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Precious Metals

December 24, 2008

Commodity	Open	High	Low	Close	Change
Gold Loco \$	847.70	848.90	828.70	840.0	-7.45
Gold Feb \$	849	849.8	829.8	840.6	-7.8
Gold Feb Rs.	13030	13208	12992	13073	+53
Silver Loco \$	10.83	10.87	10.08	10.24	-0.58
Silver Mar \$	10.85	10.87	10.105	10.245	-0.6
Silver Mar Rs.	17644	17800	17000	17187	-492
Rupee/\$	48.00	48.94	48.00	48.75	+0.73
Euro/\$	1.3941	1.4020	1.3916	1.3933	-0.0005
Yen/\$	90.23	90.98	89.87	90.95	+0.63
US \$ Index	81.24	81.46	80.86	81.45	+0.23

MARKET RECAP

Gold prices fell during yesterday's trading session as Spot gold was unable to trade above the \$852 crucial resistance level. Trading continued to be thin in advance of the holidays (Christmas & New Year). Gold has risen by almost 3% so far this month. Spot Silver continued to close below the \$11 psychological mark. Falling crude prices have further eased inflationary fears considerably as prices continued to display weakness on slumping global demand.

In currency market, the EURO traded sideways with the short-term trend continuing to remain up. For the day, resistance is seen at 1.3996/1.4060 whereas support is seen at 1.3892/1.3852. The Rupee continued to weaken against the USD with crucial resistance seen at 49.60 and support at 48.05. The Dollar Index continues to close below its 100-Day Moving Average as well as its 10-Day Moving Average, indicating the weakness in the USD. For the day, resistance is seen at 82 levels whereas support is seen 80.55.

MAJOR HIGHLIGHTS

US Economic growth contracted 0.5% in the US during the September quarter

New US home sales dropped 2.9% to 407,000 in November, the lowest level since January, 1991 as per the US Department of Commerce.

Assets in SPDR Gold Trust, biggest exchange-traded fund reached a record 775.3 metric tons last week.

TECHNICAL ANALYSIS



Spot Gold continues to close above its 10-Day EMA indicating that the short-term uptrend remains intact. Daily MACD Histogram is in positive territory but showing signs of weakening whereas Weekly MACD Histogram is in positive territory. 14-Day RSI is at 59 levels.

OUTLOOK

Gold yesterday also continued to trade sideways ahead of Christmas and New Year as trading volumes have decreased. Spot Gold is meeting with resistance around \$880 - \$885 levels. Silver prices continue to move 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 with the currency movements continuing to play the major role in determining bullion prices.

On intraday basis, Spot Gold prices have immediate support at \$832/\$820 whereas resistance is seen at \$852/\$865. Spot Silver prices shall find support at \$10.30/\$10.00 whereas resistance is seen at \$10.75/\$11.10.

MCX Feb Gold has support at 12940/12800 whereas resistance is seen at 13185/13284 levels whereas MCX March Silver shall find support at 17000/16850 whereas resistance is seen at 17380/17550 levels.



Base Metals

December 24, 2008

Commodity	Open	High	Low	Close	Change
LME Copper	2965	2965	2815	2815	-125
LME Zinc	1165	1186	1140	1145	-25
LME Nickel	10100	10200	9675	9725	-325
LME Lead	870	917	862	865	-30
LME Alum	1560	1585	1535	1560	-0.5
LME Tin	10300	10400	9700	9750	-500
COM Copper	132.50	132.50	125.00	125.45	-7.05
MCX Copper	147.20	148.50	143.35	143.65	-4
MCX Zinc	55.45	57.25	54.85	55.20	-0.55
MCX Nickel	487.50	497.80	473.70	476.20	-10
MCX Lead	42.85	45.10	42.30	42.75	-0.5
MCX Alum	72.65	75.65	72.65	74.20	+1.45
MCX Tin	506	506	506	506	0

LME Stocks	Close	Previous	Change
Copper	328200	327500	+3200
Aluminum	7775	2197950	+39350
Nickel	44525	75366	+1122
Zinc	234725	234750	+750
Lead	2232600	44150	+125
Tin	76476	7650	+150

MARKET RECAP

Base metals traded sideways down during yesterday's trading session as volumes have declined on LME ahead of the Christmas break. The base metals pack struggle to maintain upside momentum given the gloomy economic outlook for the New Year. Volumes were light in advance of the upcoming holidays, the LME will close early on Wednesday and re-open only next Monday and trading could be choppy as traders look longingly toward year end, eager to put a tortuous and tumultuous 2008 behind them. Prices across the base metals pack are likely to be range-bound to until the New Year. However, there may be room for a year-end short-covering rally while longs may be tempted by some window dressing buying to make base metals look more appealing as we head into 2009, he added. As LME stocks continue to rise amidst disturbing reports out of Russia over the future of its base metals producer debts, the whole base metals complex rides uneasily as it seeks to determine the next move.

On the macro-economic front, US Commerce Department reported no revision to the 0.5% drop in GDP for the 3rd quarter. Also, number of new home sales in the US fell sharply than expected to a 4,07,000 seasonally adjusted annual unit rate, the lowest seen since 1991. Slump in global housing sector has also impacted the base metals pack greatly with still no signs of an improvement in sentiments in near future. Earlier, China had cut its interest rates again, the fifth such cut in three months due to a slowing economy - both the one-year lending rate and the deposit rate will drop by 27 basis points to 5.31 percent and 2.25 percent respectively from December 23.

In coming weeks, markets participants will monitor expectations for the annual re-weighting of commodity indices taking place in January, especially for the Dow Jones AIG Commodity Index.

