

# WEEKLY GOLD REPORT

- Gold ended Year 2006 with an increase of 23 percent, continuing its sixth year of yearly gain in a row. However, it is still about 13 percent lower as compared to its 26-year high of \$730 set in May 2006. Uncertainty over Iran's nuclear program and weakness in U.S. dollar help Gold to close at \$637 on the last trading day of 2006. Fresh allocations of funds are expected to move into Gold for portfolio diversification against geopolitical tension and inflation during the first quarter of the New Year.
- During a quiet trading session yesterday as Wall Street mourned for former president Gerald Ford and Japan still away on holiday till Wednesday, Gold managed to advance to its highest level in a month to \$640.80. Gold started the year with a positive sentiment for the precious metal as investors shifted their U.S. dollar holdings to other high yielding currencies. With only three trading days remaining this week and important economics data to be released, dealers expect the price of Gold to trade between \$627 to \$642 this week.
- The U.S. dollar depreciated against the Euro on speculation the Federal Reserve will lower interest rates this year while the European Central Bank will increase its interest rate. The Fed held its overnight lending rate at 5.25 percent but analysts anticipate that the U.S. central bank will reduce the rate to 4.75 percent by end of the year. The ECB lifted their benchmark for the sixth time to 3.5 percent last Dec benefiting the Euro as investors and foreign central banks diversify out of their U.S. dollar holdings.

## Latest Commitment of Traders Report – Gold Futures and Options (COTR) as of 26 Dec 2006

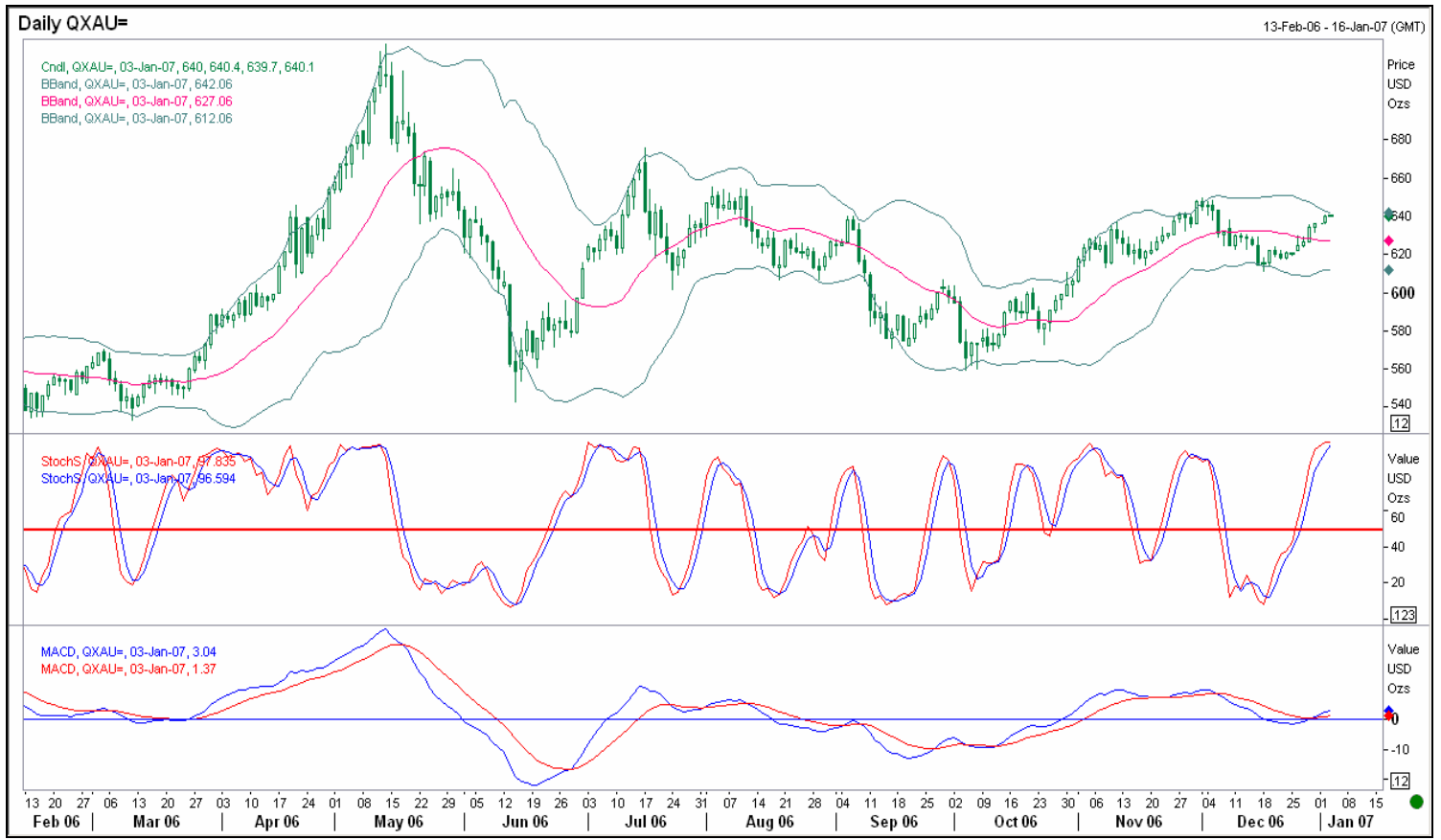
Exchange	Open Interest	Non-Commercial		Commercial	
		Long	Short	Long	Short
COMEX	Open Interest Position	108,971	40,668	121,794	228,803
	Change from previous week	+2,447	+3,430	-1,022	+1,789
CBOT	Open Interest Position	11,035	4,865	8,097	25,630
	Change from previous week	-669	+175	+120	+85

