



Weekly Market Commentary

5th February 2012

Provided by TA Knowledge

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.

The commentary and analysis included in the DGCX Weekly newsletter is provided by TA Knowledge, a leading UK-based provider of news and intelligence.

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 (TA Knowledge).

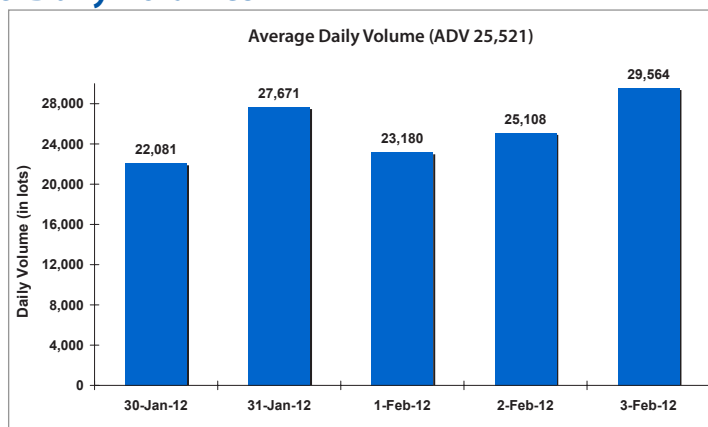
Economic Data Overview

The coming week will be dominated by the decisions of some of the world's most important central banks. The European Central Bank, the Bank of England and the Reserve Bank of Australia all meet. The tone for global interest rates was set two weeks ago when the Fed Chairman Ben Bernanke stated that it was the committee's desire to keep rates low until the end of 2014. Limited spending by households as they attempt to pay off debt and lack of credit facilities from banks as they try to strengthen asset ratios means that the emphasis will be on easier credit conditions also this week. The ECB meets on Thursday and while expectations remain that there will be another cut in rates to 0.75% from the current rate at 1.0%, this reduction is not expected to come until the March meeting. Since the liquidity injection in December by the ECB, bond spreads have dropped and liquidity pressures have eased as the bank fought to avert a credit crisis, and the next tender due in

the end of February is a further factor that suggests the ECB will hold off on an immediate move to alter interest rates. The Bank of England also meets on Thursday and they are expected to continue quantitative easing by pumping £50 billion of liquidity into the market by asset repurchases. The Reserve Bank of Australia meets on Tuesday and the market is confident of a reduction of 0.25% in rates for 4.0%. This will be interesting to watch as Australia has been leading the global interest rate cycle with rate hikes before any other of the major economies and this week's potentially more dovish tone underpins the persistent requirement of softer rates worldwide. In terms of macro data, investors are looking for a slight moderation in inflation in China on Thursday to about 4% from 4.1% in December. This would be seen as positive by the market as it would give the Bank of China more scope to ease monetary policy and underpin growth in the economy.

DGCX Prices & Daily Volumes

Market (as at Feb 3, 2012)	Current Week close	Current Week close	% Change	Weekly High	Weekly Low
Gold futures (\$ / ounce)	\$1,741.20	▲	4.58%	\$1,765.40	\$1,720.00
Silver futures (\$ / ounce)	\$33.770	▲	6.50%	\$34.365	\$33.090
Euro Futures (\$ / Euro)	\$1.316	▲	1.83%	\$1.322	\$1.304
GBP Futures (\$ / GBP)	\$1.581	▲	1.77%	\$1.593	\$1.565
INR Futures (\$ / 100 INR)	\$2.051	▲	3.20%	\$2.045	\$1.993
JPY Futures (\$ / 100 Yen)	\$1.306	▲	0.51%	\$1.315	\$1.304
WTI Futures (\$ / b)	\$ 97.840	▼	-0.50%	\$101.25	\$95.58



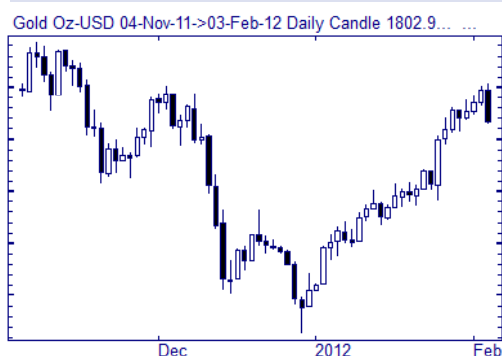
COMMODITIES

Crude Oil



Oil rallied for the first time in six sessions on Friday with the help of much stronger than anticipated US jobs data. The improved prospects of additional US growth, increased manufacturing and employment are positive news for oil. The market has not been shocked by Iran's threats to close the Gulf of Hormuz or talk of the prospect of an Israeli strike on Iran during the coming months. OPEC oil production levels are high, US gasoline demand has been reduced and Brent Crude shipments to Asia are at an eight year high. The market appears to be coping well with the threat of an interruption in oil supplies. Last week oil remained range bound in a sideways trading pattern that has persisted for twelve weeks between 92.51 and 103.71. Gains above 98.00 early next week would help to underpin the bottom of the trading range and see the market turn its attention to 100.00 once again.

Gold



Gold erased four days of gains on Friday on the back of much stronger than expected US employment growth, a rebound in the dollar and a sharp fall in US treasury prices. The market posted its worst daily performance since the end of last year. Investors now expect that renewed optimism in the US will continue to see increased investment to rebuild inventories which will generate additional job opportunities. Despite the still uncertain situation in European debt markets, investors are growing in confidence that the US can recover even as Europe's debt problem persists. Greece remains a major concern. Market analysts suggest that even if a deal can be brokered to resolve the crisis which is currently pricing in a 70% debt write off, that the Greek economy will be left with too much debt and harsh austerity measures to grow. This will continue to make Greece's exit from the euro a major concern for some time to come. Gold looks set to remain volatile over the coming week but Friday's losses set the scene for further profit taking as the market has been sold from the highs of the year after rallying over 12% from January's open.



