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Content

Precious Metal

Base Metal

Energy

Angel Commodities

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Precious Metals

August 27, 2008

Commodity	Open	High	Low	Close	Change
Gold Oct \$	827.6	836	812	829.3	+1.6
Gold Loco \$	821.60	830.60	806.60	821.0	-0.6
Gold Oct Rs.	11749	11810	11593	11761	+39
Silver Sep \$	13.47	13.725	12.960	13.570	+0.095
Silver Loco \$	13.48	13.73	12.96	13.58	+0.12
Silver Sep Rs.	20248	20409	19840	20332	+147
Platinum Oct \$	1433	1452.9	1411.1	1421.1	-13.9
EURO/\$	1.4753	1.4760	1.4568	1.4642	-0.011
Rupee/\$	43.94	44.14	43.75	43.75	-0.03
Yen/\$	109.32	109.93	109.12	109.63	+0.34
US \$ Index	76.81	77.62	76.78	77.25	+0.46

MARKET ANALYSIS

Gold prices bounced back from its yesterday's low to close marginally higher, gaining almost 1.78% from its intraday low as the rally in crude oil prices support precious metals.

In the first half of yesterday's session, precious metal prices had declined after the USD scaled six-month peak against the Euro. Weak euro zone data weighed on euro. Euro traded below 1.46 against dollar for the first time after 14th February, this year.

In energy market, Crude Oil prices gained on account of fear of supply concern due to the approaching hurricane Gustav. NYMEX Oil futures closed at \$116.06, up by \$0.6.

In other metals, Silver followed suit, as prices closed at \$13.58, up by 0.89%. Platinum prices closed lower, on account of profit booking and weak fundamentals. NYMEX October Platinum futures closed at \$1421.1, down by 0.98%.

MAJOR HIGHLIGHTS

- According to FOMC minutes, Fed does not see rebound in economy until mid 2009 with Core inflation expected to edge up in the second half of this year.
- The Ifo research institute of Germany, said its August business climate index fell to 94.8 from 97.5 in July, declining for a third month in a row and dropping below analysts' forecasts of a decline to 97.2.
- U.S. consumer confidence rose in August for a second month to 56.9, beating the forecast of 53, as per data released yesterday.

OUTLOOK

Gold prices are going through consolidation phase. Bullion prices are determined by movement in dollar and oil prices. Strong oil prices are likely to lend support to gold prices. Spot gold prices can have good psychological support at \$800 in the near term. On macro economic front, today we have US durable goods order data.

Physical demand from India is expected to rise in coming months and already there is shortage of stocks in the market. This indicates that in coming months, we can witness higher gold and silver prices. We maintained our bearish outlook on Platinum for coming weeks amidst falling demand from auto sector.

Spot Gold has support at \$808.20/\$795.40 levels whereas resistance is seen at \$832.20/\$843.40 levels. Spot Silver prices shall find support at \$13.11/\$12.65 levels whereas resistance is seen at \$13.88/\$14.19 levels.

MCX October Gold has support at 11720/11630 whereas resistance is seen at 11840/11935 levels. MCX September Silver shall find support at 20190/19970 whereas resistance is seen at 20540/2760 levels.

TECHNICAL ANALYSIS





Base Metals

August 27, 2008

Commodity	Open	High	Low	Close	Change
LME Copper	7700	7740	7475	7560	-150
LME Zinc	1810	1810	1740	1765	-40
LME Nickel	20700	20700	19800	19990	-760
LME Lead	1900	1910	1810	1850	-15
LME Alum	2785	2800	2740	2775	-13
LME Tin	21000	21100	20350	20500	-550
COM Copper	3.5025	3.5025	3.4785	3.4785	-0.0405
MCX Copper	338.50	338.65	328.60	332.15	-4.9
MCX Zinc	79.40	79.90	76.40	77.35	-2.25
MCX Nickel	920.00	922.50	865.80	877.80	-40.1
MCX Lead	84.00	84.80	79.85	81.65	-1.95
MCX Alum	121.00	121.50	118.50	119.55	-0.1
MCX Tin	941.00	941.00	941.00	941.00	+36.25

LME Stocks	Close	Previous	Change
Copper	166,900	163,800	3,100
Aluminum	1,164,725	1,165,250	(525)
Nickel	47,094	46,830	264
Zinc	162,525	162,900	(375)
Lead	86,425	88,050	(1,625)
Tin	5,950	5,785	165

MARKET ANALYSIS

The base metals pack traded on a weak note on Tuesday and moved on the back of the currency market and prices of precious metals. Currently, the base metals market is directionless as it is tracking a variety of factors. Sometimes, it is the currency market and the other times it is the trend in crude oil that is affecting base metals. Also, speculative fund flows are dominating the base metals complex again as direction is not clear.

Copper prices fell sharply yesterday on the back of a substantial rise in LME inventories by 3,100 tonnes to 166,900 tonnes. However, the metal has managed to trade above \$7,200 levels in times of rising inventories coupled with a slowdown in demand. All the base metals ended in the negative territory as factors to support prices on the higher side were neutral. Aluminum prices succumbed to profit-booking despite of falling LME inventories and rising crude oil prices. The overall complex was trading lower weak as sentiments over financial health of the US were weak.