- Comments: Commercials were net sellers with 2,776 contracts last week in the two exchanges combined, ending their net buying position a fortnight ago. This might suggest that Gold will face selling pressure this week after hitting a month high of \$640.80.

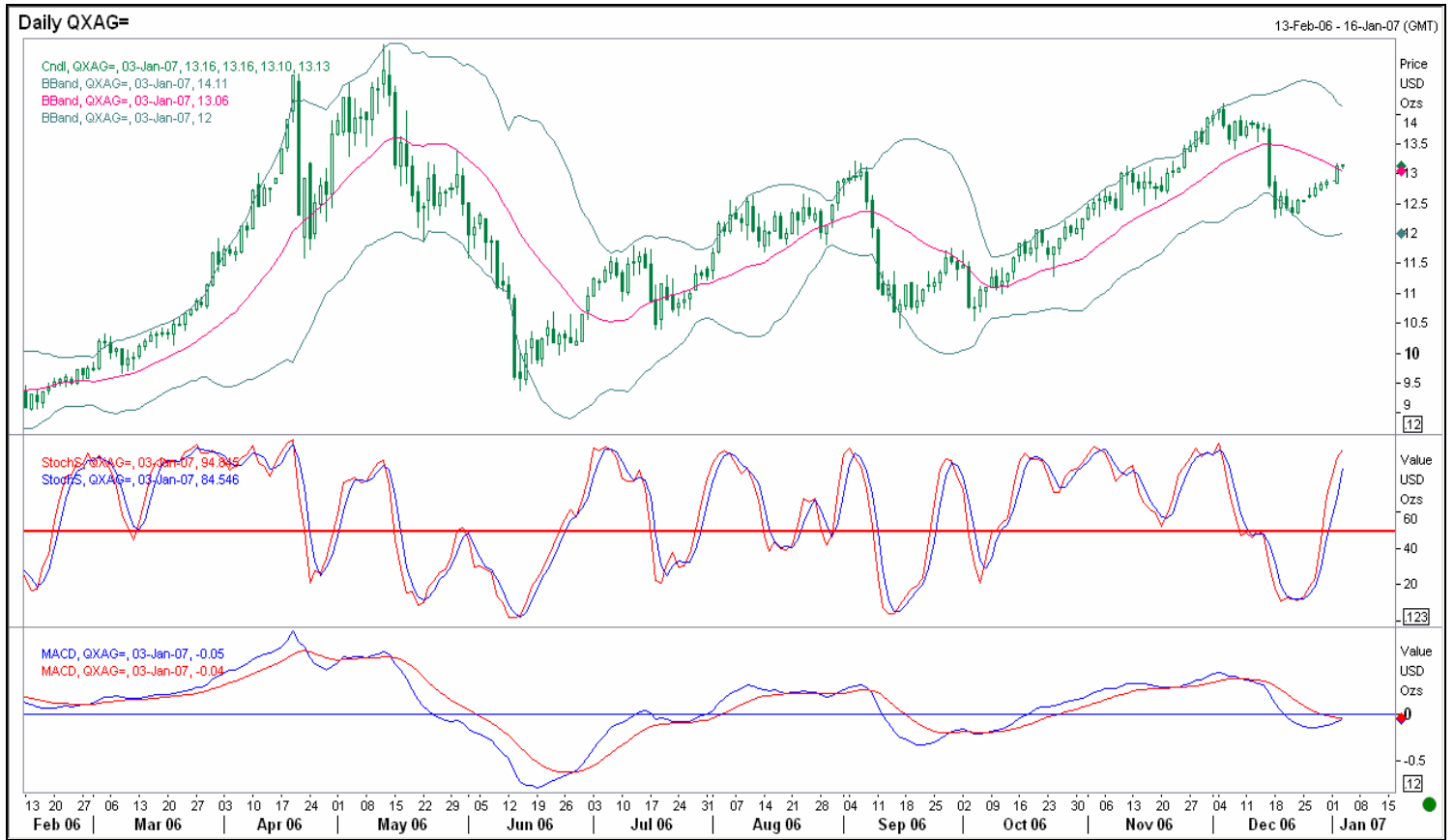
## Technical Commentary

- Gold – After breaking its resistance of \$628 last week, Gold managed to advance higher to \$640.80 with the upper Bollinger band acting as a resistance at \$642. With Bollinger band showing sign of convergence, Gold might be trading in congestion this week. Stochastics is currently above 70 suggesting overbought condition and prices might retrace to its 21-day moving average support at \$627. A break of Gold's resistance at \$642 will put Gold back on its upward trending mode with its MACD crossing higher the zero-line.
- Silver – Silver managed to trade above its 21-day period moving average at \$13.06 and closed at \$13.14 yesterday. However, its moving average is still pointing on the downside and Stochastics at an overbought position, might suggest