OUTLOOK

The combination of destocking and companies adjusting for the deteriorating economic outlook has led to a freefall in base metal prices, but the rate of fall does now seem to be slowing with a number of metals turning sideways or even trying to edge higher. Although it is hard to be bullish for the metals given the economic outlook, there may be room for some rebounds amidst technical buying. But this rise may not be sustainable as rising inventories can weigh on metals prices. The economic downturn is hurting financial markets across the globe. However, the combination of the weaker dollar, the approaching year end, talk of restocking and the annual round of index fund re-weighting may be enough to give some the metals some lift.

Aluminum prices can get support on speculation that the Chinese government may buy the metal to boost strategic reserves and help producers amid an economic slowdown. Metals like Copper, Zinc and Nickel can be benefitted from fund re-weighting, which generally takes place in the first few weeks of January. So although we are not highly bullish on these metals, we do see short term risk on the up side which could carry prices in the higher trading range.

On macroeconomic front, today US will announce data on durable goods, initial claims and personal spending. As per expectation data is likely to put pressure on dollar and can weigh on base metal prices too.



TECHNICAL ANALYSIS



Copper

Copper prices have been trading sideways for past few trading sessions with immediate support seen at Rs.141.80 levels for MCX Feb contract. Further below, support is seen at 138.20 levels.

Whereas resistance is seen at Rs.147.10 levels & further upwards at Rs. 150.30.



Zinc

Immediate support is seen at Rs.54.20 levels for MCX December contract whereas crucial support is seen at Rs.53.10 levels.

Short-term resistance is seen at Rs.56.70 whereas major resistance is seen at Rs 58.20.

ECONOMIC CALENDAR

Date	IST	Country	Indicator	For	Forecast	Actual	Prior
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
23-Dec	19.00	US	Chain Deflator-Final	Q3	4.20%	3.9%	4.20%
23-Dec	19.00	US	GDP-Final	Q3	-0.50%	-0.50%	-0.50%
23-Dec	20.30	US	Existing Home Sales	Nov	4.93M	4.49M	4.98m
23-Dec	20.30	US	Mich Sentiment-Rev.	Dec	58.6	60.1	59.1
23-Dec	20.30	US	New Home Sales	Nov	420K	407K	433k
24-Dec	19.00	US	Durable Orders	Nov	-3.10%	-	-6.20%
24-Dec	19.00	US	Initial Claims	20-Dec	NA	-	554K
24-Dec	19.00	US	Personal Income	Nov	0.00%	-	0.30%
24-Dec	19.00	US	Personal Spending	Nov	-0.80%	-	-1.00%
24-Dec	9.05	US	Crude Inventories	20-Dec	NA	-	NA



Energy

December 24, 2008

Commodity	Open	High	Low	Close	Change
NYMEX Crude Feb	40.05	40.05	38.98	38.98	-0.93
MCX Crude Jan	2115	2170	2060	2093	-93
NYMEX Nat Gas Jan	5.410	5.855	5.310	5.737	+0.443
MCX Nat Gas Jan	258.50	276.90	257.00	275.70	+21.7

MARKET RECAP

Crude Oil prices ended in red for second successive day yesterday, as weak US housing data and fall in Q3 GDP raised concern that recession in the world's largest economy can deepen further, limiting demand for energy products. NYMEX February Crude Oil futures fell by 2.33% to close at \$38.98 per barrel.

Weak equity markets and relatively stronger dollar against major currencies also pulled oil prices lower. Prices remain under pressure before oil inventory report, which is expected to show rise in oil stocks for a third week. Demand from big Asian countries viz. China and Japan has also fallen sharply over last few months, pulling oil prices lower.

New York Mercantile Exchange Natural Gas futures traded sharply higher yesterday, on news that Russia and other major producers will act similar to OPEC and may cut production to shore up prices. NYMEX January Natural Gas futures were up by 8.36% to close at \$5.737.

MAJOR HIGHLIGHTS

- As per market survey, Crude Oil inventory is expected to rise by 0.5 million barrels. Data will be released at 9.05p.m. IST.
- US Existing home sales in November plunged a record 8.6% to an annual pace of 4.49 million units, lowest in last 11 years.
- The number of new home sales sold in the US fell deeper than expected to a 407,000 seasonally adjusted annual unit rate, the lowest seen since 1991, the Commerce Department reported yesterday.
- Natural gas inventory is expected to fall by 139Bcf. Data will be released today due to tomorrow's Christmas holiday.

TECHNICAL ANALYSIS



14-Day RSI is at 23 levels, indicating that market is in oversold territory and can bounce back on account of short covering. Prices can face resistance at 10day-EMA (RS. 2250) in the near term. On intraday basis, MCX January Crude shall find support at 2020/1940 levels whereas resistance is seen at 2160/2250 levels.

OUTLOOK

Sentiment prevailing in Crude Oil market is negative, as the focus is still on the demand side. Today, oil traders will be keeping close eye on weekly inventory data. If data shows larger than expected rise in stocks, then oil prices can come under further selling pressure. Due to global economic downturn, energy demand has gone down in all sectors. Despite of OPEC's action, in the short term, oil prices can witness selling pressure, as oil supplies are likely to outpace falling oil demand. The upcoming Christmas holiday will lead to a week of low trading volume, which will leave price action susceptible to large swings, as institutional trading can have a larger impact. Oil prices can retest last week's low of \$33 in the short term.

NYMEX February Oil futures are expected to trade sideways down, with crucial support seen at \$37.70/\$36.30 level & resistance at \$40.60/\$42.05 levels.

Natural Gas will take cues from today's inventory data, which is expected to show drop in inventory. Data will be released at 10.30p.m. IST. MCX January contract has support at Rs. 271 levels & resistance at Rs. 290 levels.