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Content

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Precious Metals

January 16, 2009

Commodity	Open	High	Low	Close	Change
Gold Loco $	810.65	821.40	801.5	817.75	+6.3
Gold Feb $	811.1	822.1	801.5	817.8	+6.3
Gold Feb Rs.	12831	12924	12733	12787	-65
Silver Loco $	10.55	10.67	10.31	10.61	+0.05
Silver Mar $	10.56	10.675	10.575	10.645	+0.025
Silver Mar Rs.	17598	17700	17392	17484	-111
Rupee/$	1.3189	1.3241	1.3026	1.3124	-0.0063
Euro/$	49.18	49.20	48.87	49.01	+0.16
Yen/$	89.04	90.01	88.46	89.76	+0.74
US $ Index	84.41	85.14	84.04	84.61	+0.17

MAJOR HIGHLIGHTS

European Central Bank's (ECB) cut its benchmark interest rate by 50 basis points to 2.00%.

India's inflation for the week ended 3rd Jan 09 came in at 5.24% against 5.91% in prior week.

US Producer Price Index (PPI) dropped by 1.9% last month, close to the consensus expectation of 2.0% decline, as per US Labour Dept.

TECHNICAL ANALYSIS

Spot gold continues to close below its 10-day. It is also closing below its 65-Day EMA & 100-Day EMA. Daily MACD Histogram has moved in negative territory whereas Weekly MACD Histogram is in positive territory. 14-day RSI is at 46 levels.

MARKET RECAP

Yesterday, gold prices bounced back from its low of the day ($801.50) to end the day at $817.75. It had fallen earlier in the day as the Euro fell sharply when ECB announced a 50 basis point rate cut which was in line with to market expectations. Gold hit a 5-week low following the rising dollar which headed to the upside against the euro and hit a five-week high of 1.3026. Also, helping limit gold's loss was a string of bad economic news with some investors buying gold as a safe have against economic troubles. On the economic front, U.S. foreclosure filings in 2008 rose 81% from 2007 and tripled from 2006, RealtyTrac reported on Wednesday, clearing indicating the worsening of the US economic situation. Crude prices also fell sharply reducing gold's appeal as a hedge against inflation.

In **currency** market, the EURO fell sharply during yesterday's trading session on the back of 50 basis points cut in interest rates by ECB as per market expectations. For the day, resistance is seen at 1.3234/1.3345 whereas support is seen at 1.3019/1.2960. Yesterday, the Rupee traded sideways against the USD, ending the day at 49.01 (+0.16). For the day, resistance is seen at 49.29/49.40 whereas support is seen at 48.60/48.27.

OUTLOOK

The Dollar continues to gain in strength against the Euro for past few weeks with resistance for the Dollar Index seen at 85.60 levels. Also, the ECB President signaled that there would not by further rate cuts next month, which lent support to the Euro after it witnessed a sharp fall yesterday. Today, the US Consumer Price Index (CPI) data for December & Euro-Zone Trade Balance figures shall be released today, which would have a bearing on the respective currencies. As the global stock markets are also not showing any signs of improvement, investment sentiments the world over is taking a beating. Silver continues to track both gold & base metals, as partly as an investment class and partly because it being an industrial metal, correlated with base metal prices which have also fallen over the past few days. Physical demand in coming months shall play a crucial role in supporting bullion prices on the downside.

On intraday basis, **Spot Gold** prices have immediate support at $813/$802 whereas resistance is seen at $826/$34. **Spot Silver** prices shall find support at $10.39/$10.17 whereas resistance is seen at $10.75/$10.89.

MCX Feb Gold has support at 12810/12700 whereas resistance is seen at 12980/13117 levels whereas **MCX March Silver** shall find support at 17520/17330 whereas resistance is seen at 17730/17920 levels.