a potential risk for Silver to dip back below the \$13 level in the near term. If Silver is able to close with a gain this week, MACD will crossover its signal line indicating a buying signal for moving average players.

## Daily Gold Chart



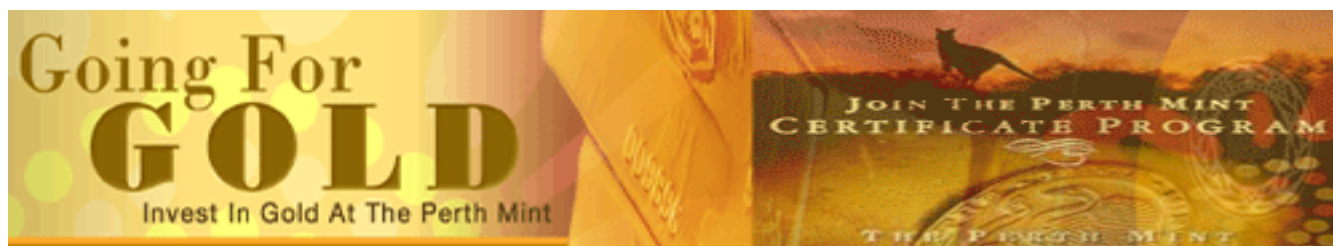
## Daily Silver Chart



## U.S. Economic Data Calendar

EVENT	REPORTING PERIOD	FORECAST	DATE
FOMC Minutes	Dec 12	-	03 Jan 2007, Wed
Non-Farm Payrolls	Dec 2006	+110k	05 Jan 2007, Fri
Unemployment Rate	Dec 2006	4.5%	05 Jan 2007, Fri

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#### **For Your Precious Metals Investment Needs, Please Contact Us At:**

**Phone:** (+65) 6536-7113 or (+65) 6531-5422

**Fax:** (+65) 6538-2190

**William Kwan**  
Assistant Bullion Dealer  
[williamkwanwy@phillip.com.sg](mailto:williamkwanwy@phillip.com.sg)

**Victoria Koh**  
Bullion Dealer  
[victoriakohcy@phillip.com.sg](mailto:victoriakohcy@phillip.com.sg)

**Loh Mun Chun**  
Bullion Trading Manager  
[mcloh@phillip.com.sg](mailto:mcloh@phillip.com.sg)

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