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Precious Metals

December 29, 2008

Commodity	Open	High	Low	Close	Change
Gold Loco \$	840.0	873.0	840.0	867.4	+23.4
Gold Feb \$	847.50	874.0	843.4	870	+21.2
Gold Feb Rs.	13100	13466	12996	13310	+236
Silver Loco \$	10.31	10.73	10.26	10.69	+0.39
Silver Mar \$	10.30	10.745	10.30	10.705	+0.37
Silver Mar Rs.	17111	17349	17080	17287	+111
Rupee/\$	47.90	48.59	47.70	48.45	+0.41
Euro/\$	1.4006	1.4118	1.3980	1.4058	+0.0032
Yen/\$	90.39	90.96	90.24	90.66	+0.33
US \$ Index	80.50	81.21	80.50	80.99	+0.48

MARKET RECAP

Gold prices ended the last week of 2008 on a positive note with Spot Gold ending the week up \$30.7 at \$867.40. Spot Silver though closed in red, unable to end the week above the \$11 psychological mark. Gold's upmove was primarily driven by the continued weakness in the USD against major currencies. Trading volumes have thinned on the exchanges on account approaching New Year. So far, gold has risen by almost 8% so far this month as the investment appeal of the yellow metal fails to die down. Crude prices however continued their downward journey, easing inflation fears across the globe, which does have a bearing on bullion pack.

In currency market, the EURO had a comparatively quite week as compared to its previous two weeks, though still gaining against the USD. A range-bound movement is expected for the EURO unless the EURO trades consistently above 1.4190. For the day, resistance is seen at 1/4192/1.4239 whereas support is seen at 1.4126/1.4079. The INR weakened against the USD last week with the INR unable to breach the 19th Dec 08 low of 46.82. For the day, resistance for the Rupee is seen at 48.79/49.13 whereas support is seen at 48.24/47.90.

MAJOR HIGHLIGHTS

Spot Gold gained by +3.7% (\$30.7) during last week to end the week at \$867.40.

Japan's industrial output fell 8.1 percent in November from a month earlier, posting its biggest fall on record.

India's annual rate of inflation fell from 6.80% to 6.61% for the week ending Dec 13, as per govt. data released last Friday.

TECHNICAL ANALYSIS



Spot Gold continues to close above its 10-Day EMA indicating that the short-term trend is up. Daily as well as Weekly MACD Histogram is in positive territory with 14-Day RSI is at 72 levels.

OUTLOOK

The weakness in the USD continues to support gold prices with Spot Gold meeting with resistance around \$880 - \$885 levels. ONLY a close above this level and sustained trading above the same will Spot Gold towards the \$920 mark. Trading volumes continue to be thin ahead of New Year. The sharp depreciation of the Rupee last week also supported the upmove witnessed in bullion prices. Silver prices continue to move sideways displaying a complete lack of strength as falling base metals put pressure on silver, as it being an industrial metal.

On intraday basis, Spot Gold prices have immediate support at \$872/\$860 whereas resistance is seen at \$893/\$900. Spot Silver prices shall find support at \$10.40/\$10.10 whereas resistance is seen at \$11.05/\$11.40.

MCX Feb Gold has support at 13518/13260 whereas resistance is seen at 13820/13920 levels whereas MCX March Silver shall find support at 17650/17400 whereas resistance is seen at 18070/18220 levels.

For the day, excess volatility could be seen, hence it is advisable to trade with strict stop-loss.



Base Metals

December 29, 2008

Commodity	Open	High	Low	Close	Change
LME Copper	2820	2905	2815	2840	+25
LME Zinc	1155	1165	1135	1145	0
LME Nickel	9700	9700	9600	9600	-125
LME Lead	895	895	875	875	+10
LME Alum	1555	1577	1520	537	-23
LME Tin	9850	9950	9700	9950	+200
COM Copper	128.60	131.60	127.10	127.35	-1.35
MCX Copper	141.45	144.85	138.55	143.75	+2.4
MCX Lead	42.40	42.60	40.85	42.30	-0.3
MCX Zinc	54.70	55.10	53.65	54.90	-0.15
MCX Alum	72.85	73.75	71.90	73.30	+0.35
MCX Nickel	467.70	473.90	457.50	467.00	-1.7
MCX Tin	506	506	506	506	0

LME Stocks	Close	Previous	Change
Copper	331450	328200	+3250
Aluminum	2250000	2232600	+17400
Nickel	77640	76476	+1164
Zinc	253625	234725	+18900
Lead	44575	44525	+50
Tin	7920	7775	+145

MARKET RECAP

Overall, the Base metals pack had mixed trends last week as volumes have considerably reduced ahead of approaching New Year. Liquidation pressure appears to have eased somewhat across the base metals pack as all the base metals have corrected sharply from their all time highs, anywhere between 50% - 70%. Investors are looking at 2009 with little hope of a recovery on the economic front and this will keep metals under pressure. LME inventory data continued to be bearish, with large stock increases seen for all primary metals, the alloys and steel, did little to help, with investors pricing in further inflows in coming months due to continued weakness in industrial demand. Until the global economy shows signs of sustainable recovery, which is not likely to happen anytime soon, the path of least resistance for the base metals remains on the downside. But in coming days, some metals could benefit from positioning ahead of the annual re-weighting of commodity indices taking place in January. The consensus is that nickel, zinc and, to a lesser extent, copper, will be bought, while aluminium should be sold.

