Angel Commodities™

Service Truly Personalized

Content

Angel Commodities

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

Amar Singh	Head Commodity Research (Bullion)	(022) 4035 8638	amar.singh@angeltrade.com
Mandar Pote	Research Analyst (Energy)	(022) 4035 8633	mandar.pote@angeltrade.com
Reena Walia	Research Analyst (Base Metals)	(022) 4035 8632	reena.walia@angeltrade.com

Precious Metals

December 18, 2008

Commodity	Open	High	Low	Close	Change
Gold Loco $	857.70	882.40	845.85	866.90	+9.15
Gold Feb $	860	883.6	847.2	869.0	+10.9
Gold Feb Rs.	12963	13377	12934	13168	+238
Silver Loco $	11.15	11.60	10.81	11.40	+0.21
Silver Mar $	11.26	11.615	10.835	11.41	+0.23
Silver Mar Rs.	17643	18247	17643	18097	+542
EURO/$	1.3998	1.4436	1.3993	1.4407	+0.0359
Rupee/$	47.34	47.67	47.18	47.65	-0.25
Yen/$	88.99	89.21	87.11	87.24	-1.73
US $ Index	80.40	80.68	78.48	78.50	-1.87

MAJOR HIGHLIGHTS

- U.S. saw the Q3 current account deficit narrow to US$ 174.1 billion from a revised US$ 180.9 billion in Q2.
- OPEC's announcement came in yesterday that it will reduce production quotas by a record 2.2 million barrels per day in a bid to halt the falling price of oil.

TECHNICAL ANALYSIS

Spot gold has closed above its 200-Day EMA. Daily MACD Histogram is in positive territory whereas 14-Day RSI is at 67 levels and inching upwards.

MARKET RECAP

Gold prices witnessed another positive day as the USD continued to plummet against all major currencies on the back of Fed rate cut by 75 basis points. Spot gold rallied to almost $883 levels as prices continue to breach $862, a crucial resistance level. Silver also gained sharply with spot silver closing above the $11 mark after almost 50 trading sessions. Crude prices fell sharply even after OPEC announced decision to cut production by 2.2 million barrels. The continuing fall in crude prices has also been instrumental in curbing inflation.

In currency market, the EURO again had another spectacular rally yesterday, easily breaching the 50% retracement of the entire fall from 1.6037 on 15th July 08 to its low of 1.2328 on 28th Oct 08. It has also closed above its 200-Day EMA with next level of major resistance seen at 1.462 (62% retracement of the entire fall as mentioned above). For the day, resistance is seen at 1.4564/1.4612 whereas support is seen at 1.4279/1.4121. The Rupee continues to be supported very strong at 47 levels whereas resistance is seen at 48 levels – a range-bound play expected for the day.

OUTLOOK

Bullion prices continue to be driven by the dollar weakness which shows no signs of relenting. The DX witnessed a free fall during yesterday's trading session, closing below the 200-Day EMA for the 1st time after 7th Aug 08. For the day, resistance is seen at 79.22/79.96 whereas support is seen at 77.80/77.02. Crude prices also breached the $40 mark, easing inflation concerns worldwide. For Spot Gold, the earlier resistance zone of $830 - $840 zone shall become the level of support with prices trading above its 200-Day EMA. Currency moves coupled with the crude price direction will continue to be the key drivers for bullion prices.

On intraday basis, Spot Gold prices have immediate support at $848/$838 whereas resistance is seen at $872/$884. Spot Silver prices shall find support at $11.00/$10.65 whereas resistance is seen at $11.50/$11.80.

MCX Feb Gold has support at 13100/12850 whereas resistance is seen at 13220/13380 levels whereas MCX March Silver shall find support at 18000/17750 whereas resistance is seen at 18150/18350 levels.

