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For Intl. Commodities Research Queries, please contact the following:

Amar Singh	Head Commodity Research	(022)-40358638	amar.singh@angeltrade.com
Mandar Pote	Research Analyst(Bullion & Energy)	(022)-40358633	mandar.pote@angeltrade.com
Reena Walia	Research Analyst(Base Metals)	(022)-40358632	reena.walia@angeltrade.com



Precious Metals

August 28, 2008

Commodity	Open	High	Low	Close	Change
Gold Oct \$	823.5	837.4	823.5	828.6	+3.8
Gold Loco \$	823.55	835.30	821.35	826.85	+5.85
Gold Oct Rs.	11780	11875	11733	11776	+15
Silver Sep \$	13.570	13.850	13.40	13.450	-0.12
Silver Loco \$	13.55	13.87	13.39	13.45	-0.13
Silver Sep Rs.	20380	20476	20193	20246	-86
Platinum Oct \$	1445	1445	1438	1440.7	+19.6
EURO/\$	1.4643	1.4775	1.4631	1.4713	+0.007
Rupee/\$	43.70	43.93	43.63	43.75	0
Yen/\$	109.65	109.89	108.67	109.55	+0.08
US \$ Index	77.29	77.29	76.66	77.17	-0.08

MARKET ANALYSIS

Gold prices ended higher for third consecutive day on Wednesday, lifted by gains in oil prices and weakness in dollar. Gold is often bought Spot gold prices ended at \$826.85, up by 0.71%.

US dollar slipped against euro and yen, as strong oil prices and profit booking by traders at higher levels weighed on dollar. Dollar managed to recover from its intraday low, after US durable goods data increased more than forecast for the month of July.

In energy market, Crude Oil prices continued its rally for third day in a row, on account of fear of supply concern due to the approaching hurricane Gustav. NYMEX Oil futures closed at \$118.15 up by \$1.88.

In other metals, Silver prices fell on account of profit booking in white metal. Silver prices closed at \$13.45, down by \$0.13. Platinum prices closed higher, as traders took advantage of recent fall to buy the white metal. NYMEX October Platinum futures closed at \$1440.1, up by 1.37%.

MAJOR HIGHLIGHTS

- Durable Goods orders for the month of July increased by 1.30% against the forecast of 0.20%, said US commerce Department yesterday.
- US dollar index, which tracks greenback against six major currencies, closed lower at 77.17, down by 0.10%
- Today, US GDP data is expected to show growth rate of 2.70% for Q2 as compare to 1.90% for Q1.

TECHNICAL ANALYSIS



OUTLOOK

Gold prices are going through consolidation phase. Prices are likely to trade in the range of \$800 and \$850/oz in the near term. Stronger oil prices support gold, as gold can be bought as a hedge against oil led inflation. On macroeconomic front, if today's US economic data comes better than expected, then we may see strong dollar, which can curb the upside in gold and silver prices.

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 maintain bearish outlook on Platinum for coming weeks amidst falling demand from auto sector.

Spot Gold has support at \$824.30/\$815.40 levels whereas resistance is seen at \$836.10/\$843.70 levels. Spot Silver prices shall find support at \$13.27/\$13.09 levels whereas resistance is seen at \$13.75/\$14.10 levels.

MCX October Gold has support at 11780/11705 whereas resistance is seen at 11886/11950 levels. MCX September Silver shall find support at 20135/20020 whereas resistance is seen at 20420/20590 levels.



Base Metals

August 28, 2008

Commodity	Open	High	Low	Close	Change
LME Copper	7600	7695	7545	7635	+75
LME Zinc	1770	1840	1770	1825	+20
LME Nickel	20100	20800	19985	20750	+760
LME Lead	1865	2060	1860	2055	+205
LME Alum	2780	2790	2765	2770	-5
LME Tin	20650	21050	20350	20450	-50
COM Copper	3.5160	3.5160	3.5075	3.5075	+0.0290
MCX Copper	332.30	337.80	330.50	334.30	+2.15
MCX Zinc	77.50	79.95	76.85	79.45	+2.1
MCX Nickel	877.20	913.60	873.90	906.80	+29
MCX Lead	81.65	90.65	81.30	90.35	+8.7
MCX Alum	119.70	120.25	118.90	119.05	-0.5
MCX Tin	941.00	941.00	941.00	941.00	0

LME Stocks	Close	Previous	Change
Copper	167,850	166,900	950
Aluminum	1,162,525	1,164,725	(2,200)
Nickel	46,890	47,094	(204)
Zinc	161,225	162,525	(1,300)
Lead	83,375	86,425	(3,050)
Tin	5,910	5,950	(40)

MARKET ANALYSIS

The base metals pack jumped sharply on Wednesday on the back of a bout in technical buying backed by the weakness in the dollar, jump in crude oil prices and anticipation about increase in demand from China. Lead emerged as the leader as the metal gained almost 11% in one trading session.

Lead prices gained a whopping 11% yesterday as falling LME inventories provided major support. LME inventories for lead declined 3,050 tonnes and this helped to support prices at higher levels. Technical buying coupled with signs of bright fundamentals pushed the metal even higher. Chinese downstream consumers are more positive towards lead than zinc and hence found a great opportunity to buy at lower levels since the metal had declined sharply. The overall base metals pack except aluminum and tin ended in the positive territory. Recently base metals have been reacting to currency and crude oil price movement. Yesterday's weakness in the dollar coupled with stronger oil prices pushed the complex higher.

