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Content

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Precious Metals

December 19, 2008

Commodity	Open	High	Low	Close	Change
Gold Loco $	867.5	878.58	847.70	852.65	-14.25
Gold Feb $	868.9	879.6	848.8	853.5	-15.5
Gold Feb Rs.	13123	13242	12805	12930	-238
Silver Loco $	11.38	11.46	10.90	10.95	-0.45
Silver Mar $	11.405	11.480	10.930	10.975	-0.435
Silver Mar Rs.	18070	18158	17530	17707	-390
EURO/$	1.4418	1.4718	1.4185	1.4241	-0.0166
Rupee/$	47.31	47.43	46.83	46.95	-0.70
Yen/$	87.22	90.02	87.16	89.40	+2.16
US $ Index	78.49	80.09	77.69	79.80	+1.3

MAJOR HIGHLIGHTS

- Gold yesterday reached $883.60, the highest since Oct. 10.
- Assets in the SPDR Gold Trust, the biggest exchange-traded fund backed by bullion, reached a record 775.3 metric tons yesterday.
- Crude oil fell as low as $37 a barrel, basis the soon-to-expire January contract, its lowest since July 2004.

TECHNICAL ANALYSIS

Spot Gold Prices are closing above its 200-Day EMA ($828) with Daily MACD in positive territory. 14-Day RSI is at 63 levels. The uptrend remains intact as long as prices do not close below the $830 level.

MARKET RECAP

Bullion prices corrected sharply during yesterday's trading session as the USD strengthened against all major currencies. The USD was earlier beaten down substantially for the past fortnight and Fed's rate cut decision by 75 basis points further aggravated the weakness. NYMEX crude prices also breached the $40 mark, continuing its steep fall. OPEC's decision to cut daily production by 2.2 million barrels did not stem the fall in crude prices on the back of weakening global crude demand. Falling crude prices have eased inflationary fears considerably.

In **currency** market, the EURO closed sharply down from its high of the day (1.4718), forming a shooting star (bearish pattern) after the 2 week rally. This indicates that EURO shall meet with stiff resistance at its yesterday's high. The resistance for the day is seen at 1.4555/1.4718 whereas support is seen at 1.4153/1.4045. INR closed below its 100-Day EMA for the 1st time after 23rd April 08. Crucial support for the INR is seen at 46.53, its October month low. The resistance for the day is seen at 47.31/47.67 whereas support is seen at 46.70/46.53.

OUTLOOK

Gold continues to display positive sentiments with prices closing above its 10-Day EMA, indicating that the short-term trend remains up. Spot Gold is meeting with resistance around $880 - $885 levels. The Dollar Index has crucial support at 77.65 whereas resistance is seen at 81.50. Falling crude prices could pressurize the bullion pack. Silver prices are also moving in tandem with gold prices, but it being an industrial metal, falling base metal prices is putting pressure. A pick-up in physical demand and additional safe-haven buying will support prices, but the need to liquidate positions to meet margin calls elsewhere will cap gold's upside potential.

On intraday basis, **Spot Gold** prices have immediate support at $840/$828 whereas resistance is seen at $860/$852. **Spot Silver** prices shall find support at $10.70/$10.50 whereas resistance is seen at $11.30/$11.60.

MCX Feb Gold has support at 12740/12550 whereas resistance is seen at 12990/13180 levels whereas **MCX March Silver** shall find support at 17340/17170 whereas resistance is seen at 17820/18060 levels.

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Base Metals

December 19, 2008

Commodity	Open	High	Low	Close	Change
LME Copper	3030	3030	2840	2840	-200
LME Zinc	1085	1105	1060	1075	-25
LME Nickel	9900	9900	9450	9600	-150
LME Lead	990	990	920	920	-72
LME Alum	1501	1520	1430.5	1480	-20
LME Tin	10750	10900	10500	10500	-450
COM Copper	135.85	135.85	126	126.45	-9.4
MCX Copper	149.40	149.70	141.30	141.75	-8.15
MCX Zinc	51.70	51.75	49.85	51.00	-0.95
MCX Nickel	465.80	477.0	458.60	467.30	+5.4
MCX Lead	47.35	47.45	43.65	43.85	-3.45
MCX Alum	69.55	69.55	67.40	68.50	-0.9
MCX Tin	548.75	548.75	548.75	548.75	0

LME Stocks	Close	Previous	Change
Copper	324175	321900	+2275
Aluminum	2068925	2041825	+750
Nickel	72936	70722	-125
Zinc	233750	232300	+1450
Lead	43850	43975	+27100
Tin	7280	6530	+2214

MARKET RECAP

Base metals broadly retreated on the LME on Thursday, with copper and oil leading a broad commodity retreat on the back of continued demand concerns ahead of an expected difficult year in 2009 for the global economy. Copper led the way, falling significantly under $3,000 initially, then $2,900, to its lowest since early-January 2005. Other metals managed to avoid racking up fresh multi-year lows, but were not far above them - lead dived seven percent to within $4 of its recent three-year low. Crude oil fell as low as $37.68 a barrel, basis the soon-to-expire January contract, its lowest since July 2004, after OPEC's record output cut failed to stem the price decline and US energy inventories swelled. This took place against the background of a snap dollar rally - it moved off an earlier three-month low versus the euro, trading around $1.43.00, compared with a session trough of $1.4717.

