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## Precious Metals

August 25, 2008

Commodity	Open	High	Low	Close	Change
Gold Oct \$	841.1	843.6	826.1	829.0	-12.7
Gold Loco \$	834.70	837.95	820.85	822.70	-13.25
Gold Oct Rs.	11850	11850	11621	11707	-116
Silver Sep \$	13.86	13.93	13.29	13.34	-0.495
Silver Loco \$	13.80	13.95	13.28	13.33	-0.49
Silver Sep Rs.	20550	20590	19826	20116	-325
Platinum Oct \$	1456.2	1486.6	1415.6	1441.2	-17.6
EURO/\$	1.4894	1.4900	1.4756	1.4789	-0.0104
Rupee/\$	43.49	43.55	43.29	43.42	-0.11
Yen/\$	108.46	110.13	108.40	110.09	+1.64
US \$ Index	76.09	76.87	76.09	76.75	+0.55

### MAJOR HIGHLIGHTS

- Bullion jumped 4.5 percent last week, the biggest weekly gain in six months.
- Crude oil dropped by more than \$6 a barrel on Aug. 22, the most in percentage terms for more than three years.

### TECHNICAL ANALYSIS



### MARKET ANALYSIS

Last week, bullion prices recovered from their previous week's lows as short-covering, along with selling pressure in the \$ supported bullion prices. Crude prices closed flat for the past week as prices were unable to sustain around \$122 levels. Spot Gold prices took support around its 100-week moving average (\$779) levels whereas Spot Silver found support around its 200-week moving average (\$12.40).

The Dollar Index (DI) which tracks the performance of the \$ against a basket of currencies closed lower last week at 76.81, after witnessing a spectacular rally over the past 5 consecutive weeks, gaining almost 7%. The DI has closed above its 65-week EMA (76.27) but is trading below its 100-week EMA (78.15). The daily as well as the weekly trend for the Dollar Index remains up with 14-Day RSI currently at 72 levels.

Crude prices continue to trade sideways prices being currently supported around \$110-\$111 mark, its 200-Day EMA.

### OUTLOOK

Bullion prices are presently trading sideways with the short-term trend remaining flat. The Intermediate trend continues to remain down for both Gold & Silver with the 100-week support for Spot Gold at \$779 & 200-week support for Spot Silver at \$12.40 to act as crucial support levels.

The bullion prices are currently deriving its cues from the dollar & crude movement. The Existing Home Sales data to be released this evening will impact the \$ and likewise gold prices for today. On the physical market side, the earlier high gold prices had led to sharp reduction in demand which now appears to be picking up as prices have corrected by almost 16% from its all time highs. We further anticipate an increase in physical demand from August onwards.

Spot Gold has resistance at \$827/\$833 levels whereas support is seen at \$816/\$810 levels. Spot Silver prices shall find support at \$13.09/\$12.84 levels whereas resistance is seen at \$13.52/\$13.76 levels.

MCX October Gold has support at 11620/11500 whereas resistance is seen at 11730/11855 levels. MCX September Silver shall find support at 19764/19400 whereas resistance is seen at 20210/20530 levels.



## Base Metals

August 25, 2008

Commodity	Open	High	Low	Close	Change
LME Copper	7835	7875	7660	7660	-180
LME Zinc	1860	1860	1800	1805	-40
LME Nickel	21200	21400	20575	20750	-345
LME Lead	1885	1920	1840	1865	-35
LME Alum	2840	2850	2770	2783	-62
LME Tin	21650	21650	21000	21050	-500
COM Copper	3.5085	3.5085	3.5085	3.5085	-0.0525
MCX Copper	338.25	340.50	329.80	332.25	-6.4
MCX Zinc	80.15	80.60	78.15	79.00	-1.3
MCX Nickel	918.60	934.50	894.00	903.40	-21.1
MCX Lead	83.50	84.75	80.40	82.50	-1.55
MCX Alum	121.30	122.30	118.00	119.25	-2.05
MCX Tin	870.00	870.00	870.00	870.00	+33.5

