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Precious Metals

December 30, 2008

Commodity	Open	High	Low	Close	Change
Gold Loco \$	867.3	890.50	867.05	880.00	+12.600
Gold Feb \$	873	892.0	873.0	881.2	+11.2
Gold Feb Rs.	13428	13790	13428	13635	+246
Silver Loco \$	10.68	11.26	10.65	10.87	+0.18
Silver Mar \$	10.73	11.275	10.71	10.89	+0.185
Silver Mar Rs.	17539	18402	17539	18021	+603
Rupee/\$	48.44	48.85	48.20	48.40	-0.05
Euro/\$	1.4063	1.4361	1.3919	1.3925	-0.0133
Yen/\$	90.70	90.75	89.73	90.66	0
US \$ Index	80.89	81.54	79.63	81.53	+0.54

MARKET RECAP

Gold prices continued to close in positive territory during yesterday's trading session, unable to close above the \$890 mark. Spot Silver also closed positive, breaching the \$11 psychological mark during intraday trading but unable to close above it. The geo-political tensions in the Middle East along with the continued weakness in the USD supported the bullion pack. Trading volumes have thinned on the exchanges on account approaching New Year. So far, gold has risen by 9% so far this month as the investment appeal of the yellow metal fails to die down. Crude prices rallied during the 1st half of the trading session yesterday but closed sharply lower, erasing all of its gain. Crude's continued downward journey has eased inflation fears across the globe which greatly impacts the bullion pack.

In currency market, the EURO had a sharp run yesterday but was unable to hold onto its gains, closing near the low of the day. For the day, resistance is seen at 1.42177/1.4360 whereas support is seen at 1.4065/1.3775. The Rupee displayed sideways movement during yesterday's trading session with resistance seen at 48.79/49.13 & support at 48.11/47.83 for the day.

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.

OUTLOOK

The overall weakness in the USD against other major currencies has been the driving force behind the sharp rally in gold prices. Silver also has moved up but not in the same proportion because gold's appeal as a safe-haven investment far exceeds that of silver. Also, silver being an industrial metal, it has been greatly impacted by the slowdown in global economic growth and falling base metals prices (silver being a by-product of base metals production). Spot Gold continues to meet with resistance around \$880 - \$885 levels. ONLY a close above this level and sustained trading above the same will lead Spot Gold towards the \$920 mark. Trading volumes continue to be thin ahead of New Year.

On intraday basis, Spot Gold prices have immediate support at \$867/\$856 whereas resistance is seen at \$884/\$892. 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 13445/13260 whereas resistance is seen at 13620/13810 levels whereas MCX March Silver shall find support at 17650/17400 whereas resistance is seen at 18070/18440 levels.

TECHNICAL ANALYSIS



Spot Gold continues to close above its 10-Day EMA (\$854.32) 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 64 levels.



Base Metals

December 30, 2008

Commodity	Open	High	Low	Close	Change
LME Copper	2980	3055	2815	2840	-75
LME Zinc	1155	1160	1125	1135	-10
LME Nickel	10200	10400	9600	9600	-550
LME Lead	870	895	870	895	+20
LME Alum	1542	1549	1505	1515	-22
LME Tin	9800	9900	9700	9750	-200
COM Copper	132.30	132.90	129.0	130.90	-0.85
MCX Copper	144.80	146.85	1.42.95	144.65	+0.45
MCX Lead	42.95	45.1	40.85	42.30	-0.3
MCX Zinc	55.50	55.70	53.95	54.14	-0.8
MCX Alum	73.55	73.80	71.30	72.1	-1.65
MCX Nickel	471	484.80	470.20	472.80	+4.4
MCX Tin	506	506	506	506	0

LME Stocks	Close	Previous	Change
Copper	336700	331450	+5250
Aluminum	2253025	2250000	+3025
Nickel	77682	77640	+42
Zinc	253600	253625	-25
Lead	44975	44575	+400
Tin	7920	7920	0

MARKET RECAP

Base metals displayed range-bound movement during yesterday's trading session on LME due to end-year holidays. The exception was lead, where a late technical bounce resulted in prices storming to their best for over a week, although overall poor fundamentals for industrial metals remain a drag on the base complex. A new risk factor that has emerged, this time in the Middle East, to add to the worst financial crisis in decades and a global recession. 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.