Silver

Silver Oz-USD 04-Nov-11->03-Feb-12 Daily Candle 35.3... 3...



Silver has been the best performing precious metal in the world this year but the market ended lower last week after posting gains for the preceding four weeks. Some of the strong fundamental reasons for aggressive silver purchases were tarnished over the past week with the Fed pledge to keep rates low for a considerable time being reassessed as strong signs of growth from the US economy in last Friday's Jobs data highlights the appetite of US firms to rebuild inventories and look to expand their businesses. However while the dollar did recover slightly, silver losses were limited. The market remains in a strong positive strength from December lows and close to the top of the trading range for the past four months.

CURRENCIES

Euro / Dollar

EUR-USD 04-Nov-11->03-Feb-12 Daily Candle 1.3668 1.2... 1...



The euro posted its high for last week on Monday but this strength was temporary as the 2012 high hit the previous week was not beaten, with investors failing to make sustained gains above 1.3200. A combination of optimism from Germany, France and the Euro area as a whole in surveys' which showed service and manufacturing sector growth were not enough to attract additional buyers. There has been limited progress in resolving the Greek Debt worries with the Luxemburg Prime Minister describing the talks as 'ultra difficult'. The strong signs of recovery in the US economy on the back of Friday's monthly employment report also helped to cap the euro. With the ECB council meeting next Thursday and a further reduction in interest rates expected soon, but not this month, it will be difficult for the Euro to sustain the gains made since the middle of January. News last week that China would help Europe by investing in future European debt support mechanisms was not greeted with a strong positive reaction by the currency as the Chinese did not quantify the support they would be willing to provide.

Indian Rupee / Dollar

USD-INR 04-Nov-11->03-Feb-12 Daily Candle 54.298 48... 4...



The Rupee recovered yet again last week as the market registered daily gains for four of the past five days in move which has left the 50.00 handle well above the market and seen a rebound in the currency against the dollar of over 10% from December all time low. This year so far the Rupee has regained all the lost ground of the fourth quarter of 2011. Once again the positive growth implications for the US economy in light of Friday's much better than expected jobs data led the market to believe that the export demand for Indian goods and services was improving and this helped attract additional buyers for the currency. Further inflows into the stock market and bond market also supported the Rupee as investors have put \$6.19 billion into these markets so far in 2012 which compares to a total investment of \$8.3 billion during all of 2011. On Friday the RBI Deputy Governor said the central bank could reverse recent restrictions on currency trading once the market stabilizes. This is seen by a sign that the central bank is more comfortable with the currency at current levels. However continued curbs on the currency for the near term are expected to add to the attractiveness of the Rupee to investors.

Sterling Pound / Dollar

GBP-USD 04-Nov-11->03-Feb-12 Daily Candle 1.6128 1.5... 1...



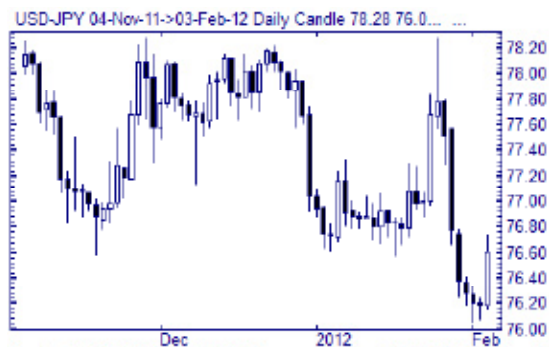
Last week the UK PMI posted the biggest monthly rise in service optimism in the fifteen years since the inception of the survey. The index rose from 54 to 56 with any figure above 50 indicating growth. This news boosted sterling against the dollar and reinforced the positive picture painted by January's manufacturing survey. Opinion is now becoming more positive in the UK that the economy will not re-enter recession this year. However, as Fridays trading progressed investors were unwilling to retest the high from last week posted on Wednesday. The market remains conscious about another round of quantitative easing by the Bank of England next week as larger asset repurchases than the £50 billion expected would be negative for sterling. Friday's very strong US employment report saw sterling fall sharply before a late rally allowed sterling to post its third up week in succession. The market has now reached its strongest position against the dollar since November but you would have to go back to 2010 to find a period where sterling has registered gains against the dollar for four weeks in succession.



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بورصة دبي للذهب والسلع
DUBAI GOLD & COMMODITIES EXCHANGE

Japanese Yen / Dollar



The dollar regained some of last week's losses on Thursday and Friday as US economic data helped investors reassess the prospected for a stronger than anticipated US recovery. However the dollar has not posted a positive weekly performance in the past six weeks and remains close to the all time low at 75.55 posted last October. This week Japanese auto giants release their 2011 earnings, but estimates are weak in light of last year's huge earthquake, weak growth in export markets, especially in Europe and a very strong yen. This may allow some additional dollar gains. The Japanese Finance Minister has said that there is a growth in the one sided speculative investment in the yen and he was ready to act decisively to counter such moves. In the past year we have seen repeated BOJ intervention and while there have been some really sharp rallies in the dollar, the advances have not lasted. However gains above 77.00 would offer increased protection for the currency as the rate would then be in a more neutral position within the range trading pattern that persisted during the back half of 2011.

Further Information

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