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## Precious Metals

August 29, 2008

Commodity	Open	High	Low	Close	Change
Gold Oct \$	829.5	845.7	826.8	835	+6.4
Gold Loco \$	825.50	844	824.95	831.80	+4.95
Gold Oct Rs.	11789	11945	11755	11830	+54
Silver Sep \$	13.495	14.030	13.455	13.655	+0.205
Silver Loco \$	13.49	14.03	13.42	13.66	+0.21
Silver Sep Rs.	20342	20536	20075	20236	-10
Platinum Oct \$	1484.2	1484.2	1484.2	1484.2	+43.5
EURO/\$	1.4753	1.4757	1.4748	1.4755	+0.0004
Rupee/\$	43.65	43.802	43.64	43.73	-0.02
Yen/\$	109.52	109.71	108.76	109.43	-0.12
US \$ Index	77.05	77.31	76.62	77.15	-0.02

### MAJOR HIGHLIGHTS

- U.S. Commerce Department reported yesterday, that the U.S. GDP grew at a 3.3% in the second quarter, the fastest pace since the third quarter of last year.
- US dollar index, which tracks greenback against six major currencies, closed marginally lower at 77.15, down by 0.02%.
- The number of Americans filing Initial Claims for unemployment benefits decreased by 10,000 to 425,000 in the week ended Aug. 23, from a revised 435,000 the prior week.

### TECHNICAL ANALYSIS



### MARKET ANALYSIS

Gold prices ended higher for fourth consecutive day on Thursday, supported by recovery in Euro against dollar and early rally in oil prices. Strong physical demand helped yellow metal prices to stay above \$830 per ounce. Spot gold prices closed at \$831.80, up by 0.60%.

The U.S. dollar recovered against major counterparts yesterday, as better than expected GDP numbers and decline in oil prices supported dollar.

In energy market, crude oil prices retreated from its intraday high of \$120.50, after IEA said, it may release its oil reserves to offset supply disruption caused by tropical storm Gustav. NYMEX Oil futures closed at \$115.59, down by \$2.56.

In other metals, Silver prices followed suit. Spot Silver prices closed at \$13.66, up by 1.56%. Platinum prices gained sharply, as traders took opportunity to buy the white metal at lower prices. Comex October Platinum prices closed at \$1484.2, up by 3%.

### OUTLOOK

Gold prices are showing strength amidst strong physical demand and strength in oil prices. Traders are advised to trade cautiously ahead of long week end. Gold prices will remain susceptible to the movement in dollar. If today's US economic data comes better than expected, then dollar may strengthen against major currencies, and cap the upside in precious metals. In the near term, we expect Gold prices to trade in the range of \$805 and \$850 per ounce.

Long term outlook for precious metals looks bullish, as rising geopolitical tension, increasing physical demand and concerns over rising inflation can support bullion prices. Platinum prices have fallen steeply and prices may rise on account of short covering. We do not expect Platinum prices to sustain at higher levels amid lack of demand from Auto Sector.

Spot Gold has support at \$823.10/\$814.50 levels whereas resistance is seen at \$842.20/\$852.10 levels. Spot Silver prices shall find support at \$13.35/\$13.09 levels whereas resistance is seen at \$13.98/\$14.30 levels.

MCX October Gold has support at 11740/11650 whereas resistance is seen at 11930/12030 levels. MCX September Silver shall find support at 20020/19825 whereas resistance is seen at 20485/20740 levels.



## Base Metals

August 29, 2008

Commodity	Open	High	Low	Close	Change
LME Copper	7630	7670	7520	7585	-50
LME Zinc	1820	1840	1789	1800	-25
LME Nickel	20730	20800	28000	20412	-338
LME Lead	2040	2120	2010	2037	-18
LME Alum	2775	2778	2723	2733	-37
LME Tin	20350	20650	19925	20250	-200
COM Copper	3.4450	3.4750	3.4270	3.4270	-0.0445
MCX Copper	335.55	337.95	329	331.05	-3.25
MCX Zinc	79.30	80.20	77.65	77.90	-1.55
MCX Nickel	905	916.20	881.10	893.80	-13
MCX Lead	90.35	93.00	88.35	89.20	-1.15
MCX Alum	119.50	119.50	117.75	118.00	-1.05
MCX Tin	941	941	941	941	0

LME Stocks	Close	Previous	Change
Copper	170050	167850	+2200
Aluminum	1168125	1162525	+5600
Nickel	47160	46890	+270
Zinc	161025	161225	-200
Lead	83500	83375	+125
Tin	5845	5910	-65

### MARKET ANALYSIS

The base metals pack witnessed sharp selling during the later half of yesterday's trading session as a wave of selling was witnessed across the board for all major international commodities, including bullion and crude. It appears that profit booking at higher levels along with the month coming to a close, is weighing on prices. Participants may now be gearing up for a jumpy session today - the end of the week and the month, as well as the long Labour Day holiday weekend in the US.

