\$ / ounce)	\$32.275	▼	-1.66%	\$33.270	\$31.510
Euro Futures (\$ / Euro)	\$1.337	▼	-0.75%	\$1.349	\$1.329
GBP Futures (\$ / GBP)	\$1.565	▼	-0.31%	\$1.577	\$1.557
INR Futures (\$ / 100 INR)	\$1.913	▼	-1.11%	\$1.943	\$1.903
JPY Futures (\$ / 100 Yen)	\$1.289	▲	0.07%	\$1.293	\$1.283
WTI Futures (\$ / b)	\$99.410	▼	-0.79%	\$102.32	\$97.50



**COMMODITIES****Crude Oil**

After opening above the \$100 level for the first time since late July, crude for January delivery retraced most of the gains closing just over \$98 / barrel. Earlier in the week, investors remained cautious after S&P warned to cut credit ratings of 15 nations in the euro zone. Bearish U.S. oil inventory numbers also pulled the price lower mid way into the week. Additional pressure was provided by weak economic data from China, which showed inflation slowed to 4.2% on an annual basis in November, upsetting analyst expectations of 4.6%. Despite the recent weaknesses troubling the Chinese economy, the second largest consumer of oil continues to increase imports of crude products. An increase in U.S. consumer confidence, to a six month high, helped oil climb the most in more than a week on Friday; European leaders announcing steps to control the regions debt crisis also provided support. For the week however, crude prices for January delivery declined approximately 2.47%. Since reaching an annual low of \$75.35 in October, crude prices have resumed its upward trend and have increased more than 30% since then. In the week ahead, oil prices will remain focussed on talks emerging from the Euro zone.

Gold

The precious yellow metal headed for a weekly decline after news from around the world took it from a range of 1745 to almost near 1700. Gold prices remained choppy on volatility caused by the greenback. Spot prices reached the lowest in a week on Thursday, after ECB denied expanding the bond - buying package. In spite of European leaders failing to achieve a unanimous support for a new agreement on stricter rules, prices remained buoyant on investor optimism. Gold, like other precious metals was held captive by the euro zone debt crisis, encouraging investors to move their holdings into safer assets, thereby restricting the gains. However a late week euro rally lifted gold prices higher as demand for the greenback weakened with investors willing to take on more risk. A better than expected increase in U.S. consumer confidence data helped pare back some gains on Friday. Even after advancing for three out of five days, gold prices were poised to end the week posting loss of more than 2.0%. The past week saw spot prices trade as high as \$1754.3 to as low as \$1703.1. Analysts expect renewed optimism to lift gold prices at the beginning of next week.

Silver

Spot Silver prices continued to lack momentum and direction as it once again moved sideways for majority of the week. The market remained cautious ahead of the crucial EU summit on Friday. On Thursday however, prices plunged nearly 3.0% after ECB President Mario Draghi dulled investor hopes of a central bank intervention in the bond markets following a benchmark interest rate cut. Buying appetite seems to have shrunk along with a decline in physical demand. Analysts believe a majority of the cut back in demand has stemmed from India, the worlds biggest buyer of the commodity. With the rupee depreciating by more than 7.0% since November, investors from India continue facing a hard time buying precious metals. The commodity also remained under pressure with people selling into rallies to minimize their losses. The current macroeconomic environment is expected to hold back the industrial demand, which in turn would add pressure to the already struggling prices. An increase in the Euribor / OIS spread in recent days also shunned investment demand away from the white metal with the market keenly following the developments in the European region. The gold to silver ratio decreased for the second consecutive week, falling to 53.10 from 53.47.

