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Precious Metals

January 7, 2009

Commodity	Open	High	Low	Close	Change
Gold Loco \$	859.25	870.60	838.55	863.60	+4.4
Gold Feb \$	860	871.40	838.8	864.4	+4.4
Gold Feb Rs.	13303	13345	13094	13375	+46
Silver Loco \$	11.24	11.53	10.75	11.45	+0.22
Silver Mar \$	11.245	11.550	10.790	11.480	+0.21
Silver Mar Rs.	18572	18698	17627	18362	-292
Rupee/\$	48.15	48.77	48.15	48.71	+0.135
Euro/\$	1.3633	1.3656	1.3308	1.3531	-0.0105
Yen/\$	93.34	94.63	92.82	93.64	+0.26
US \$ Index	82.54	84.02	82.43	82.76	+0.2

MARKET RECAP

During yesterday's trading session, Gold recovered sharply as the USD retreated from its intraday high, increasing the appeal of the precious metal as an alternative investment. Silver prices also followed suit. Prices were trading sharply lower in the first half of the trading session on account of stronger dollar and profit booking by traders. Earlier the dollar touched a three-week high against the euro on speculation that President-elect Obama's plan to cut taxes will help the U.S. recover from a recession faster than other countries. But weak US economic data and statement from Federal Reserve saying that economy can remain weak for longer period of time weighed on greenback and helped bullion prices to recover from its lows. Gold & other precious metals generally move in the opposite direction of the USD.

MAJOR HIGHLIGHTS

Minutes of the Federal Reserve's meeting in December showed policy makers saw "substantial" risks to the slumping economy.

US factory orders for the month of November declined by 4.6% against the expected decline of 2.6%.

US pending home sales dropped to a seven-year low in November, data showed on Tuesday.

In currency market, EURO fell sharply against the USD during yesterday's trading session, continuing to close below its 10-Day EMA. The EURO is likely to be strongly supported at 1.3308 (yesterday's low). For the day, resistance is seen at 1.3688/1.3846 whereas support is seen at 1.3340/1.3150. Rupee traded sideways yesterday, continuing to be supported strongly at 47.29 levels (100-Day EMA) whereas major resistance for this week is seen at 49.20. For the day, resistance is seen at 48.83/49.09 whereas support is seen at 48.20/47.83.

OUTLOOK

Bullion price movements are being affected primarily by the Dollar movements. The US Dollar which had earlier been weakening against other major currencies is now showing signs of revival. This means that bullion prices could come under pressure in coming days. Also, the statements/ actions of the European Central Bank (ECB) shall be keenly watched the world over as that would set the further direction of the EURO and likewise the USD. As per our earlier reports, Spot Gold was unable to trade above the resistance zone of \$880 - \$890 which led to selling pressure and profit booking. Gold is presently also tracking crude as tensions in the Middle East continue to remain high.

On intraday basis, Spot Gold prices have immediate support at \$844/\$830 whereas resistance is seen at \$876/\$885. Spot Silver prices shall find support at \$10.90/\$10.46 whereas resistance is seen at \$11.70/\$12.05.

MCX Feb Gold has support at 13300/12160 whereas resistance is seen at 13510/13640 levels whereas MCX March Silver shall find support at 18030/17860 whereas resistance is seen at 18780/19070 levels.

TECHNICAL ANALYSIS



Spot gold has closed below its 10-day EMA after 18 trading sessions. It continues to close above its 100-Day EMA & 200-Day EMA. Daily MACD Histogram has moved in negative territory whereas Weekly MACD Histogram is in positive territory.



Base Metals

January 7, 2009

Commodity	Open	High	Low	Close	Change
LME Copper	3195	3470	3170	3460	+258
LME Zinc	1275	1330	1265	1320	+35
LME Nickel	12700	13450	12700	13175	+525
LME Lead	1110	1192	1110	1192	+90
LME Alum	1540	1630	1540	1625	+75
LME Tin	11500	12200	11450	11875	+475
COM Copper	145	158.70	145	158	+12.95
MCX Copper	159.80	171.30	159.80	170.55	+11.55
MCX Lead	55.15	59.10	54.95	58.90	+4.2
MCX Zinc	62.95	64.50	62.60	63.90	+1.45
MCX Alum	74.60	77.65	74.50	77.35	+3.35
MCX Nickel	622.80	654.60	622.0	641.40	+22.4
MCX Tin	506	506	506	506	0

LME Stocks	Close	Previous	Change
Copper	343500	342050	+1450
Tin	7765	7765	0
Lead	44775	45150	-375
Zinc	254625	254525	+100
Aluminum	2357100	2345225	+11875
Nickel	78870	78918	-48

MARKET RECAP

Base metals rose sharply on the LME yesterday, as fund-related buying ahead of the annual re-weighting of commodity indices again lifted the industrial complex, a pattern that could continue in the short term. Further light waves of fund buying also kept the complex underpinned, amid expectations that this month's annual re-weighting of commodity indices should favor metals like nickel, zinc and copper. Volumes have picked up as many participants returned from their year-end holidays. Investors welcomed news that US President-elect Barack Obama is seeking up to \$310 billion in tax cuts as part of a proposed stimulus package aimed at addressing the global financial crisis that could be worth up to \$775 billion.

Copper jumped as much as 8%, reaching fresh highs for over a month near \$3,500 a tonne, while aluminum also printed new one-month peaks, zinc hit its highest for almost three months and lead its best for 1-1/2 month, while tin rose by 7% at one point. The rally that started just before the New Year has been fuelled by expectations that the DJ-AIG commodity index re-weighting exercise taking place between January 9 and January 14 would favor industrial metals. Rise in inventory of some of the metals also did not put breaks on base metals rally.