Lead prices yesterday briefly breached the \$2100 mark but were unable to close above it. The prior day, prices had gained a whopping 11% yesterday as falling LME inventories provided major support. Although lead inventories rose 125 tonnes from 2-1/2 month lows, cancelled warrants - the metal pre-booked for removal and therefore not available - increased by 29 percent to 12,850 tonnes, pointing to further drawdowns to come, which would be supportive for lead prices. 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. Overall, the base metals pack ended in the negative territory. Recently base metals have been reacting to currency and crude oil price movement.

On the macroeconomic front, yesterday's US data tended to stymie the metals complex. Weekly US jobless claims came in at 425,000, against an expected 427,000 a number above 400,000 is negative. Meanwhile, the second quarter GDP 'flash' was better than hoped at growth of 3.3 percent, against a forecast 2.6 percent.

### 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. Also, copper prices appear to be strongly supported around \$7000 - \$7100 levels.

Base metals over the current week have traded range-bound except lead. Prices 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 Personal Income/Spending along with Chicago PMI & Michigan Sentiments data is to be released this evening. We expect today's trade in base metals to remain volatile on account of today being the last day of the month & contract expiry for base metals.



## TECHNICAL ANALYSIS



### Copper

LME copper prices are expected to trade sideways down. Prices on LME shall find strong support at \$7510/7445 & resistance at \$7590/7660.

MCX Aug contract shall find immediate support at Rs.327.30 level. Further above, resistance is seen at 323.70 levels. Whereas resistance is seen at Rs336.30. levels & further below at 341.50.

### Zinc

Zinc prices are looking sideways, with prices likely to find strong support at \$1780-1750 levels and resistance is seen at \$1830-1860 on LME.

Immediate support is seen at Rs.76.90 levels for MCX Aug contract whereas crucial support is seen Rs.75.40 levels. Short-term resistance is seen at Rs.79.50 whereas major resistance is seen at Rs.81.10.

## 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	1.2%	1.10%
28-Aug	18.00	US	GDP-Prel.	Q2	2.70%	3.3%	1.90%
28-Aug	18.00	US	Initial Claims	23-Aug	NA	425K	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 29, 2008

Commodity	Open	High	Low	Close	Change
<b>NYMEX Crude Oct</b>	118.16	120.50	114.08	115.59	-2.56
<b>MCX Crude September</b>	5159	5254	5001	5080	-60
<b>NYMEX Nat Gas Oct</b>	8.660	8.660	7.830	8.050	-0.558
<b>MCX Nat Gas Sept</b>	374	384.40	340.40	348.70	-24.4

### MARKET ANALYSIS

Crude Oil prices fell more than 2% yesterday, after the news that, IEA may release oil from its reserves, if supplies are sharply disrupted. Prices fell to \$114.08 a barrel, more than \$6 from its intraday high, before settling at \$115.59 a barrel.

Oil prices were trading higher in the first half of yesterday's trading session, as concern over Tropical storm Gustav boosted prices. Prices touched high of \$120.50 a barrel, before falling sharply. Energy companies operating in the Gulf began shutting production and evacuating personnel ahead of the storm, the biggest threat to the region's oil infrastructure since hurricanes Katrina and Rita in 2005.

Nymex Natural Gas prices retreated sharply due to bearish inventory data, which indicates lack of demand. Gas prices closed at \$8.050, down by 7.44%. MCX September gas futures closed at Rs. 348.70, down by Rs.24.40.

### MAJOR HIGHLIGHTS

- The Paris-based International Energy Agency (IEA) said yesterday, it is ready to release strategic oil stocks, if Tropical Storm Gustav hits the Gulf of Mexico oil hub.
- *Gustav* is expected to strengthen into a hurricane, as it comes near to the Gulf of Mexico, producing 25% of U.S. crude oil production and 15 percent of its natural gas output.
- The U.S. Energy Information Administration (EIA) said yesterday, that domestic Natural Gas storage rose 105bcf last week, far larger than the forecast in a Reuter's survey for an 84bcf increase.

### 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 \$114.10/\$112.90 levels whereas resistance is seen at \$119.35/\$121.75 levels.

### OUTLOOK

Crude Oil prices are expected to remain volatile ahead of long weekend. Traders are advised to trade cautiously, as there is a lot of uncertainty about the impact of tropical storm over oil production. Any gain in oil prices will depend on size of hurricane. Oil prices can have good support at \$110 a barrel in the near term.

US hurricane season is at its peak during September and October. Active hurricane season can support oil prices. Adding to this, rising geopolitical tensions between US and Russia can also support oil prices.

MCX September contract shall find immediate and crucial supports at Rs.4960/4860 and resistance is seen at Rs.5220/5365.

Natural gas prices are expected to take cues from movement in oil prices. NYMEX September gas futures have key support at \$7.50 and resistance at \$8.75.