Base Metals

January 16, 2009

Commodity	Open	High	Low	Close	Change
LME Copper	3305	3337	3165	3290	+15
LME Zinc	1275	1285	1235	1245	-15
LME Nickel	10700	10800	10350	10480	-170
LME Lead	1120	1147	1080	1125	0
LME Alum	1485	1500	1448	1475	-15
LME Tin	11075	11150	10700	10800	-200
COM Copper	148.90	151.35	142.35	150.20	+1.3
MCX Copper	162	164.85	157.30	160.20	-2.6
MCX Lead	55.20	56.30	53.55	55.50	0
MCX Zinc	61.05	62.20	60.00	60.60	-0.4
MCX Alum	71.05	71.65	70.05	71.00	-0.3
MCX Nickel	523.10	531	512.60	523.70	-0.4
MCX Tin	550	550	550	550	0

LME Stocks	Close	Previous	Change
Copper	387325	382150	+5175
Tin	8090	7995	+95
Lead	45950	46150	-200
Zinc	270450	268900	+1550
Aluminum	2479125	2445525	+33600
Nickel	78768	78660	+108

MARKET RECAP

The dollar rose to fresh five-week highs against the euro, which dropped to $1.3026 at one stage, undermined by the European Central Bank cutting interest rates by 50 basis points to 2 percent, as expected. Equity markets turned lower as well, with European shares slipping for the seventh straight session to close under 800 points, while in other commodity markets, crude oil fell over six percent to a one-month low under $35 a barrel and gold slid by more than $7.00 an ounce to near $800. Weekly jobless claims came in at 524,000, against a forecast 512,000, while the December PPI fell 1.9 percent - a 2.0 percent fall had been seen. These were close to expectations, as was the Empire State Manufacturing Index, which was -22.2. The dollar is stronger and the fundamental picture is very weak.

Copper spiked down to $3,171 before bouncing back up to $3,345 on the back of short covering, but it still closed $10 lower on the day at $3,275/3,280 a tonne. Inventories jumped 5,175 tonnes to 387,325 tonnes, a new peak since January 2004, and with the size of the daily increases growing, downward price pressure should continue. Later, Copper staged a mini-technical recovery towards the LME close on Thursday, erasing losses on short covering, but a negative backdrop of tumbling equities, a strengthening dollar and rising inventories kept most base metals under downward pressure. Aluminium, earlier down to $1,451, the lowest for a month, ended at $1,480, down $15, in response to a hefty 33,600 tonne-increase in warehouse inventories to 2,479,125 tonnes, the highest since August 1994. Stocks are rising remorselessly now, with the all-time high of 2.661 million tonnes set in June 1994 likely to be exceeded. Zinc and lead bucked the overall price trend, holding up on short covering. Zinc closed at an unchanged $1,265, although stocks rose 1,550 tonnes to 270,450 tonnes, a new high since April 2006. Lead posted a $24 gain at $1,154, aided by a modest 200-tonne drawdown in stocks.

OUTLOOK

With the annual round of commodity index re-balancing operations now drawing to a close, the metals complex is likely to be dictated by fundamental drivers in the short term, such as constantly rising inventories and the lack of Chinese physical interest until at least early February. The only possible lift is if equities get a pre-Obama taking office rally which we might see tomorrow. Far from moderating, the continued deterioration in the global macro statistics is lending more credence to the argument that another leg lower in most financial and commodity markets could be coming.

There are also continuing concerns that the corporate reporting season will pour an increasing torrent of negativity into the marketplace and the lack of real physical demand for metals, it is hard to make a positive case for base metals in the short term. Overall, the bearish sentiments are not going away so soon, so any rally in the base metals is likely to be short-lived unless we see a substantial change in the overall global economic scenario.

For the day, Base metals are expected to trade sideways during today's trading session.

TECHNICAL ANALYSIS

Copper

Copper prices fell during yesterday's trading session with immediate support for MCX Feb contract is seen at Rs.160.50 Further below, support is seen at 157 levels.

Whereas resistance is seen at Rs.166 levels & further upwards at Rs. 168.30.

