

Gold Spot

- Following the conclusion of FOMC meeting yesterday, gold prices clicked into high gear and surged by US\$44.89 as the Fed targeted near zero interest rates till 2014.
- From a technical perspective, gold Stochastic Oscillator has once again generated a buy signal while the RSI has also shown a marked improvement.
- The first support is at \$1,697.84 and second support is at \$1,681.05. The first resistance is at \$1,722.13 and the second resistance is at \$1,737.14.



Gold breaks the US\$1,700/oz mark

(Bloomberg, Reuters)

Spot gold registered a huge jump of 2.7% rising above US\$1,700/oz after the Fed concluded its two-day FOMC meeting and pledged to keep interest rates near zero till at least 2014. The Fed Chairman was quick to point out however that the economy was still in a slippery phase and significant downside risks existed particularly from Europe's debt woes. Investors flocked to the precious metal as the prospect of low interest rates gradually erodes the purchasing power of currencies and simultaneously provides fuel for commodity prices to rally. Stock markets also registered a decent performance (Dow Jones +0.6%, S&P +0.9%) as strong corporate earnings improved investor risk appetite. In an unprecedented step towards greater transparency, the Fed also announced that it was adopting an inflation target at 2%, and also released individual policymakers' forecasts for the federal funds rate. However the Central Bank did not rule out the possibility of additional asset purchases thereby keeping the option on the table if the need arises.

Technical Strategy: Buy on Weakness

Gold recovered from its day's low taking to a sharp uptrend to close well positive. Moreover it has broken above the 100-DMA as well as its recent double top at its critical resistance of \$1,681.10. The Stochastic Oscillator has once again generated a buy signal while the RSI has also shown a marked improvement. The first support is at \$1,697.84 and second support is at \$1,681.05. The first resistance is at \$1,722.13 and the second resistance is at \$1,737.14.

Refer to important disclosures on page 5

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Gold: Key Highlights

US\$/oz.	25-Jan	Change
Open	1665.20	-0.48
High	1712.85	47.17
Low	1649.25	-16.43
Close	1710.57	44.89

Source: Bloomberg

Key Technical Indicators

Date	25-Jan	24-Jan	Change
30-DMA	1621.20	1619.73	1.47
50-DMA	1660.37	1661.77	-1.40
200DMA	1644.75	1643.68	1.08
9-D RSI	75.08	61.88	13.20
14-D RSI	66.23	56.65	9.58
25-D RSI	57.02	51.48	5.54
SO*- %K	84.62	79.90	4.72
SO*- %D	82.93	81.96	0.96
SO View	Buy	Sell	

Source: KASB Technical Research

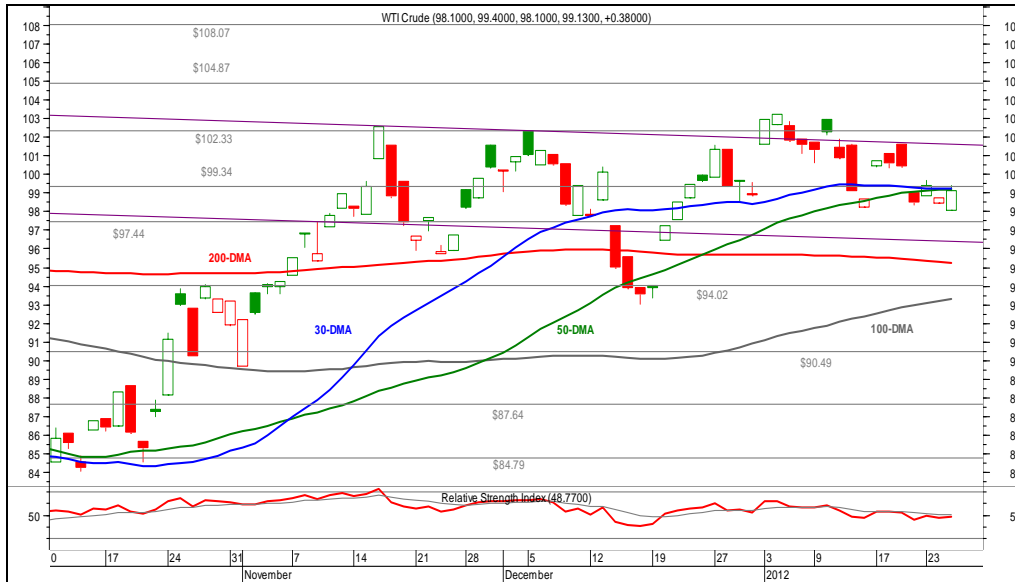
Synopsis

Commodity	Recommendation
Gold	Buy on Weakness
WTI	Buy
Silver	Buy on Weakness

Source: KASB Technical Research

WTI Spot (Crude Oil)

- Despite encountering some pressure earlier on, WTI rounded off the session 0.4% in the green as equities and commodities rallied after the Fed vowed to retain the low interest rate environment till 2014.
- From a technical perspective, WTI's Stochastic Oscillator has improved after testing its oversold region and is about to generate a buy signal.
- The first support is at \$98.41 and second support is at \$97.60. The first resistance is at \$99.90 and the second resistance is at \$100.70.