LME Stocks	Close	Previous	Change
Copper	163,800	156,525	7,275
Aluminum	1,165,250	1,164,500	750
Nickel	46,830	46,332	498
Zinc	162,900	163,225	(325)
Lead	88,050	91,375	(3,325)
Tin	5,785	5,415	370

### MARKET ANALYSIS

The base metals pack ended in the negative territory on Friday on the back of a decline in crude oil prices and profit-booking at higher levels. In the last week, the base metals pack has been affected mainly by the US Dollar Index. Despite of a rise in LME inventories, metals like Copper, Aluminum and Nickel jumped sharply during the week. The weakening of the US Dollar Index by 0.5% in the last week made base metals look attractive for holders of other currencies. However, base metals lost momentum on Friday on the back of a holiday ahead on Monday on the LME which triggered profit-booking.

Copper prices touched a high of \$7,875 on Friday but eventually weakened and closed 2.3% lower against Thursday's close. LME inventories for copper jumped a whopping 7,275 tonnes and pulled the metal lower. Aluminum prices also declined as crude oil prices fell, easing concerns over production of primary aluminum. Lead prices fell despite of a tremendous decline in LME inventories by 3,325 tonnes. This factor could not provide support as the overall momentum in base metals became weak.

On the macroeconomic front, concerns over economic uncertainty raised by the Federal Reserve Chairman Ben Bernanke led to weakening in prices. Ben Bernanke said that inflationary pressures could slow down due to a decline in commodity prices and weak economic growth, which would mean lower demand. Markets reacted to this statement and pulled base metals lower. Another statement by investment guru Warren Buffet raised worries over the financial health of the US economy as he said that the US was still in a recession and the situation was unlikely to improve before 2009.

### OUTLOOK

Copper prices could trade higher as we expect physical buying and industrial activity in China to pick up post the completion of Olympics held in Beijing. Copper prices are looking attractive at these levels for physical buying. Since industrial activities in China will resume operations, we expect re-stocking in metals to take place. This factor will provide support to prices and pull copper back from the weak territory. However, copper faces major pressure around \$8,100 levels on the LME and Rs. 355 levels on the MCX. Since copper inventories are on the rise this uptrend in copper prices could be followed by a bout of profit-booking. Aluminum prices are expected to face pressure on the downside as crude oil prices remain volatile.

LME markets are closed on Monday as it is a UK holiday. LME operations will resume on Tuesday. In the coming week, we expect base metal prices to trade on a volatile note. Currency movement will play a crucial role in price determination. Markets await a host of US economic data in the coming week and this will impact the dollar movement to a large extent. Renewed physical buying interest from China is expected to boost base metal prices and provide a cushion to the downside. However, since the recent rally in metals was not on the back of fundamental factors, we foresee profit-booking at higher levels.

On the macroeconomic front, the US is expected to announce data on *existing home sales* today. This data is expected to improve slightly to 4.90M for the month of July from the prior 4.86M. This positive data could boost the US Dollar and pull the base metals lower as a stronger dollar makes base metals look expensive for holders of other currencies.

## TECHNICAL ANALYSIS



### Copper

Copper prices displayed strength last week with LME last trading at \$7660. Prices on LME shall find strong support at \$7300/7100 & resistance at \$7880.

MCX Aug contract shall find immediate support at Rs.329 level. Further below, support is seen at 323 levels. Whereas resistance is seen at Rs.335.6 levels & further upwards at 337.8.



### Zinc

Zinc prices are also witnessing a down-trend with prices likely to find strong support at \$1730/\$1600 levels on LME whereas resistance is seen at \$1875/\$1980 levels.

Immediate support is seen at 77.90 levels for MCX Aug contract whereas crucial support is seen 76.50 levels. Short-term resistance is seen at 80.35 whereas major resistance is seen at 81.75.