As far as the economic data is concerned for last week, Japan's industrial output fell 8.1 percent in November from a month earlier, posting its biggest fall on record. In the currency market, the Dollar Index continued to trade weak against other major currencies on the back of weak US economic data raising concerns of deepening recession. US Commerce Department reported no revision to the 0.5% drop in GDP for the 3rd quarter. Also, the number of new home sales in US fell deeper than expected to a 4,07,000 seasonally adjusted annual unit rate, the lowest since 1991.

OUTLOOK

The base metals pack continue to be subjected to bearish sentiments across the globe as the measures initiated by the global central banks such as lowering interest rates & infusing trillions of dollars into the global financial system will take time to show its effect. Also, as it has been seen that historically as well as seasonally, base metals have their strongest periods during the 1st Quarter backed by a combination of re-stocking and companies building up inventory positions. As prices across the base metals pack have corrected by as much as 70% - 80%, value buying is also set to emerge at multi-year low levels. Although it is hard to be bullish for the metals given the current fundamental outlook, there may be room for some rebounds amidst technical buying. The economic downturn continue to hurt the financial markets across the globe. Volumes have also dried up substantially ahead of the New Year leading to a lack-luster trading in base metals.

Metals like Copper, Zinc and Nickel can benefit 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. 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.



TECHNICAL ANALYSIS



Copper

Copper prices have been trading sideways for past few trading sessions with immediate support seen at Rs.143.10 levels for MCX Feb contract. Further below, support is seen at 139.90 levels.

Whereas resistance is seen at Rs.149.05 levels & further upwards at Rs. 152.70.



Zinc

Immediate support is seen at Rs.54.05 levels for MCX December contract whereas crucial support is seen at Rs.53.10 levels.

Short-term resistance is seen at Rs.56.20 whereas major resistance is seen at Rs 57.40.

ECONOMIC CALENDAR

Date	IST	Country	Indicator	For	Forecast	Actual	Prior
30-Dec	20.15	US	Chicago PMI	Dec	33.00	-	33.80
30-Dec	20.3	US	Consumer confidence	Dec	45.20	-	44.90
31-Dec	19.00	US	Initial claims	27-Dec	NA	-	NA
2-Jan	20.3	US	ISM Index	Dec	35.40	-	36.20



Energy

December 29, 2008

Commodity	Open	High	Low	Close	Change
NYMEX Crude Feb	35.70	38.03	35.60	37.90	+2.32
MCX Crude Jan	1751	1838	1751	1823	+14
NYMEX Nat Gas Jan	5.85	5.938	5.779	5.890	+0.04
MCX Nat Gas Jan	282.90	285.40	282.80	285.40	+4.6

MARKET RECAP

Crude Oil prices traded higher on Friday for the first time in four days, as decision of UAE to cut oil exports coupled with technical buying by traders supported oil prices. NYMEX February Crude Oil futures gained by 6.52% to close at \$37.90 per barrel.

Crude Oil prices was trading lower in the last week, as rising oil product inventories, relatively stronger dollar and falling oil demand due to weakening global economy put pressure on oil prices. Only factor, which supported oil prices towards the weekend was, expectation that OPEC member may strictly abide by their production cuts to support slide in oil prices. Overall volumes were low due to Christmas holiday.

New York Mercantile Exchange Natural Gas futures traded higher in the last week, as bullish inventory data and news that Russia along with other major gas producers may cut gas production supported gas prices. NYMEX January Natural Gas futures were up by 0.68% to close at \$5.890.

MAJOR HIGHLIGHTS

- Crude Oil prices ended the week 1.52% lower over previous week, as weakening demand weighed on oil prices.
- NYMEX January Natural Gas futures ended the week with a gain of 10.65% over earlier week.
- Israel pounded Hamas targets in the Gaza Strip from the air on Sunday and prepared for a possible invasion after killing at least 297 Palestinians in two days of attacks.
- Israel said the campaign that began on Saturday was a response to almost daily rocket and mortar fire that intensified after Hamas, the Islamist group in charge of the enclave that Israel quit in 2005, ended a six-month ceasefire a week ago.

TECHNICAL ANALYSIS



14-Day RSI is at 34 levels, indicating that market is near oversold territory and can bounce back on account of short covering. On intraday basis. MCX January Crude shall find support at 1830/1770 levels whereas resistance is seen at 1940/2015 levels.

OUTLOOK

Crude Oil prices are expected to trade on positive note, as violence flared between Israel and Hamas raised geopolitical risk to crude oil supplies from the Middle East, world's largest oil producing region. If we have prolonged war between these two parties, then there is a possibility that this conflict could endanger major oil exporter and endanger real supplies. This factor can support oil prices in the near term. Market is trading on thin volumes, which can lead to volatile movement in oil prices.

It would be difficult to say, that trend in oil prices is reversing, as there is still concern over falling global oil demand amidst recession prevailing in key oil consuming nations. Consumer spending has gone down amidst rising unemployment. Also rising inventory is still a cause of worry. We believe that oil prices can trade in the range of \$35 and \$44 in the short term.

NYMEX February Oil futures are expected to trade sideways up, with crucial support seen at \$36.30/\$34.70 level & resistance at \$39.60/\$41.40 levels.

Natural Gas prices are expected to trade sideways up, as expectation of higher demand amidst ongoing winter season in US can support prices. MCX January contract has support at Rs. 280 levels & resistance at Rs. 296 levels.