Base Metals

December 18, 2008

Commodity	Open	High	Low	Close	Change
LME Copper	3110	3134	2930	3040	-90
LME Zinc	1090	1101	1058	1100	+15
LME Nickel	9675	10000	9575	9750	+250
LME Lead	990	1015	975	990	+13
LME Alum	1483	1515	1455	1500	+20
LME Tin	11000	11200	10550	10950	-25
COM Copper	141.10	141.10	132.40	135.85	-5.25
MCX Copper	154	155	147.30	149.90	-3
MCX Zinc	51.85	52.25	50.35	51.95	+0.3
MCX Nickel	460.0	477.0	458.60	467.30	+5.4
MCX Lead	47.45	48.00	46.50	47.30	-0.05
MCX Alum	69.90	69.90	67.95	69.40	+0.35
MCX Tin	548.75	548.75	548.75	548.75	0

LME Stocks	Close	Previous	Change
Copper	321900	318625	+3275
Aluminum	2041825	194,675	+99150
Nickel	70722	70056	+666
Zinc	232300	232325	-25
Lead	43975	44100	-125
Tin	6530	4935	+1595

MARKET RECAP

Negative sentiment pervaded the base metals complex, with constantly-rising inventories - traditionally the busiest part of the year - underlining the steep fall in demand that is a result of the savage global economic slowdown that has left no region immune. Copper continues to slide on the back of an imminent liquidation sending the market to a fresh 3-1/2 year low under the $3,000 a tonne level. Rising supplies and a contraction in demand are a reflection of current weak fundamentals. LME stocks rose 3,275 tonnes to 321,900 tonnes, the highest since February 2004. There is not that much interest in physical now and it will stay that way until next year.

Aluminum was surprisingly resilient in the face of a massive 99,150-tonne, or five percent, jump in warehouse inventories, which lifted the stockpile above two million tonnes for the first time since late-October 1994. The total now stands at 2,041,825 tonnes, and is likely to rise much further, given rampant over-supply. **Nickel** stocks continue to rise, with a 666-tonne increase lifting the stockpile to 70,722 tonnes, the highest since August 1995. The market partly shrugged this off, however, trading at $9,850, up $150, amid technical buying and short-covering. Zinc & lead continued to display sideways movement for the day.

OUTLOOK

The economic downturn is hurting financial markets across the globe. Prices of base metals are expected to remain under pressure until physical buying demand from China sees a u-turn. Hopes are high on the Chinese stimulus package, that it could revive the physical side market in the year FY2009. However, the current situation is bleak as the commodities market is showing a coupled performance in accordance with global equities. This is because a decline in corporate profits could translate into lower demand for raw materials. Also, the currency factor is playing a crucial role in determining prices. In the coming days we could continue to witness volatility in prices as markets remain susceptible to decline in equity markets.

Copper and **Aluminum** prices are expected to remain under pressure as inventories for both these metals are rising sharply amid an economic slowdown that is hurting demand. Markets are expected to remain volatile as economic data suggests that the world in entering a deep and long recession that could continue throughout the next financial year.

On the macroeconomic front, the US is expected to announce data on initial claims, leading indicators and Philadelphia Fed today. The data is expected to come on the weaker side and could weaken sentiments in base metals. These economic indicators show that the economic situation is very weak.

TECHNICAL ANALYSIS

Copper

Copper prices have been trading lower for past few trading sessions with immediate support seen at Rs.145.40 levels for MCX Feb contract. Further below, support is seen at 142.30 levels.

Whereas resistance is seen at Rs.151.70 levels & further upwards at Rs. 154.20.

Zinc

Immediate support is seen at Rs.50.40 levels for MCX December contract whereas crucial support is seen at Rs.49.10 levels.

Short-term resistance is seen at Rs.52.60 whereas major resistance is seen at Rs 53.80.

