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Precious Metals

December 31, 2008

Commodity	Open	High	Low	Close	Change
Gold Loco \$	872.80	873.90	865.80	872.20	-7.80
Gold Feb \$	881.2	885.9	864.7	874.0	-7.2
Gold Feb Rs.	13644	13665	13371	13442	-193
Silver Loco \$	11.08	11.13	10.85	10.93	+0.06
Silver Mar \$	10.89	11.145	10.65	10.945	+0.055
Silver Mar Rs.	18106	18188	17970	18002	-19
Rupee/\$	48.47	48.47	48.47	48.47	+0.07
Euro/\$	1.3926	1.4220	1.3914	1.4055	+0.013
Yen/\$	90.65	90.98	89.99	90.32	-0.34
US \$ Index	81.52	81.56	80.31	80.95	-0.58

MARKET RECAP

Gold prices traded lower in year end trade yesterday, but weak dollar against euro prevented sharp fall in yellow metal. In very thin trading, Spot Gold prices dropped by 0.88% to close at 872.20/oz. Meanwhile Spot Silver closed positive, trading above the \$11 psychological mark during intraday trading but unable to close above it. The bullion pack was supported by the geopolitical tensions in the Middle East along with the continued weakness in the USD. Trading volumes have declined on the exchanges on account approaching New Year.

Falling oil prices also pulled gold prices lower, as it reduced demand for gold as hedge against inflation. After rising by more than 5% in last couple of days, oil prices dropped in yesterday's trading session as concern about falling demand outweighed possible supply disruption in Middle East.

In currency market, the EURO traded higher against dollar, as weak US consumer confidence data weighed on greenback. For the day, resistance for Euro is seen at 1.4217/1.4360 whereas support is seen at 1.3906/1.3757. 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

The Conference Board, a business research company, said yesterday that US Consumer Confidence Index fell to 38.0 in December from a slightly downward revised 44.9 in November.

Investment in the SPDR Gold Trust, the largest exchange-traded fund of gold, has climbed 24 percent this year to a record 780.2 metric tons on Dec. 29.

OUTLOOK

Gold remains the best performing metal in 2008, as uncertainty in financial market and weakness in dollar led to safe haven buying from investors and traders, supporting yellow metal rise. 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 \$862.50/\$855 whereas resistance is seen at \$875/\$885. 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 13320/13195 whereas resistance is seen at 13620/13780 levels whereas MCX March Silver shall find support at 17710/17420 whereas resistance is seen at 18230/18480 levels.

TECHNICAL ANALYSIS



Spot Gold continues to close above its 10-Day EMA (\$855.60) 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 62 levels.



Base Metals

December 31, 2008

Commodity	Open	High	Low	Close	Change
LME Copper	2870	2915	2835	2900	+25
LME Zinc	1140	1145	1115	1145	+10
LME Nickel	9850	10680	9800	10640	+840
LME Lead	890	930	890	930	+35
LME Alum	1512	1527	1460	1498	-17
LME Tin	9795	10050	9750	10050	+300
COM Copper	130.90	133	128.55	133.00	+2.1
MCX Copper	142.80	145.90	142.75	144.35	-0.30
MCX Lead	46.10	46.95	45.90	46.70	+2.05
MCX Zinc	53.70	54.60	53.10	54.25	+0.10
MCX Alum	71.90	72.25	69.40	70.65	-1.45
MCX Nickel	474.80	515.40	463.80	512.60	+39.80
MCX Tin	506	506	506	506	0

LME Stocks	Close	Previous	Change
Copper	337350	336700	+650
Aluminum	2302025	2253025	+49000
Nickel	77922	77682	+240
Zinc	253400	253600	-200
Lead	45350	44975	+375
Tin	7925	7920	+5

MARKET RECAP

Base metals displayed mixed sentiments in yesterday's trading session, as some of the metals struggled at higher levels while other surged on year end buying. The exception was Aluminum, where rise in inventory put pressure on industrial metal. Among all base metals, Nickel was the strongest metal as it went up by 8.57%. Since volumes are low, we are seeing sharper moves in prices. It was more of technical buying in almost all metals amidst no major change in fundamentals. Nickel rose sharply after prices broke \$10,000 level decisively. Inventory in nickel was up by 240 tonnes to 77922 tonnes in LME. 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.

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 650 tonnes to 337350 tonnes, the highest since early-February 2004. Zinc prices traded marginally higher on account of second consecutive fall in inventory. Zinc inventory was down by 200 tonnes to 253400 tonnes.