CURRENCIES**Euro / Dollar**

The pair failed to make any material gains following the coordinated central bank action last week earlier in the week, and continued to slide lower well through the week. Market participants remained cautious trading the common currency, especially after S&P warned to downgrade credit ratings for 15 European nations along with putting the EFSF on a review for a possible downgrade. Hopes of EU leaders reaching a solution later on in the week along with healthy German economic data kept the currency buoyant. The euro was also lifted after Italy's newly elected Prime Minister Mario Monti, passed a stringent package of austerity measures, aimed at reducing the nations heavy debt burden. A cut in ECB's benchmark interest rate provided some support, pushing the 17 - nation currency to 1.3458, before heading south after ECB President, Mario Draghi's comments dampened speculation of the ECB playing a role to buy bonds to stem the current crisis. Draghi's comments stifled investor confidence, pushing the pair to a monthly low of 1.3291. As a result the pair was poised to close below the 1.3500 level for the third consecutive week. Reports of European leaders making progress in resolving the debt crisis helped the pair post some gains before U.K.'s disagreement on being a part of the pact dampened the brief rally. Demand for the euro also increased after leaders decided to add \$267 billion to their crisis - fighting capacity and toughened anti - deficit rules. An increase was also recorded on speculation of news that a new Chinese investment vehicle will provide additional much - needed funding to the struggling nations. However, the rise was held back by Moody's downgrade of three French banks.

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Indian Rupee / Dollar



A combination of investors returning to risk aversion along with a fall in domestic equities weighed on the rupee slightly on Monday. However, Indian oil importers easing demand for the greenback cushioned the fall. The weakest performing Asian currency was sliding lower through most part of the week, though hopes of the euro zone stemming the crisis kept a lid on the losses. After reaching a record high of 52.72 versus the USD, the rupee was able to retrace some of its losses but continues to face stiff competition as the nation struggles to battle inflation. A possible central bank intervention rumors looming the market also kept some investors at bay. Adding fuel to fire was Prime Minister Manmohan Singh's decision to bar (at least till a consensus can be reached) foreign retailers from expanding operations in India. Earlier, the Indian government had welcomed foreign retail investment in order to kick start the economy, allowing investors to own as much as 51% of retailers selling more than one brand, provided they bought 30% of their products from local suppliers. The reversal now puts an indefinite hold to foreign inflows, which could have helped revive growth and fight inflation.

Sterling Pound / Dollar



Amidst talks being held in the euro zone, sterling fought hard to post its second consecutive weekly gain. It faced constant pressure from the safe have flows into the greenback. The pair resumed trading this week virtually unchanged from last week and moved sideways. An increase in the service PMI for November pushed the pound up 0.67% on Monday, with additional support coming from the optimism of the euro zone reaching and providing solutions to the ongoing crisis. The gains were cut short after S&P warned about downgrading the entire zone credit rating. Speculation of the EFSF running concurrently with the ESM (European stability mechanism) also weighed on the pairs performance. A dismal manufacturing number failed to have impact on the pair with investors concentrating only on the outcome of the meeting in Brussels. In the light of recent events, the weak state of the pound has encouraged U.K. exports, which have been boosted by demand outside the European Union. The rise in exports narrowed U.K.'s goods trade deficit by a record in October, reaching GBP7.56 billion from GBP10.2 billion. After cutting forecasts for growth and inflation last month, BoE held its benchmark interest rate at a record low of 0.5% and refrained from expanding the QE package that sits at GBP275 billion.

Japanese Yen / Dollar



The pair slid lower through out the week with the risk appetite being wiped off the board. Traders continued to seek refuge in safe haven currencies after digesting ECB's comments. Investors rushed to the safety of the yen to prepare for the worst - case scenario in the event no solution was reached to stem the euro zone debt crisis. The pair traded in a tight range, between the 77 - 78 level, with the yen reaching a high of 77.13 for the week. Yen managed to post gains through majority of the week with the exception of Thursday. Market participants increased their yen holdings at the expense of other currencies driving the pair lower. A contraction in Japan's current account tied with a decline in machinery orders weighed on the yens performance during the week. By the end of the week, the American dollar lost steam with investors being more optimistic following the announcements made at the EU summit. Looking ahead, the yen is expected to remain sensitive to EU developments and domestic economic data. The week ahead has some key economic indicators coming out from Japan, which may give direction to the non - trending pair.

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