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Content

Precious Metal

Base Metal

Energy

Angel Commodities

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Precious Metals

January 12, 2009

Commodity	Open	High	Low	Close	Change
Gold Loco \$	856.90	868.70	843.90	853.35	-3.6
Gold Feb \$	857.7	869.3	845.0	854.3	-3.1
Gold Feb Rs.	13405	13461	13175	13349	-80
Silver Loco \$	11.11	11.60	10.94	11.24	+0.15
Silver Mar \$	11.12	11.63	10.965	11.265	+0.145
Silver Mar Rs.	18425	18650	18090	18414	+55
Rupee/\$	48.32	49.29	48.06	48.06	-0.32
Euro/\$	1.3699	1.3731	1.3412	1.3430	-0.0272
Yen/\$	91.20	91.66	90.13	90.22	-0.95
US \$ Index	81.59	82.76	81.35	82.50	+0.92

MARKET RECAP

Last week, Gold closed lower with spot gold closing at \$853.6 (-\$21.2) over the previous week. Silver also closed lower with spot silver ending the week at 11.24. The marginal strength in the USD against major currencies along with the bullion pack trading near key resistance levels, led to profit booking being witnessed in the markets. Also, the Dow Jones had another negative week closing over 430 points down, spreading the already prevalent bearish sentiments across global markets. Crude prices also corrected sharply over the past week to end the week at \$40.83, down \$5.51 over the past week.

In currency market, the EURO fell sharply the USD last week, closing the week at 1.3430 (-0.0421). The EURO continues to be strongly supported at 1.3308 at its 6th Jan low. For the day, resistance is seen at 1.3475/1.3636 whereas support is seen at 1.3317/1.3205. The Rupee gained against the USD last week, ending the week at 48.06 (-0.06). It has been trading sideways for the past few weeks, supported very strongly at 47.45 levels for this week. For the day, support is seen at 48.00/47.65 whereas resistance is seen at 48.88/49.20.

MAJOR HIGHLIGHTS

US unemployment rate rose to 7.2% in December, the highest since January 1993, from 6.805 in November, the US Labour Department reported on Friday.

India's annual inflation fell to 5.91% from 6.38% for the week ending December 27, govt. data showed last Friday.

OUTLOOK

The Bullion pack movements continue to be primarily affected by the concerns with regard to the US Economy, which in turn is being reflected in the Dollar movements. Today, the ECB President Trichet's speech could provide clues as to the rate cuts by ECB in the near future & the state of the Euro-zone economy which is amidst deepening recession. Spot gold continues to meet with crucial resistance in the zone of \$880 - \$890 where selling pressure and profit booking is witnessed. *For the week, Spot Gold has key support at \$831 whereas resistance at \$882.*

On intraday basis, Spot Gold prices have immediate support at \$842/\$831 whereas resistance is seen at \$856/\$867. Spot Silver prices shall find support at \$10.92/\$10.60 whereas resistance is seen at \$11.58/\$11.92.

MCX Feb Gold has support at 13195/13042 whereas resistance is seen at 13480/13614 levels whereas MCX March Silver shall find support at 18119/17880 whereas resistance is seen at 18520/18680 levels.

TECHNICAL ANALYSIS



Spot gold continues to close below its 10-day. At the same time, 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 12, 2009

Commodity	Open	High	Low	Close	Change
LME Copper	3250	3440	3250	3395	+170
LME Zinc	1225	1292	1225	1291	+71
LME Nickel	11450	12025	11150	11900	+400
LME Lead	1167	1205	1148	1189	+69
LME Alum	1554	1590	1535	1570	+17
LME Tin	11300	11800	11150	11800	+600
COM Copper	148.05	156.50	147.40	154.15	+5.5
MCX Copper	162.10	168.40	161.40	167.20	+6.2
MCX Lead	57.25	59.20	56.40	58.50	+1.55
MCX Zinc	60.25	62.50	59.15	62.25	+2.3
MCX Alum	75.50	76.20	73.65	74.65	-0.65
MCX Nickel	570.0	584.50	542.60	581.60	+27.8
MCX Tin	550	550	550	550	0