Yesterday, Copper prices see-sawed either side of \$2,900, with the upside stymied by the latest warehouse inventory increase, which although part of a long-running pattern, was higher than normal. *Copper stocks rose 5,250 tonnes to 336,700 tonnes, the highest since early-February 2004.* Lead prices rose strongly during late trading, standing out from the rest of a slow complex, and advanced on short-covering.

OUTLOOK

Base metals are largely confined to narrow-range trading, with most lacking follow through to an early rally due to year end holidays. This week we can witness low volumes as lot of books are closed ahead of year end, although overall poor fundamentals can weigh on base metal complex. Upside in metals is restricted by poor sentiments. Prices across the base metals pack have corrected by as much as 70% - 80%, value buying is likely 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 continues to hurt the financial markets across the globe.

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.

On macroeconomic front, US is expected to announce data on Chicago PMI and consumer confidence. Chicago PMI shows manufacturing activity and as per expectation data is expected remain flat. Metals can come under pressure if data comes below market expectation, as it indicates weakness in US economy.



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.53.50 levels for MCX December contract whereas crucial support is seen at Rs.52.60 levels.

Short-term resistance is seen at Rs.55.25 whereas major resistance is seen at Rs 56.35.

ECONOMIC CALENDAR

Date	IST	Country	Indicator	For	Forecast	Actual	Prior
30-Dec	20.15	US	Chicago PMI	Dec	33.00	-	33.80
30-Dec	20.30	US	Consumer confidence	Dec	45.20	-	44.90
31-Dec	19.00	US	Initial claims	27-Dec	NA	-	NA
2-Jan	20.30	US	ISM Index	Dec	35.40	-	36.20



Energy

December 30, 2008

Commodity	Open	High	Low	Close	Change
NYMEX Crude Feb	38.85	42.20	38.20	40.02	+2.31
MCX Crude Jan	1864	2012	1851	1872	+24
NYMEX Nat Gas Feb	5.805	6.105	5.805	6.084	+0.272
MCX Nat Gas Jan	289	295.90	286.10	291.10	+6.2

MARKET RECAP

Crude Oil prices rose more than 6% amidst volatile trading yesterday, as Israeli air strikes in the Gaza Strip escalated concerns about a possible supply disruption of energy supplies from Middle East region. In thin trading, NYMEX February Crude Oil futures gained by 6.12% to close at \$40.02 per barrel.

Crude Oil prices remain sensitive to geopolitical developments. Oil prices traded sharply higher after Israeli Defense Minister Ehud Barak said Israel is fighting a "war to the death" with Hamas, the Islamist group that controls Gaza. Oil prices were also supported by the news that, China will implement emergency stock pile while oil prices are low. Relatively weaker dollar also supported oil prices.

New York Mercantile Exchange Natural Gas futures traded higher yesterday, as rising demand amidst ongoing winter season in US is supporting gas prices. NYMEX February Natural Gas futures were up by 4.67% to close at \$6.084.

MAJOR HIGHLIGHTS

- Israeli aircraft attacked the Gaza Strip on Monday, the third day of the offensive.
- China plans to boost its oil reserves against future supply shocks, a top energy official said yesterday.
- Libya has told oil firms to cut output by 270,000 barrels per day from Jan. 1, more than it needs to implement the OPEC agreement, the country's top oil official said.
- Abu Dhabi National Oil Co., the United Arab Emirates state-owned producer, will reduce crude-oil exports in January and February after OPEC agreed to lower output as of Jan. 1.

TECHNICAL ANALYSIS



14-Day RSI is at 31 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 1980/2075 levels.

OUTLOOK

The strikes by Israel have heightened tensions in the region, increasing the geopolitical risk premium in the oil price on fears that there could be some disruption to crude supplies from the Middle East. If we have prolonged war between these two parties, then there is a possibility that this conflict could endanger major oil exporters and cause danger to real supplies. In the near term, market participants will keep close eye on these geopolitical developments. Market is expected to trade on thin volumes, which can lead to increased volatility in oil prices. In the short term crude oil prices are likely to trade in the range of \$35 and \$45 per barrel.

NYMEX February Oil futures are expected to trade sideways up, with crucial support seen at \$37.60/\$35.20 level & resistance at \$42.25/\$44.50 levels.

Natural Gas prices have closed above \$6 for the first time after 15 trading session, as rising demand in the Northeast region of US amidst winter season is supporting prices. MCX January contract has support at Rs. 286 levels & resistance at Rs. 301 levels.