OUTLOOK

Index fund reweighting seen giving more support to the industrial metals complex based on cheaper valuations and opportunities for rapid growth. Despite near-term gains, the broader macro-economic environment remains weak and is likely to cap significant moves higher by the complex. As the US economy is still seen falling further into recession, with no noticeable improvement in loan activity, bleak employment data expected later this week and corporate earnings anticipated to continue to slump well into the first half of 2009. Not helping matters is the fact that the slowdown in the US is not being offset by growth in other global economies. Instead, global economies are dovetailing the US slowdown, thus robbing the metals sector of non-US demand.

We expect trade in base metals to remain sideways as the base metals are trading close to their resistance levels.



TECHNICAL ANALYSIS



Copper

Copper prices traded higher during yesterday's trading session, and closed above key resistance of Rs.162. Immediate support for MCX Feb contract is seen at Rs.167.50. Further below, support is seen at 163.40 levels.

Whereas resistance is seen at Rs.174.40 levels & further upwards at Rs. 179.90.



Zinc

Zinc prices moved up slightly during yesterday's trading session with immediate support seen at Rs.62.00 levels for MCX Jan contract whereas crucial support is seen at Rs.60.60 levels. Short-term resistance is seen at Rs64.70 whereas major resistance is seen at Rs 65.60.

ECONOMIC CALENDAR

Date	IST	Country	Release	For	Consensus	Actual	Prior
5-Jan	20.30	US	Construction Spending	Nov	-1.20%	-0.6%	-1.20%
5-Jan	0.30	US	Auto Sales	Dec	10.0M	10.3M	10.2M
6-Jan	20.30	US	Factory Orders	Nov	-2.60%	-4.60%	-5.10%
6-Jan	20.30	US	ISM Services	Dec	37	40.6	37.3
8-Jan	19.00	US	Initial Claims	3-Jan	550K	-	492K
8-Jan	0.30	US	Consumer Credit	Nov	\$0.5B	-	-\$3.5B
9-Jan	19.00	US	Average Workweek	Dec	33.5	-	33.5
9-Jan	19.00	US	Hourly Earnings	Dec	0.20%	-	0.40%
9-Jan	19.00	US	Nonfarm Payrolls	Dec	-475K	-	-533K
9-Jan	19.00	US	Unemployment Rate	Dec	7.00%	-	6.70%
9-Jan	20.30	US	Wholesale Inventories	Nov	-0.90%	-	-1.10%



Energy

January 7, 2009

Commodity	Open	High	Low	Close	Change
NYMEX Crude Feb	49.75	50.00	48.58	48.58	-0.23
MCX Crude Jan	2338	2452	2323	2387	+71
NYMEX Nat Gas Feb	6.100	6.240	5.860	5.983	-0.089
MCX Nat Gas Jan	292	303.80	287.40	290.3	+1.6

MARKET RECAP

Crude Oil prices pared its earlier gains and closed marginally lower yesterday, as demand concerns rekindled by downbeat US economic data outweighed rising geopolitical tensions in Middle East. NYMEX February Crude Oil futures were down by 0.47% to close at \$48.58 per barrel.

Earlier in the trading session, prices touched \$50 mark for the first time since 2nd December 2008. Russia's dispute with Ukraine over natural gas and renewed unrest in Nigeria helped oil prices to move higher. Prices failed to hold on to their gains, after US economic data showed bigger than expected fall in factory orders. An economic downturn in US is reducing demand for oil and increasing oil inventories.

New York Mercantile Exchange Natural Gas futures ended mixed yesterday, as late fall in oil prices weighed on gas prices. NYMEX February Natural Gas futures were down by 1.46% to close at \$5.983.

MAJOR HIGHLIGHTS

- As per market survey, U.S. crude oil inventories are expected to rise by 0.9Mbbbl in last week, while gasoline stocks are expected to increase by 1Mbbbl.
- There were no plans for OPEC to hold an extraordinary meeting before a March scheduled meeting, an OPEC source said.
- Orders for U.S. factory-made goods fell 4.6% in the November month, twice as much as the expected 2.3% decline.

TECHNICAL ANALYSIS



On intraday basis, MCX Jan Crude shall find support at 2320/2250 levels whereas resistance is seen at 2450/2510 levels. Daily MACD Histogram has moved into positive territory whereas 14-Day RSI is at 56 levels. The short-term trend has once again turned up whereas intermediate and long term trends continue to remain down.

OUTLOOK

Crude Oil prices are expected to remain susceptible to today's inventory data and geopolitical developments. Larger than expected rise in oil inventory can curb the upside in oil prices. Oil prices have risen from around \$35 a barrel since Israel launched its Gaza offensive on Dec. 27, heightening fears of possible disruptions of crude supplies from the Middle East. With war between Israel and Hamas still going on, chances for a truce between two parties have declined. But traders will also have to take into account that neither side controls oil directly, therefore if tension between these two parties eases, then oil prices can once again fall near \$40 levels, as demand for oil is still weak. Oil prices can face resistance at \$52 per barrel in the near term.

The overall trend continues to remain down in oil as prices shall meet with stiff resistance around \$50 - \$51 levels. We can witness sideways down move in crude prices with crucial resistance seen at \$51.45 level & support at \$44.10 levels.

Natural Gas prices are going through consolidation mode and prices can have limited downside, as demand is likely to remain high amidst ongoing winter season in US. MCX Jan contract has support at 283.60 levels & resistance at 300.50 levels.