On the macroeconomic front, the FOMC minutes indicated that the economic situation in the US was not expected to improve until the mid of 2009. However, the US Dollar strengthened as data suggested that there was a definite slowdown in the Eurozone and this pushed the dollar higher. Consumer confidence for the month of August jumped more than expected to 56.9 on the back of cheaper gasoline prices. New home sales for the US improved in July from a 17-year low, boosting the US Dollar and sending base metal prices lower as a stronger dollar makes base metals look expensive for holders of other currencies.

OUTLOOK

The base metals pack is currently reacting to the currency markets and macroeconomic aspects. The US Dollar is having a major impact on prices as a weakness in the dollar in the last week pushed metals higher. Though there are other factors that could impact prices, the dollar is playing an influential role on the base metals market.

In today's trade we could witness a weakness in the US Dollar as crude oil prices are showing an upward trend. Hence, a rise in crude oil prices could pull the dollar in the weaker territory and make base metals look attractive for holders of other currencies from a trading perspective. This could push base metal prices higher today. However, this we feel is totally dependent on the dollar movement.

On the macroeconomic front, the US is expected to announce data on *durable orders* today. Orders for durable goods is expected to stall in July as rising raw material costs and slowdown in sales have prompted companies to limit spending. This data could weaken the US dollar and hence push base metals higher.



TECHNICAL ANALYSIS



Copper

LME copper prices are expected to trade sideways down. Prices on LME shall find strong support at \$7450/7320 & resistance at \$7705/7856.

MCX Aug contract shall find immediate resistance at Rs.337.40 level. Further above, resistance is seen at 343.05 levels. Whereas support is seen at Rs.327.80 levels & further below at 324.30.

Zinc

Zinc prices are looking sideways, with prices likely to find strong support at \$1745-1690 levels and resistance is seen at \$1805-1840 on LME.

Immediate support is seen at Rs.75.95 levels for MCX Aug contract whereas crucial support is seen Rs.74.60 levels. Short-term resistance is seen at Rs.79.30 whereas major resistance is seen at Rs.81.40.

ECONOMIC CALENDAR

Date	IST	Country	Indicator	For	Forecast	Actual	Previous
25-Aug	19.30	US	Existing Home Sales	Jul	4.90M	5.0M	4.86M
26-Aug	19.30	US	Consumer Confidence	Aug	53	56.9	51.9
26-Aug	19.30	US	New Home Sales	Jul	523K	515K	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 27, 2008

Commodity	Open	High	Low	Close	Change
NYMEX Crude Oct	115.44	117.89	112.36	116.06	+0.6
MCX Crude September	5045	5162	4956	5104	+82
NYMEX Nat Gas Sept	8.295	8.345	8.220	8.278	+0.453
MCX Nat Gas Sept	352	371.7	352	370.50	+24.5

MARKET ANALYSIS

Crude Oil prices ended higher yesterday, on concerns that Hurricane *Gustav* will threaten oil production in the Gulf of Mexico. Upside in oil was curbed, after U.S. energy department reported weaker demand for the month of June. NYMEX October oil futures made a low of \$112.36, before ending at \$116.06, up by 0.51%.

Further support for prices came from escalating tensions between the West and Russia over Georgia. Russia recognized two rebel regions of Georgia South Ossetia and Abkhazia as independent states on Tuesday, putting Moscow on a collision course with the West.

Nymex Natural Gas ended with strong gains on Tuesday, as concerns that Hurricane Gustav could threaten Gulf Coast gas production outweighed mild U.S. weather this week and estimates for another big weekly inventory build Thursday.

MAJOR HIGHLIGHTS

- Hurricane *Gustav* turned into category 1 hurricane on Tuesday, with a wind speed of above 75 miles/hr.
- According to Reuters poll, U.S. inventory data due today, will show a 1 million barrel build in crude stocks, a 500,000 barrel build in distillate stocks, and a 2.9 million barrel draw in gasoline inventories.
- U.S. oil demand for June was 19.553 mbbbl, down by 5.6 percent from a year ago, the U.S. Energy Information Administration reported on Tuesday.

TECHNICAL ANALYSIS



For Crude Oil, 200DMA is acting as a strong support, as prices have not closed below that level. If price manage to close above \$117 (10EMA), then we could be heading towards \$122 in the short term. On intraday basis, Nymex September Crude shall find support at \$112.98/\$110.10 levels whereas resistance is seen at \$118.50/\$120.95 levels.

OUTLOOK

It is anticipated that hurricane Gustav could strengthen into category 3 hurricane by Saturday and can enter in the Gulf of Mexico. Crude Oil prices can remain highly volatile, unless the storm "Gustav" does real damage to oil producing regions in Gulf of Mexico. Today, traders will also have to watch out for oil inventory data, which is expected to show fifth consecutive fall in gasoline inventory.

Oil prices have taken good support at \$110/barrel, as rising geopolitical worries between Russia and West is lending support to the prices. Normally high volatility is a sign of prices are trying to bottoming out. Oil prices are likely to trade in the range of \$110 - \$122 a barrel in the short term.

MCX September contract shall find immediate and crucial supports at Rs.5070/4970 and resistance is seen at Rs.5190/5280.

Natural Gas prices are expected to remain sluggish amidst weak fundamentals. NYMEX September gas futures have key support at \$7.70 and resistance at \$8.50.