Zinc

Zinc prices also fell during yesterday's trading session with immediate support seen at Rs.59.50 levels for MCX Jan contract whereas crucial support is seen at Rs.58.20 levels. Short-term resistance is seen at Rs62.80 whereas major resistance is seen at Rs 64.70.

ECONOMIC CALENDAR

Date	IST	Country	Release	For	Consensus	Actual	Prior
13-Jan	7.00	US	Trade Balance	Nov	-$51.0B	-$40.4B	-$57.2B
14-Jan	7.00	US	Retail Sales	Dec	-1.10%	-2.7%	-1.80%
14-Jan	7.00	US	Retail Sales ex-auto	Dec	-1.20%	-3.1%	-1.60%
14-Jan	8.30	US	Business Inventories	Nov	-0.50%	-0.70%	-0.60%
15-Jan	7.00	US	Core PPI	Dec	0.10%	0.2%	0.10%
15-Jan	7.00	US	Initial Claims	10-Jan	501K	524K	467K
15-Jan	7.00	US	PPI	Dec	-1.90%	-1.9%	-2.20%
15-Jan	8.30	US	Philadelphia Fed	Jan	-35	-24.3	-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

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Energy

January 16, 2009

Commodity	Open	High	Low	Close	Change
NYMEX Crude Feb	36.55	36.55	34.10	35.40	-1.88
MCX Crude Jan	1782	1865	1626	1641	-146
NYMEX Nat Gas Feb	5.025	5.025	4.745	4.843	-0.127
MCX Nat Gas Jan	242	246.70	234.0	235.70	-11

MAJOR HIGHLIGHTS

- MCX January crude Oil futures expired yesterday with a loss of 8.17%.
- The Organization of Petroleum Exporting Countries (OPEC) reduced its global demand estimate for 2009 by 20,000 barrels to 85.66 million barrels a day.
- The U.S. Energy Information Administration said yesterday, that natural gas storage fell by 94bcf last week, against the expected drop of 105bcf.

TECHNICAL ANALYSIS

Prices are trading below 10day-EMA (Rs. 2188). RSI is trading at 40 levels. The short-term trend has once again turned down along with intermediate and long term trends, which continue to remain down. On intraday basis, MCX February Crude shall find support at 2060/1970 levels whereas resistance is seen at 2180/2295 levels.

MARKET RECAP

Crude Oil prices traded lower yesterday to settle at lowest level in past one month, as weak economic data from across the globe is raising concern over falling demand. NYMEX February Crude Oil futures were down by 5.04% to close at $35.40 per barrel, lowest closing level since 19th December.

Following Wednesday's bearish inventory report, market saw more dire economic news from Europe and US yesterday. This indicated that economic situation in developed nations is getting worse and will not be helping to revive energy demand in the short term. Continuous rising dollar against major currencies is also o weighing on oil prices.

New York Mercantile Exchange **Natural Gas** futures extended its losses yesterday, as bearish inventor data and weak oil prices pulled gas prices lower. NYMEX February Natural Gas futures were down by 6.57% to close at $4.843.

OUTLOOK

In the current environment of continuing economic deterioration and its negative impact on energy demand, we can see downward pressure on oil prices. Bleak economic data from US, Europe and Japan is showing signs of further economic slowdown in these oil guzzling regions. Therefore any rise in oil prices can be short lived, as rising inventory levels throughout the major industrialized nations and heavy demand destruction is likely to dominate sentiments in the market. Today, oil prices may rise on account of technical buying, but major trend is still down.

Presently Crude oil market is trading in contango, where near month contract is trading at discount to next month contract. This gap indicates that oil prices can rebound in future, so instead of selling oil at depressed prices amidst sluggish demand, companies and investors are hoarding oil for future sales.

We can witness sideways down move in crude oil prices with crucial support for NYMEX March contract is seen at $40.90/38.70 level & resistance at $45.20/47.45 levels.

Natural Gas prices are likely to trade sideways down; as less than expected drop in inventory suggest lower demand. MCX Jan contract has support at 230.30 levels & resistance at 243.50 levels.

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