LME Stocks	Close	Previous	Change
Copper	363575	357700	5875
Tin	7975	7925	50
Lead	45025	44600	425
Zinc	259775	259750	25
Aluminum	2406225	2394175	12050
Nickel	78594	78804	-210

MARKET RECAP

Base metals surged on the LME on Friday, led by a strong copper performance on a combination of index fund buying, re-stocking plans by the Chinese authorities and in-line US employment figures, which temporarily cooled concerns over future demand. The industrial complex has had a very volatile week, correcting lower over the past two days on persistent worries about the global economy. But they have staged a sharp recovery as news turned more bullish. Whereas the past days had seen the release of housing, manufacturing and employment numbers in the US as well as confidence data in the Eurozone that were all much weaker than expected, today saw the publication of in-line US jobs data, which prompted some relief buying in the metals complex. The key non-farm payrolls report showed 524,000 jobs were shed in December, when analysts expected more than 500,000 job losses, while the overall unemployment rate jumped to 7.2 percent, slightly more than anticipated and compared with 6.7 percent in November. This caused the dollar to turn stronger and global stock markets to fall, but the metals market ignored the changes, unlike crude oil which fell towards the \$40 a barrel level. The strength was largely attributed to the start of the commodity index reweightings and rumours of imminent re-stocking by the Chinese authorities. The China Non-ferrous Metals Association was reported to have proposed on Thursday to purchase up to 400,000 tonnes of copper, 300,000 tonnes of zinc and 20,000 tonnes of nickel for the state reserves in order to help metal producers.

Copper accelerated higher towards the close to settle at \$3,400 a tonne, up \$205, or 6.4 percent. The main reason for the activity appeared to be some Chinese participants squaring up SHFE-LME arbitrage trades ahead of the Chinese New Year - essentially selling SHFE Copper and buying LME. Zinc was also up on the back of copper strength and expectations of Chinese buying, although LME stocks rose by a small 25 tonnes to 259,775 tonnes, a new high since April 2006. Whereas Lead advanced by \$55, or 4.8 percent to \$1,205, helped by continued nearby tightness on the LME and prospects of increased demand from the replacement battery sector this winter.

OUTLOOK

We believe there could be a short-lived bounce in prices as these purchases are made. However, it does not signify an improvement in the fundamentals since this metal will simply be removed from spot supply, as opposed to consumed. It does not change that fact that these markets remain oversupplied.

Meanwhile, the base metals were underpinned by the rebalancing of the Dow Jones AIG commodity index fund that will end this Thursday. The fund is increasing the weight of COMEX copper, LME zinc and LME nickel, while the other major index, the S&P GSC, is also raising its exposure to base metals. The process may prompt more buying over the next few days, although changes have been largely priced in already. Generally, base metals are expected to test lower numbers once the index-related buying peters out, as constantly-rising inventories and a weak demand outlook point to supply surpluses for most metals despite production cutbacks. As index-related buying activity subsides, prices could ease further from last week's highs in the face of the bleak demand environment and inventory overhang. However producer cutbacks are becoming a big plus.

We expect trade in base metals to remain sideways as the base metals are unable to trade above their key resistance levels.



TECHNICAL ANALYSIS



Copper

Copper prices closed higher on Friday closing above 165. Immediate support for MCX Feb contract is seen at Rs.165.0. Further below, support is seen at 162.10 levels.

Whereas resistance is seen at Rs.172.50 levels & further upwards at Rs. 174.80.



Zinc

Zinc prices rose during Friday's trading session with immediate support seen at Rs.62.25 levels for MCX Jan contract whereas crucial support is seen at Rs.60.10 levels. Short-term resistance is seen at Rs64.65 whereas major resistance is seen at Rs 65.80.