Oil boosted by additional relaxation by the Fed (Bloomberg, Reuters)

Earlier on, crude prices were suppressed by a buildup in stockpiles of 3.6mn barrels that exceeded market estimates of +0.9mn barrels. However after the release of the FOMC Statement, WTI recouped the losses and entered green territory as investors welcomed the Central Bank's move to keep interest rates near zero till 2014. This was a changed stance from previous policy meetings where the Fed had provided the interest rate time-frame till mid-2013. Hence this time around, the time horizon was extended for another 12 months. Yesterday the IMF also cautioned that international crude prices could spike as much as 30% if a European ban on crude oil imports from Iran was not offset by increased supplies from other nations.

Technical Strategy: Buy

WTI recovered from its day's low to close marginally positive. The Stochastic Oscillator has improved after testing its oversold region and is about to generate a buy signal. Moreover the RSI has ticked up and is about to generate a buy signal. The first support is at \$98.41 and second support is at \$97.60. The first resistance is at \$99.90 and the second resistance is at \$100.70.

WTI: Key Highlights

US\$/bbl	25-Jan	Change
Open	98.10	-0.65
High	99.40	0.65
Low	98.10	-0.65
Close	99.13	0.38

Source: Bloomberg

Key Technical Indicators

Date	25-Jan	24-Jan	Change
30-DMA	99.25	99.26	-0.01
50-DMA	99.20	99.17	0.03
200DMA	95.24	95.31	-0.07
9-D RSI	46.14	43.71	2.42
14-D RSI	48.77	47.45	1.32
25-D RSI	51.56	50.94	0.61
SO* - %K	24.93	16.84	8.09
SO* - %D	25.22	31.84	-6.62
SO View	Sell	Sell	

Source: KASB Technical Research

Silver Spot

- Silver was also a beneficiary of the metal's rally advancing by 3.5% and outperforming its yellow peer.
- From a technical perspective, silver's MACD and RSI retain their respective uptrend as well as buy signals thus suggesting an overall bullish trend.
- The first support is at \$32.71 and second support at \$31.99. The first resistance is at \$33.87 and the second resistance is at \$34.59.



Silver surges ahead by 3.5%

(Bloomberg, Reuters)

Silver was also a beneficiary of the metal's rally advancing by 3.5% and outperforming its yellow peer by 0.8%. Today's agenda includes critical macro data points such as 1) Weekly Initial Claims (exp 371k); 2) Core Durable Goods orders (exp 0.9% MoM); and 3) New Home Sales (exp 321k). Besides the above, the World Economic Forum is in progress in Davos, Switzerland and sessions are expected to continue till Saturday (Jan 28). Hence investors will likely keep a tab on developments on that front as well.

Technical Strategy: Buy on Weakness

Silver recovered from its day's low and witnessed a substantial rise to close above its recent double top as well as the 100-DMA. This translates into a breakout. The Stochastic Oscillator is in a failure swing while the MACD and RSI retain their respective uptrend as well as buy signals thus suggesting an overall bullish trend. The first support is at \$32.71 and second support at \$31.99. The first resistance is at \$33.87 and the second resistance is at \$34.59.

Silver prices (Spot)

US\$/oz.	25-Jan	Change
Open	32.07	0.01
High	33.43	1.37
Low	31.55	-0.51
Close	33.18	1.12

Source: Bloomberg

Key Technical Indicators

Date	25-Jan	24-Jan	Change
30-DMA	29.76	29.70	0.06
50-DMA	30.78	30.80	-0.02
200DMA	35.70	35.75	-0.05
9-D RSI	76.56	69.71	6.85
14-D RSI	67.51	62.05	5.46
25-D RSI	57.53	54.04	3.49
SO* - %K	84.31	86.34	-2.03
SO* - %D	86.89	89.54	-2.64
SO View	Sell	Sell	

