

Dear member/customer,

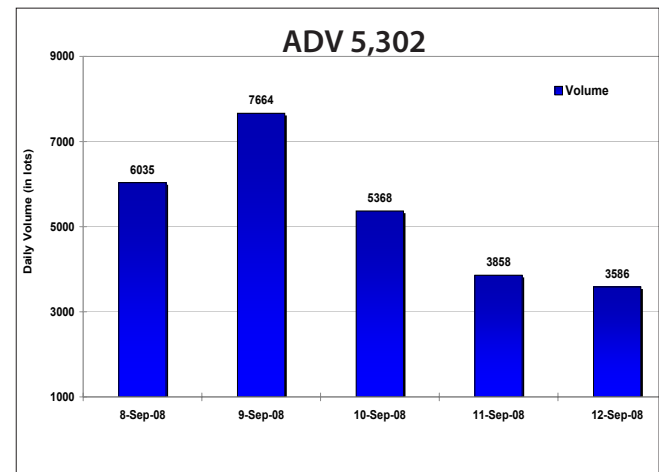
Welcome to this week's Xchange update from DGCX. This week's update includes a snapshot of DGCX volumes and news, as well as guest market commentary from SMC Comex International DMCC.

Please note that the observations expressed in the guest commentary do not reflect the views of DGCX and are solely the view of the writer. We welcome guest commentary on the commodity markets from all of our members.

## DGCX Market Close

Market	Previous Week close	Current Week close	% Change
DGCX Oct'08 Gold futures - (\$/ounce)	803.20	765.00	-4.76%
DGCX Dec'08 Silver futures - (\$/ounce)	12.720	10.880	-11.47%
DGCX Sep'08 Euro Futures - (\$/Euro)	1.4237	1.4218	-0.13%
DGCX Sep'08 GBP Futures - (\$/GBP)	1.7622	1.7932	1.76%
DGCX Sep'08 INR Futures - (\$/100 INR)	2.2390	2.1901	-2.18%
DGCX Sep'08 JPY Futures - (\$/100 Yen)	0.9338	0.9271	-0.72%
DGCX Sep'08 Steel Futures - (\$/mt)	1135.00	1090.00	-3.96%
DGCX Sep'08 DBRC Futures - (\$/b)	104.09	97.58	-6.25%
DGCX Sep'08 DWTI Futures - (\$/b)	106.23	101.18	-4.75%

## DGCX Daily Volumes



## Market commentary

by SMC Comex International DMCC

### Crude Oil

Bearish momentum in crude oil prices persisted due to surging dollar. In the past week OPEC decided to cut production by about 500,000 barrels a day within the next 40 days. However this did not affect prices as Saudi Arabia increased production by 520,000 barrels per day. The market continued the downward trend of recent weeks in anticipation of weaker energy demand after crude hit peaks around \$147 a barrel. Refineries were operating at 78% capacity, about 10 percentage points below capacity at the end of August.

#### Outlook:

Crude oil prices crossed the psychological level of \$100 last week. Ongoing concerns over the slowdown in Europe and the global economy are keeping prices down. The hurricane season in the US should increase volatility. Hurricane Ike and greenback should be monitored this week.

#### Technical Recommendation:

Crude oil prices may continue to fall as the prices managed to break the key level of \$100 per barrel. Prices are expected to remain in the range of \$98 -104 per barrel in near term.

### Gold:

Gold remained downbeat but managed to recover marginally on Friday as the dollar retraced due to week economic data. Gold had a correlation of 0.68 to the euro-dollar exchange rate this year, up from 0.58 last year. The precious metal slipped nearly 2% as the dollar reached a one-year high against the Euro. However, U.S. trade deficit widened in July and the dollars retreat allowed Gold to pull back.

#### Outlook:

The fear of recession and unwinding of the Yen carry trade are assisting the current rally in the greenback. However, current economic conditions don't favour this surge. There is sentiment that the fed has ended it's recent cycle of interest rate cuts and that it is now the turn of the Euro zone.

#### Technical Recommendation:

December contract could trade in the range of \$720- 770 next week.

### Euro v Dollar:

A gloomy outlook for the EU provoked movement in the Euro and caused it to fall to a one year low against the dollar. The dollar index crossed the psychological benchmark of 80 last week, although the Euro recovered marginally on Tuesday in response to the U.S. governments bailout of Fannie Mae and Freddie Mac. The news of a weakening Italian economy also pressurised the Euro, but the September contract recovered on Friday to close above the level of 141.

#### Outlook:

There was a pause in the rally of the dollar index last Friday. It remains to be determined whether it is the end of the rally or simply a pause. The downside risk remains for the Euro, as a rate cut is expected soon. Euro-zone CPI and the German ZEW survey are important data for the Euro zone this week. If the Euro zone CPI is positive, it will ease the pressure on the Euro. The FOMC rate decision is scheduled for 16 September. The Fed may keep interest rates unchanged, which may limit the upside of the dollar.

**Technical Recommendation:**

The Euro is bearish overall but there was a pause in the fall last week. 145.00 is important resistance for the September contract. In between, it could see some lower level buying.

**Sterling v Dollar:**

Sterling witnessed further weakness on disappointing data last week and there was inflationary pressure on the pound. U.K industrial production contracted by 0.4% in July following a 0.1% fall the previous month. However, on Wednesday, the U.K Visible Trade Balance unexpectedly reflected a narrowing trade deficit of £7.667 billion in July, compared to £7.993 billion the month before. However, this news was unable to have much positive impact on Sterling. On Friday, the pound saw a surprise recovery upon depreciation in the dollar. The September

Sterling contract closed above the level of 178.

**Outlook:**

The Pound recovered last Friday, but it is crucial for it to sustain a higher level. UK CPI data should be released on Tuesday and a sharp rise is expected. On Wednesday, unemployment figures are expected to show an increase and on Thursday, UK retail sales are forecasted to show a fall. Similarly to the Euro, the pound's outlook depends upon the rate decision of the U.S.

**Technical Recommendation:**

The pound is weak but the upside movement last Friday may have helped sterling to recover in the near term. There may be some lower level buying in between. 186 is a crucial resistance for the September contract - if it crosses 186, then it could see more upside.

**DGCX News in Brief****DGCX Central Trading System upgrade:**

- Central Trading System: - we have recently enhanced our central trading system in order to improve performance, capacity and application responses times. For more information on the recent upgrade, please refer to Notice TECH-2008 -033.

**DGCX hosts energy seminar in Singapore:**

- DGCX and MF Global jointly host energy seminar in Singapore on 22 September. The seminar will include the following panel sessions: "The Future of Futures in Asia and the Middle East" and "Derivatives: Defunct or Defined" with leading representatives from the energy industry in attendance.

**Reduced Initial Margins for Gold and Silver Futures contracts:**

- Changes to initial and delivery period margins for Gold, Silver and Steel Futures contracts. Please refer to Notice TRDG-2008-035.

Full details on all of our products and DGCX news can be found at [www.dgcx.ae](http://www.dgcx.ae)

Alternatively, if you would like to speak with a Relationship Manager, please contact us on the details below.

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