The metals have shown little, if any, relief this week in the face of another US Federal Reserve rate cut, a hefty production cutback by OPEC, a weaker dollar and some stabilization in global equities. Demand is dropping consistently, inventories are rising almost constantly and a gloomy economic outlook prevails for 2009. Volumes are also starting to tail off ahead of the year-end. Constantly-increasing inventories along with falling prices have caused mining companies to announce further output and capital expenditure cuts, but these will take time to have a real impact on the supply and demand balance. LME-monitored Copper inventories rose by another 2,275 tonnes to 324,175 tonnes today, a new high since February 2004. Global demand is down by at least 10 percent, while supply cuts so far have been only four percent. Other base metals also fell as fundamentals continue to be weak.

OUTLOOK

Base Metals prices could test further lows as demand is slowing and inventories are continuously rising. The US Dollar Index is expected to weaken further but this may not be able to provide support or cushion the downside as the weakness indicates worsening economic situation in the world's largest economy. The economic downturn is hurting financial markets across the globe. 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. 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.

With **Copper** inventories gaining steadily, the metal could trade on a weaker note. **Aluminum** prices are expected to remain under pressure as inventories 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. All base metals are expected to remain under pressure in the next two-three months until physical buying from China picks up.

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TECHNICAL ANALYSIS

Copper

Copper prices have been trading lower for past few trading sessions with immediate support seen at Rs.138.80 levels for MCX Feb contract. Further below, support is seen at 135.85 levels.

Whereas resistance is seen at Rs.146.70 levels & further upwards at Rs. 150.10.

Zinc

Immediate support is seen at Rs.49.90 levels for MCX December contract whereas crucial support is seen at Rs.48.95 levels.

Short-term resistance is seen at Rs.53.80 whereas major resistance is seen at Rs 54.20.

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	558K	554K	573K
18-Dec	20.30	US	Leading Indicators	Nov	-0.50%	-0.4%	-0.80%
18-Dec	20.30	US	Philadelphia Fed	Dec	-40	-32.9	-39.3

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Energy

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Commodity	Open	High	Low	Close	Change
NYMEX Crude Jan	38.19	38.20	36.22	36.22	-3.84
MCX Crude Jan	2187	2187	2043	2096	-118
NYMEX Nat Gas Jan	5.61	5.75	5.50	5.555	-0.047
MCX Nat Gas Dec	263.20	269.0	258.10	261.90	-1.4

MAJOR HIGHLIGHTS

- Crude Oil closed below $37 per barrel yesterday, marking its lowest closing level since July 2004.
- On Wednesday, OPEC producers agreed to cut 2.2 million barrels per day of production from January, lowering the group's supply target to 24.845 million bpd.
- Natural gas inventories fell by 124 billion cubic feet to stand at 3,167 billion cubic feet during the week ended Dec. 12, the U.S. Energy Information Administration reported yesterday.

TECHNICAL ANALYSIS

14-Day RSI is at 25 levels, indicating that market is in oversold territory and can bounce back on account of short covering. MACD histogram is in negative territory, and prices are trading below 10day-EMA, indicating bearishness. On intraday basis, MCX January Crude shall find support at 1985/1910 levels whereas resistance is seen at 2110/2175 levels.

MARKET RECAP

Crude Oil futures continued its slide for fourth day in a row yesterday, as concern about falling global oil demand amidst economic slowdown and rising inventories offset big production cut announced by OPEC. NYMEX January Crude Oil futures fell by 9.58% to close at $36.22 per barrel.

Oil prices were under selling pressure ahead of NYMEX January contract expiry, contract will expire today. US dollar rebounded against major currencies also pulled oil prices lower. Traders have paid little heed to a production cut of 2.2 million barrels in current oil output by the Organization of the Petroleum Exporting Countries (OPEC).

New York Mercantile Exchange **Natural Gas** futures traded lower yesterday, as fall in oil prices outweighed bullish inventory report. NYMEX January Natural Gas futures were down by 0.83% to close at $5.555.

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. Also there are doubts among market participants about OPEC's ability to comply with these cuts, given the magnitude of the cut and their previous history. Due to global economic slowdown, energy demand has gone down in all sectors. Supply cut by OPEC is not likely to support oil prices in the short term, as current macroeconomic data is showing bleak economic outlook. It has been observed that volatility in oil prices tend to rise at the time of contract expiry. Since NYMEX January contract will expire today, prices can remain volatile with major trend is still down. We believe that Crude Oil futures in the short term are likely to fall up to $30 per barrel levels.

NYMEX January Oil futures are expected to trade sideways down, with crucial support seen at $34.70/$32.95 level & resistance at $37.84/$39.70 levels.

Natural Gas prices are likely to trade sideways down, as weak oil prices can weigh on gas prices. MCX Dec contract has support at Rs. 252 levels & resistance at Rs. 266.50 levels.

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