ECONOMIC CALENDAR

Date	IST	Country	Indicator	For	Forecast	Actual	Prior
12-Dec	19.00	US	Core PPI	Nov	0.10%	0.10%	0.40%
12-Dec	19.00	US	PPI	Nov	-2.00%	-2.20%	-2.80%
12-Dec	19.00	US	Retail Sales	Nov	-2.00%	-1.80%	-2.80%
12-Dec	20.30	US	Mich Sentiment-Prel.	Dec	55	59.1	55.3
15-Dec	19.00	US	NY Empire State Index	Dec	-27	-25.8	-25.4
15-Dec	19.00	US	Net Foreign Purchases	Oct	NA	$1.5B	$66.2B
15-Dec	19.45	US	Capacity Utilization	Nov	75.90%	75.4%	76.40%
15-Dec	19.45	US	Industrial Production	Nov	-0.50%	-0.60%	1.30%
16-Dec	19.00	US	Building Permits	Nov	700K	616K	708K
16-Dec	19.00	US	Core CPI	Nov	0.10%	0.0%	-0.10%
16-Dec	19.00	US	CPI	Nov	-1.30%	-1.7%	-1.00%
16-Dec	19.00	US	Housing Starts	Nov	730K	625K	791K
17-Dec	00.45	US	FOMC Policy Statement		0.5%	0.25%	1.0%
18-Dec	19.00	US	Initial Claims	12/13	NA	-	NA
18-Dec	20.30	US	Leading Indicators	Nov	-0.50%	-	-0.80%
18-Dec	20.30	US	Philadelphia Fed	Dec	-40	-	-39.3

Angel Commodities™

Service Truly Personalized

Energy

December 18, 2008

Commodity	Open	High	Low	Close	Change
NYMEX Crude Jan	43.20	43.20	40.06	40.06	-3.54
MCX Crude Jan	2292	2358	2177	2214	-97
NYMEX Nat Gas Jan	5.805	5.870	5.380	5.619	-0.132
MCX Nat Gas Dec	275.50	278	262	263.30	-11.5

MAJOR HIGHLIGHTS

- OPEC agreed to its deepest oil cut ever, 2.2 million bpd effective from Jan. 1, lowering the group's supply target to 24.845 million bpd.
- US Energy Information Administration reported yesterday, that crude oil inventory rose by 0.5Mbbl to 321.30Mbbl. Distillate supplies, including heating oil and diesel fuel, rose 2.9 million barrels. Gasoline supplies rose 1.3 million barrels. Refinery use dropped 3.3 percent.
- As per market survey, Natural Gas inventory is expected to fall by 112Bcf. Data will be released at 9.05p.m. IST.

TECHNICAL ANALYSIS

14-Day RSI is at 32 levels, indicating sideways movement in oil prices. MACD histogram is in negative territory. Prices are facing strong resistance at 18 Day-EMA (Rs. 2480). On intraday basis, MCX January Crude shall find support at 2105/2045 levels whereas resistance is seen at 2230/2305 levels.

MARKET RECAP

Crude Oil futures fell by more than 8% yesterday, as OPEC decision to cut oil production failed to convince market participants that the surplus in crude oil would diminish. Rise in crude oil inventory also weighed on oil prices. NYMEX January Crude Oil futures fell by 8.11% to close at $40.06 per barrel.

Even though OPEC has cut production there is a compliance issue, as it has been observed that group fails to adhere to its production decisions, putting pressure on oil prices. The impact of the global economic downturn has led to a destruction of oil demand, resulting in unprecedented downward pressure being exerted on prices, which have fallen by more than $100 a barrel since early July.

New York Mercantile Exchange **Natural Gas** futures traded lower yesterday, as fall in oil prices and profit booking by traders weighed on gas prices. NYMEX January Natural Gas futures were down by 2.29% to close at $5.619.

OUTLOOK

Crude Oil prices have fallen after OPEC has reduced its production quota, indicates that in the short term market is expected to remain oversupplied amid falling demand. Due to global economic slowdown energy demand has gone down in all sectors. Inventories have gained because the oil market is in contango, where crude for future delivery is more expensive than near-month prices, encouraging traders to increase their oil stocks. Since current macroeconomic data is showing bleak economic outlook, we believe that Crude Oil futures in the near term are likely to fall up to $35 per barrel levels.

NYMEX Oil futures are expected to trade sideways down, with crucial support seen at $38.40/$36.30 level & resistance at $41.95/$44.20 levels.

Natural Gas prices will take cues from today's inventory data. Prices may fall, if data shows less than expected fall in inventory. MCX Dec contract has support at Rs. 255.20 levels & resistance at Rs. 273.10 levels.