

## Guest Market Commentary

### Gold

A temporary bullish sentiment in gold during mid of the past week failed to sustain its gains amid a slew of positive economic data releases from the US economy and an equivalent amount of negative data feeds from other economies (Euro-zone & UK). US consumer price index (CPI) surprised to the upside, climbing 0.8% MoM (month on month) in Jul, 2008 against market expectations for a 0.4% MoM increase. Meanwhile Euro-zone CPI rose only 4% YoY (Year on Year), when markets had expected 4.1% increase. In addition to this, Euro-Zone's outlook for growth has deteriorated further and probability of a recession is now considerable. Consumption growth is being hit by the high level of inflation, while export and investment growth are declining on the back of lower global growth.

Further, a number of housing markets in Euro-zone are experiencing increasing problems. UK's economy too is struggling under the credit crisis and its growth is possibly heading downwards, amidst high inflation. These problems outside the US economy has turned out to be a blessing in disguise for the US dollar, as the US economy is yet to emerge out of its economic chaos. The ongoing housing market correction, credit tightening, lacklustre equity markets, high inflation, unfriendly labour markets and slowing foreign economies could emerge again in the coming quarters.

It looks like investors have been flocking the US dollar considering it better amongst the worst. These facts has been propelling US dollar higher over the last couple of weeks dragging gold lower in the process.

#### **Outlook (DGCX Oct'08 Contract):**

Trend wise DGCX Oct'08 gold is showing considerable weakness and this call for the possibility of breach of immediate support at \$773 in the near term after an initial spike. Below, \$773 it's most likely that gold might head towards \$730. However if Gold takes support around this level, then there could be few attempts to spike beyond \$819 during the week. Supports are spotted at \$773, \$752 and \$730, while resistances are at \$808, \$819 and \$840.

### EUR/USD

Technically & fundamentally there has been considerable weakness in the currency pair and the numerous negative news that has been flowing over the past weeks is accelerating the downside momentum. Recent data revealed that Euro-zone GDP slipped by 0.2% in the second quarter (broadly in line with market expectations), but what came as a surprise was the decline of 0.5% in the German Economy (Europe's largest economy). The zones > two other leading economies, France and Italy, also saw a contraction of 0.3%. Germany & France are considered to be heavy weights in Euro-Zone and slide in growth rate of these economies are considered to be an advance warning to a likely recession in the coming quarters.

With these data feeds at hand, the European Central Bank now shares the same misery as the Bank of England, balancing rising inflation against the need to boost the flagging economies through lower interest rates.

A barrage of economic data feeds are expected to be out in the coming week and investors must have a close watch on these data feeds before initiating trades. Key amongst them is NAHB Housing markets index (US), Trade Balance figures (Euro-Zone), German PPI, Building permits (US), Housing starts (US) and German Manufacturing PMI (Euro-zone).

#### **Outlook (DGCX Sep'08 EUR/USD contract):**

DGCX EUR/USD Sep'08 contract was trading at 147.30 at the time of finalizing this review and it is likely that the currency pair could side to 145.79 and lower in the coming sessions. Breach of the support at 145.79 could drag the currency pair towards 143.07. Immediate supports are at 146.37, 144.70 and 143.48. Resistances are around 148.50 and 149.41.

### GBP/USD

Last week, the Bank of England (BoE) released its August Inflation Report and as expected, the BoE revised its growth path downwards and the inflation path upwards compared to the May Inflation Report. After a slew of bank failures and mortgage crisis, UK

economy is struggling to recover and BoE believes that UK economy will slow sharply and that production will grow at a very modest 0.1% MoM in first quarter 2009. Negative comment from the Bank of England Governor Mr. Mervyn King is confirming these possibilities. Bank of England Governor Mervyn King said he saw a "chill in the economic air" after unemployment rose in July by the most in almost 16 years.

In the coming week, the currency pair encounters key data feeds that include the minutes of the Monetary Policy Committee (MPC) meeting of the BoE. The minutes expose the votes cast at the meeting and can give traders further insight into the central bank's stance on monetary policy. In addition to this, Retail sales, Revised GDP figures for the second quarter and preliminary Business Investment report are also expected.

#### **Outlook (DGCX Sep, 2008 GBP/USD contract):**

DGCX Sep'08 GBP/USD contract was trading at 186.51 at the time of finalizing review and it is likely that the currency pair could side to its recent lows of 184.62 in the coming sessions and on breach of this level a possible drop to 183.31 cannot be ruled out. However, most momentum indicators are in deep oversold levels and hence there could be few attempts to spike up, upon which the GBP/USD may find resistance at 186.66, 187.96 and 189.36. Such spikes are most likely to be used as opportunities to sell higher.

#### **Crude oil**

DGCX Sep, 2008 crude oil prices retraced back to the key supports at \$110 after spiking to \$117.42 in the earlier part of the week. Under the current context of things, it is likely that DGCX Sep, 2008 WTI Crude oil contract will probably fall below \$100 a barrel within weeks and has the potential to trade around \$90/ barrel. Surging dollar coupled with suspected demand destruction at the high prices and slowing global economy are the culprits for the same.

In its recent report, the Organization of the Petroleum Exporting Countries (OPEC) cut its forecast for global oil demand growth in 2008 for a fifth month and said production is more than adequate, signalling a more comfortable supply and demand balance. The 13-member group, also revealed higher OPEC production, easing political tension and a stronger U.S. dollar indicated a weaker outlook for the oil market. OPEC data detailed that oil demand will rise by 1.0 million barrels per day (bpd) this year, 30,000 bpd less than the previous forecast. It is to be noted that it is the fifth reduction this year, after cuts in July, June, May and February.

However, it is also must to remember that, there are certain upside triggers in markets and those include the approaching hurricane season in the Gulf of Mexico, which could disrupt production in the region, and colder winter weather in US that may boost demand for heating fuel. Geo-political tensions in the key production centres are also key aspects to trigger fresh buying in to the markets that have already dropped by 24% until date.

#### **Outlook**

DGCX traded Oil futures prices are possibly heading lower and are most likely to breach the key support at \$110 to head towards the next support at \$100 in the coming sessions. There could be few attempts to spike from the supports at \$110, but sustained gains are unlikely. Immediate supports are spotted at \$110, \$105 and \$100. Key resistances are spotted at \$115, \$117.28 and \$120.17

#### **Market commentary provided by RICHCOMM GLOBAL SERVICES DMCC**

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## Xchange Snapshot

Market	Previous Week close	Current Week close	% Change
DGCX Oct'08 Gold futures - (\$/ounce)	858.40	789.40	-8.04%
DGCX Sep'08 Silver futures - (\$/ounce)	15.350	12.780	-16.74%
DGCX Sep'08 Euro Futures - (\$/Euro)	1.4983	1.4659	-2.16%
DGCX Sep'08 GBP Futures - (\$/GBP)	1.9135	1.8593	-2.83%
DGCX Aug'08 INR Futures - (\$/100 INR)	2.3775	2.3200	-2.42%
DGCX Sep'08 JPY Futures - (\$/100 Yen)	0.9090	0.9061	-0.32%
DGCX Aug'08 Steel Futures - (\$/mt)	1460.00	1380.00	-5.48%
DGCX Aug'08 DBRC Futures - (\$/b)	114.62	112.55	-1.81%
DGCX Aug'08 DWTI Futures - (\$/b)	115.20	113.77	-1.24%

## Daily Total Volume