On the macroeconomic front, a rise in US durable orders by 1.4% in July came in as a surprise. However, this could not push the dollar higher as stronger crude oil prices weighed on the dollar. The Euro jumped yesterday and this factor also pulled the dollar lower. Weakness in the US Dollar was positive for base metals and this also pushed the metals higher as they looked attractive for holders of other currencies.

OUTLOOK

Lead prices could trade higher in the coming months as strong imports of lead into China are expected to continue in the fourth quarter on the back of growing demand for lead-acid batteries. Depressed exports of the metal will provide support to the metal at higher levels. Copper prices are trading higher on expectations of increased buying from China post the Olympics as industrial activity is expected to re-start. This factor is providing major support to copper in times of rising inventories and overall slowdown in demand.

Base metals are currently reacting to the currency and the oil market. It has been seen that a rise in crude oil prices pushed the base metals higher as it boosts sentiments overall. Whereas, a decline in oil prices pulls the metals lower. This is because rising crude oil prices depress the dollar movement and hence make base metals look attractive, while falling crude oil prices boost the dollar and make base metals look expensive for holders of other currencies.

On the macroeconomic front, the US is expected to announce GDP for Q2 and it is expected to grow at a rate of 2.7%. This gives an indication that global growth is slowing down but not collapsing. Hence, this could provide a boost to the US Dollar and pull base metals lower. However, a lot also depends on crude oil as a rise in oil prices could weaken the dollar. We expect today's trade in base metals to remain volatile.



TECHNICAL ANALYSIS



Copper

LME copper prices are expected to trade sideways up. Prices on LME shall find strong support at \$7625/7555 & resistance at \$7705/7775.

MCX Aug contract shall find immediate support at Rs. 330.60 level. Further above, resistance is seen at 326.90 levels. Whereas resistance is seen at Rs337.90. levels & further below at 3341.50.

Zinc

Zinc prices are looking sideways, with prices likely to find strong support at \$1783-1741 levels and resistance is seen at \$1853-1880 on LME.

Immediate support is seen at Rs.77.55 levels for MCX Aug contract whereas crucial support is seen Rs.75.65 levels. Short-term resistance is seen at Rs.80.65 whereas major resistance is seen at Rs.81.85.

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%	+0.7%	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 28, 2008

Commodity	Open	High	Low	Close	Change
NYMEX Crude Oct	116.04	119.63	115.64	118.15	+1.88
MCX Crude September	5124	5220	5088	5140	+36
NYMEX Nat Gas Sept	8.295	8.777	8.276	8.394	+0.116
MCX Nat Gas Sept	374	385.30	369.50	373.10	+2.6

MARKET ANALYSIS

Crude Oil prices ended higher for third day in a row on Wednesday, as the looming storm *Gustav* raised fear of supply disruption to the production platforms in Gulf of Mexico. Crude Oil prices ended at \$118.15 per barrel, up by 1.61%.

Further support for oil prices came from weekly US government inventory data, which showed drop in crude oil and gasoline stocks. Continued tensions between Russia and the West over Georgia and weaker dollar against major currencies also supported oil prices.

Nymex Natural Gas prices ended higher yesterday, on concern over tropical storm *Gustav*, which could lead to supply disruption. NYMEX September gas futures closed at \$8.394, up by 1.40%.

MAJOR HIGHLIGHTS

- *Gustav* may reach the coast of Louisiana, where U.S. oil and gas offshore platforms and pipelines are most concentrated, said US National Hurricane Center yesterday.
- As per EIA weekly inventory report released yesterday, Crude Oil stocks dropped by 177000 barrels to 305.8mmbbl. Gasoline inventory fell for fifth week in a row, by 1.2mmbbl to 195.4mmbbl. Distillates stocks were unchanged at 132.1mmbbl.
- As per Reuters survey, today's Natural Gas inventory is expected to rise by 84bcf.

TECHNICAL ANALYSIS



Crude Oil prices have taken strong support at \$112 (200DMA). On the higher side prices are likely to face resistance at 122.30 (50DMA). On intraday basis, Nymex September Crude shall find support at \$115.90/\$113.80 levels whereas resistance is seen at \$119.90/\$121.75 levels.

OUTLOOK

Crude Oil prices can remain supported on concern over tropical storm *Gustav*, which is expected to turn into strong hurricane in coming three to four days. It is anticipated that, it could strike some of the oil and gas producing areas of Gulf of Mexico. Crude Oil prices are expected to remain volatile, hence we advise traders to remain cautious.

Traders will be keeping close eye on geopolitical events and hurricane season in US. Normally hurricane season is at its peak during September and October.

MCX September contract shall find immediate and crucial supports at Rs.5070/4970 and resistance is seen at Rs.5220/5285.

Natural gas prices will be supported by speculation that storm *Gustav* will hit Gulf of Mexico by next week. NYMEX September gas futures have key support at \$8.05 and resistance at \$8.75.