ECONOMIC CALENDAR

Date	IST	Country	Release	For	Consensus	Actual	Prior
13-Jan	0.30	US	Treasury Budget	Dec	-\$33.0B	-	-\$48.3B
14-Jan	7.00	US	Export Prices ex-ag.	Dec	NA	-	NA
14-Jan	7.00	US	Import Prices ex-oil	Dec	NA	-	NA
14-Jan	7.00	US	Retail Sales	Dec	-1.10%	-	-1.80%
14-Jan	7.00	US	Retail Sales ex-auto	Dec	-1.20%	-	-1.60%
14-Jan	8.30	US	Business Inventories	Nov	-0.50%	-	-0.60%
15-Jan	7.00	US	Core PPI	Dec	0.10%	-	0.10%
15-Jan	7.00	US	Initial Claims	10-Jan	NA	-	NA
15-Jan	7.00	US	PPI	Dec	-1.90%	-	-2.20%
15-Jan	8.30	US	Philadelphia Fed	Jan	-35	-	-32.9
16-Jan	7.00	US	Core CPI	Dec	0.10%	-	0.00%
16-Jan	7.00	US	CPI	Dec	-1.00%	-	-1.70%
16-Jan	7.45	US	Capacity Utilization	Dec	74.70%	-	75.40%
16-Jan	7.45	US	Industrial Production	Dec	-0.80%	-	-0.60%
16-Jan	8.25	US	Mich Sentiment-Prel	Jan	60	-	60.1



Energy

January 12, 2009

Commodity	Open	High	Low	Close	Change
NYMEX Crude Feb	41.40	41.50	39.50	40.83	-0.87
MCX Crude Jan	2092	2095	1923	1946	-100
NYMEX Nat Gas Feb	5.555	5.665	5.420	5.516	-0.067
MCX Nat Gas Jan	276	277	264.10	266.70	-8

MARKET RECAP

Crude Oil prices plunged in the last week, as rise in US unemployment renewed concerns about energy demand in the world's largest oil consuming nation. Prices were under pressure since Wednesday, when energy department showed more than expected rise in crude oil, gasoline and distillates stocks. U.S. supplies have climbed in 13 of the past 15 weeks as the economy slowed down, according to the Energy Department.

Crude Oil prices were trading higher in the first half of last week, as rising tension in the Gaza strip increased worries over possible supply disruption in Middle East. Russia's dispute with Ukraine over natural gas pricing also supported oil prices. Prices touched a weekly high of \$50 per barrel, before plummeting on demand concerns.

New York Mercantile Exchange Natural Gas futures fell more than 7% in the last week, as bearish inventory data along with fall in oil prices weighed on gas prices. NYMEX February Natural Gas futures were down by 7.46% to close at \$5.516.

OUTLOOK

Weak unemployment data of U.S. signifies bleak economic outlook in the medium term. As result of rising unemployment in most of the countries of the world, consumer spending has gone down, which is putting breaks on energy demand. World economy will take longer time to recover from current crisis, due to which demand for energy will remain sluggish. With dispute between Russia and Ukraine over natural gas has eased, energy supplies to European nations can come back to normal in coming days. The only factor which may support oil prices is the ongoing war in Gaza, due to its potential to affect supply. Crude Oil prices are likely to trade sideways down for the day.

Crude Oil prices are trading below 18-day EMA (\$ 43.15), which can act as a near term resistance. MACD is also trading in negative territory, indicating bearishness in prices. We can witness sideways down move in crude oil prices with crucial resistance for NYMEX February contract is seen at \$42.20/44.10 level & support at \$38.90/37.50 levels.

Natural Gas prices are expected to trade sideways down, as weak demand and fall in oil prices can weigh on gas prices. MCX Jan contract has support at 261.10 levels & resistance at 274.80 levels.

MAJOR HIGHLIGHTS

- Crude Oil futures ended the week 11.89% lower than the previous week to close at \$40.83 per barrel.
- US unemployment rate rose to 7.2% in December, the highest since January 1993, from 6.8% in November, the US labour department reported on Friday.
- Ukraine, Russia and the European Union struck an agreement on Sunday that should enable the resumption of Russian supplies via Ukraine to Europe, large parts of which have been plunged into a mid-winter energy crisis.

TECHNICAL ANALYSIS



On intraday basis, MCX Jan Crude shall find support at 1880/1820 levels whereas resistance is seen at 2070/2130 levels. Prices are trading below 10day-EMA (Rs. 2134). RSI is trading at 38 levels and marching southwards. The short-term trend has once again turned down along with intermediate and long term trends, which continue to remain down.