Source: KASB Technical Research


Economic Calendar

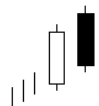
Date & Time (PST)	Currency	Impact	Event	Forecast	Previous
26 January, 2012 Thursday					
12:00pm	EUR	Medium	GfK German Consumer Climate	5.6	5.6
Day 2	ALL	High	World Economic Forum Annual Meetings	-	-
6:30pm	USD	High	Core Durable Goods Orders m/m	0.9%	0.3%
6:30pm	USD	High	Unemployment Claims	371k	352k
8:00pm	USD	High	New Home Sales	321k	315k
27 January, 2012 Friday					
Day 3	ALL	High	World Economic Forum Annual Meetings	-	-
3:30pm	CHF	High	KOF Economic Barometer	-0.06	0.01
6:30pm	USD	High	Advance GDP q/q	3.1%	1.8%
7:55pm	USD	Medium	Revised UoM Consumer Sentiment	74.2	74.0


Source: www.forexfactory.com/calendar


Glossary of Terms


- Doji Star:** a *Spinning Top* which gaps above or below the previous candle. It is a reversal signal, which requires a confirmation from the next candle. If the Doji star gaps above the previous green candle, it is a bearish signal indicating a top and vice versa.

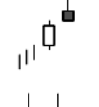

- Dark Cloud Cover:** A long white candlestick is followed by a black candlestick. The black candlestick opens above the white candlestick's high and closes well into the white candlestick's body.

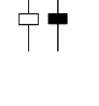

- Inverted Hammer:** A candlestick with a long upper shadow and a small body formed in a downtrend. The long upper shadow and small real body at the bottom of the trading range are cause for concern by the bears. They wonder if this is the end of the downtrend and take measures to protect their gains. If the next day opens above the body of the Inverted Hammer, then expectations could be for shorts to cover and propel a reversal rally.


- Bullish Piercing Line:** A bottom reversal signal. A red candlestick followed by a green candlestick that opens lower than the red candlestick's low, but closes more than halfway into the red body. The gap down on the 2nd day perpetuates the downtrend. However, the 2nd day's close is above the midpoint of the 1st day's body. This suggests to the bears that a bottom could be forming. The more penetration of the close on the 2nd day to the 1st day's body, the stronger the reversal signal.


- Hanging Man:** A small body (white or black) near the high with a long lower shadow with little or no upper shadow. The lower shadow should be two or three times the height of the body. It is a bearish formation during an uptrend.


- Shooting Star:** A single day pattern that can appear in an uptrend. It opens higher, trades much higher, and then closes near its open. It looks just like the Inverted Hammer except that it is bearish.


- Spinning Top:** a candle with a small gap, negative or positive, between the open and close. Spinning tops usually indicate a trend reversal, but require a confirmation from the next candle. If they are formed at the peak of a rally, they usually indicate a top and vice versa.


- Engulfing Bearish Formation:** A small green candle followed by and contained within a large red candle. This is usually an indication of a top.
- Engulfing Bullish Formation:** A small red body followed by and contained within a large green body.
- Bullish Divergence:** occurs when prices reach a new low but an oscillator or RSI reaches a higher bottom than it reached during its previous decline. This is known as a Class A bullish divergences. Class A bullish divergences are often the best signals of an impending sharp rally.
- Relative Strength Index (RSI):** The Relative Strength Index (RSI) is a popular oscillator used by traders. The name "Relative Strength Index" is slightly misleading as the RSI does not compare the relative strength of two securities, but rather the internal strength of a single security. A more appropriate name might be "Internal Strength Index." The RSI is a fairly simple formula, but is difficult to explain without pages of examples.
- The Moving Average Convergence/Divergence indicator (MACD):** is calculated by subtracting 26-period exponential moving average from 12-period exponential moving average. A 9-period dotted exponential moving average (the "signal line") is automatically displayed on top of the MACD indicator line.
- The Stochastic Oscillator:** is based on stochastic mathematics. It compares where a security's price closed relative to its trading range over the last x-time periods. The Stochastic Oscillator always ranges between 0% and 100%. A reading of 0% shows that the security's close was the lowest price that the security has traded during the preceding x-time periods. A reading of 100% shows that the security's close was the highest price that the security has traded during the preceding x-time periods. The Stochastic Oscillator indicates an oversold state below 20% and an overbought state above 80%.

- **Bollinger Bands:** is a type of envelope developed by John Bollinger. Bollinger Bands are plotted at standard deviation levels above and below a moving average. The moving average generally taken is a 20-DMA, while the standard deviation count is 2. This is a very good to gauge both the general direction and the volatility.

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