## ECONOMIC CALENDAR

Date	IST	Country	Indicator	For	Forecast	Actual	Prior
25-Aug	19.30	US	Existing Home Sales	Jul	4.90M		4.86M
26-Aug	19.30	US	Consumer Confidence	Aug	53		51.9
26-Aug	19.30	US	New Home Sales	Jul	523K		530K
26-Aug	23.30	US	FOMC Minutes	5-Aug			
27-Aug	18.00	US	Durable Orders	Jul	0.10%		0.80%
28-Aug	18.00	US	Chain Deflator-Prel.	Q2	NA		1.10%
28-Aug	18.00	US	GDP-Prel.	Q2	2.70%		1.90%
28-Aug	18.00	US	Initial Claims	23-Aug	NA		432K
29-Aug	18.00	US	Personal Income	Jul	-0.10%		0.10%
29-Aug	18.00	US	Personal Spending	Jul	0.30%		0.60%
29-Aug	19.15	US	Chicago PMI	Aug	49.9		50.8
29-Aug	19.30	US	Mich Sentiment-Rev.	Aug	62.3		NA



## Energy

August 25, 2008

Commodity	Open	High	Low	Close	Change
<b>NYMEX Crude Oct</b>	121.55	121.86	114.18	114.78	-6.83
<b>MCX Crude September</b>	5276	5276	5045	5071	-184
<b>NYMEX Nat Gas Sept</b>	8.291	8.340	7.768	7.820	-0.461
<b>MCX Nat Gas Sept</b>	364.0	366.90	344.70	346.20	-16.9

## MARKET ANALYSIS

Crude oil dropped by more than \$6 a barrel on Aug. 22, the most in percentage terms for more than three years. Looking back at the past week, NYMEX crude oil futures displayed sideways movement with prices losing \$0.64 over the previous week's close.

Prices witnessed a sharp rise on last Thursday, gaining \$5.76 but the next day, i.e. Friday, 22<sup>nd</sup> Aug, prices collapsed sharply, losing \$6.83 during the day, being an extremely volatile trading session.

Nymex October Natural Gas futures appear to be finding support around \$7.80 levels after witnessing an extremely sharp fall in prices. On the upside, resistance is seen at \$8.50 levels.

## MAJOR HIGHLIGHTS

Hedge-fund managers and other large speculators reversed from a net-short position to a net-long position in New York crude-oil futures in the week ended Aug. 19, according to U.S. Commodity Futures Trading Commission data.

OPEC's oil supply will probably increase in August by 400,000 barrels a day, or 1.2 percent, as Iran releases crude held in storage, according to preliminary estimates from PetroLogistics Ltd.

The Baku-Tbilisi-Ceyhan pipeline, which moves oil from Azerbaijan through Georgia to Turkey's Mediterranean coast, may resume full operations within days after a fire halted exports, a BP spokeswoman said Aug. 23.

## TECHNICAL ANALYSIS



Daily MACD Histogram is in positive territory for past 4 trading sessions with prices closing below all its major moving averages except its 200-Day MA (\$111.22) which shall provide key support. MCX Sep contract shall find immediate and crucial supports at Rs. 4970/4900 and resistance is seen at Rs.5070/5130.

## OUTLOOK

Crude prices continue to be supported around its 200-Day EMA (\$111.22) levels as prices have been unable to close below it. The short-term trend remains flat whereas the Intermediate term trend remains down. As long as prices are trading above its 200-Day Moving Average, we can expect some buying to come around \$112-\$113 levels.

It has been reported that the number of Americans traveling more than 50 miles (80 kilometers) from home over Labor Day, the holiday that marks the end of the U.S. summer driving season, will fall by 0.9 percent from last year, AAA said in a statement last Friday indicating that demand appears to be tapering off in US. But at the same time, with the Olympic games over in Beijing, demand could rebound after the temporary measures to curb pollution are lifted as per the IEA.

We expect prices to remain range-bound as prices have been trading in a \$111-\$122 band for the past 14 successive trading sessions.

Nymex September Crude shall find support at \$112.65/\$110 levels whereas resistance is seen at \$116.95/\$119.75 levels.