On macroeconomic front, The US consumer confidence index fell in December to a record low of 38.0 from a downwardly revised 44.7 in November, and compared with forecasts of 45.20. The ISM-Chicago business barometer rose to 34.1 from 33.8 in November, against a forecast 33.0, but this is below the 50 level that signals contraction in manufacturing activity.

OUTLOOK

Base metals are trading in the narrow range, with interest slowing noticeably ahead of the year end, resulting in inconclusive price trends. Trends in other sectors were equally inconclusive for direction, as although stock markets were higher and the dollar was softening, providing potential support. But continuous rise in LME stocks in almost all metals can curb the sharp upside in metals. 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. Investors are looking at 2009 with little hope of a recovery on the economic front and this will keep metals under pressure. 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.

Metals like Copper, Zinc and Nickel can benefit from fund re-weighting, which generally takes place in the first few weeks of January. Also supply concerns after possible production losses at major Chinese smelters and state reserve buying can underpin base metal prices. Aluminum prices are expected to have limited upside amidst rising inventory stocks.

On macroeconomic front, US is expected to announce data on initial claims. 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.55.10 levels for MCX January contract whereas crucial support is seen at Rs.53.90 levels.

Short-term resistance is seen at Rs.57.70 whereas major resistance is seen at Rs 58.60.

ECONOMIC CALENDAR

Date	IST	Country	Indicator	For	Forecast	Actual	Prior
30-Dec	20.15	US	Chicago PMI	Dec	33.00	34.1	33.80
30-Dec	20.30	US	Consumer confidence	Dec	45.20	38.0	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 31, 2008

Commodity	Open	High	Low	Close	Change
NYMEX Crude Feb	39.15	39.25	38.70	39.03	-0.99
MCX Crude Jan	1864	2012	1851	1872	+24
NYMEX Nat Gas Feb	6.090	6.175	5.780	5.859	-0.225
MCX Nat Gas Jan	289	295.90	286.90	291.60	+6.2

MARKET RECAP

Crude Oil prices closed below \$40 per barrel yesterday, as weak US consumer confidence data and concern about falling oil demand overshadowed worries about possible Middle East supply disruption as a result of Israel's attack in the Gaza strip. NYMEX February crude oil futures were down by 2.47% to close at \$39.03 per barrel.

Crude Oil prices remain under pressure on concerns about the health of world economy and its negative impact of energy demand. US consumer confidence hit record low in December, as worries mounted about business and labour market conditions. With consumer confidence is sinking, demand for oil product is also falling. Oil prices were trading in a narrow range amidst low volumes.

New York Mercantile Exchange Natural Gas futures traded lower yesterday, as fall in oil prices and profit booking by traders pulled gas prices lower. NYMEX February Natural Gas futures were down by 3.69% to close at \$5.859.

MAJOR HIGHLIGHTS

- As per Bloomberg survey, today's oil inventory data is expected to show fall in crude oil stocks by 1.45Mbbbl. Gasoline and distillates stocks are likely to rise by 1.7Mbbbl and 1.5Mbbbl respectively.
- US consumer confidence index for the month of December fell to 38 from a downwardly revised 44.7 in November.
- As per market survey natural gas inventory is expected to decline by 151Bcf. Inventory data will be released today at 10.30 p.m. IST.

TECHNICAL ANALYSIS



14-Day RSI is at 27 levels, indicating that market is in oversold territory and can bounce back on account of short covering. On intraday basis, MCX January Crude shall find support at 1830/1760 levels whereas resistance is seen at 1950/2025 levels.

OUTLOOK

Crude Oil prices will take cues from today's inventory data, which is expected to show rise in oil products stocks and fall in crude oil inventory. If data shows more than expected rise in inventory, then oil prices can witness selling pressure. Energy market is predominantly driven by demand issues, however as the violence continues between Israel and Hamas in Gaza strip, the market will remain sensitive to the news, especially when volumes are low on account of year end holiday. 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 \$42 per barrel.

NYMEX February Oil futures are expected to trade sideways down, with crucial support seen at \$37.60/\$35.20 level & resistance at \$40.50/\$41.70 levels.

Natural Gas prices will take cues from today's weekly inventory data, which is expected to show fall in inventory. *Inventory data will be released one day early because of New Year holiday tomorrow.* MCX January contract has support at Rs. 275 levels & resistance at Rs. 290 levels.