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Precious Metals

January 19, 2009

Commodity	Open	High	Low	Close	Change
Gold Loco \$	817.70	843.1	815.35	841.6	+23.65
Gold Feb \$	817.7	843.6	815.7	843.0	+25.2
Gold Feb Rs.	12898	13105	12860	13070	+283
Silver Loco \$	10.60	11.29	10.55	11.22	+0.61
Silver Mar \$	10.62	11.305	10.575	11.280	+0.66
Silver Mar Rs.	17840	18366	17480	18324	+840
Rupee/\$	1.3112	1.3342	1.3109	1.3288	+0.0164
Euro/\$	48.80	48.98	48.52	48.61	-0.40
Yen/\$	89.82	90.90	89.71	90.59	+0.83
US \$ Index	84.62	84.67	83.46	84.05	-0.56

MAJOR HIGHLIGHTS

Department of Labor report last week showed that the consumer price index fell 0.7 percent in December following an unrevised 1.7 percent decrease in November. Economists had been expecting prices to fall by a somewhat more significant 1.0 percent.

The Reuters & Univ. of Michigan released their preliminary report on consumer sentiment in the month of January, showing an unexpected increase by the consumer sentiment index. The report showed that the consumer sentiment index rose to 61.9 in January from 60.1 in December.

TECHNICAL ANALYSIS



Spot gold closed above both its 10-day as well as its 65-Day EMA last week. Daily MACD Histogram continues to move in negative territory whereas Weekly MACD Histogram is in positive territory. 14-day RSI is at 51 levels & inching upwards. Sustained trading above \$842 levels (Spot Gold) shall take prices towards \$860 mark.

MARKET RECAP

Gold had a 2nd straight weekly loss while the dollar posted a 3rd straight weekly advance. Last week, spot gold rebounded from its low of the week (\$801.5) to end the week at \$841.60 -\$12). Likewise, spot silver also bounced back from the lows of the week (\$10.31) to end the week at \$11.21, down a miniscule (\$-0.03). Investors sold gold last week to cover losses in equity markets and hoard cash, boosting the dollar. On the currency front, the dollar rebounded from early weakness versus other major currencies Friday in New York as initial gains on Wall Street evaporated, fueling increased risk appetite and a move back into lower-yielding currencies such as the dollar and yen.

In currency market, the EURO fell sharply against the USD for the 3rd successive week, ending the week at 1.3288 (-0.0142). The EURO continues to be strongly supported at 1.3026, its recent low on 15th Jan 09. For the day, resistance is seen at 1.3383/1.3479 whereas support is seen at 1.3246/1.3150. Last week, the Rupee lost ground against the USD, ending the week at 48.61 (+0.55). It continues to trade sideways for the past few weeks supported strongly at 47.56 levels (100-Day EMA). For the day, resistance is seen at 48.88/49.20 whereas support is seen at 48.40/48.24.

OUTLOOK

The continued strength in the Dollar Index (DX) has pulled down the bullion pack over the past few weeks. The DX continues to trade above its 10-Day EMA as well as its 30-Day EMA which is inching upwards indicating a short-term uptrend. A doji like formation seen on daily charts (15th Jan 09) indicates that the DX shall meet with major resistance at that level (85.14). Only a consistent trading above the same would lead to a further weakness in the bullion pack. Crude prices are at substantially lower levels i.e. (\$35-\$40), hence its inflationary impact has been greatly reduced. Physical demand in coming months shall play a crucial role in supporting bullion prices on the downside. *Comex trading will take place as usual today but trading will likely be light with many traders off for Martin Luther King, Jr. Day.*

On intraday basis, Spot Gold prices have immediate support at \$832/\$822 whereas resistance is seen at \$843/\$52. Spot Silver prices shall find support at \$11.00/\$10.75 whereas resistance is seen at \$11.50/\$11.75.

MCX Feb Gold has support at 13050/12820 whereas resistance is seen at 13150/13220 levels whereas MCX March Silver shall find support at 18050/17830 whereas resistance is seen at 18330/18580 levels.



Base Metals

January 19, 2009

Commodity	Open	High	Low	Close	Change
LME Copper	3310	3440	3295	3350	+60
LME Zinc	1265	1280	1243	1250	+5
LME Nickel	10500	11050	10450	10775	+295
LME Lead	1130	1175	1125	1147	+22
LME Alum	1480	1500	1450	1470	-5
LME Tin	10900	11100	10700	10850	+50
COM Copper	150.25	156.50	148.85	152.50	+2.3
MCX Copper	162.40	168.40	162.00	165.30	+5.1
MCX Lead	56.15	57.45	55.20	55.85	+0.35
MCX Zinc	61.10	62.00	60.15	60.45	-0.15
MCX Alum	71.0	71.75	69.60	70.00	-1
MCX Nickel	525.90	541.80	523.20	527.0	+3.3
MCX Tin	550	550	550	550	0

LME Stocks	Close	Previous	Change
Copper	391525	387325	4200
Tin	8245	8090	155
Lead	45800	45950	-150
Zinc	273800	270450	3350
Aluminum	2485275	2479125	6150
Nickel	78714	78768	-54

MARKET RECAP

Base metals ended mixed during a volatile Friday session on the LME, closing off midday highs as the impetus from fund buying in the group leader copper petered out, leaving the market vulnerable to a negative backdrop of ample inventories and weak demand. Copper and nickel led the pack higher on the back of short covering by the funds, while brief rumors of production cuts by 40% at Chile's Escondida, the world's largest copper mine, prompted a spike above \$3,400 a ton. But the cutbacks were in fact already discounted and involuntary, due to lower ore grades and operational difficulties.

On the currency front, the dollar retreated from its five-week highs of near \$1.30 versus the euro, easing back to around \$1.3250 ahead of the Martin Luther King US holiday today. The Michigan consumer sentiment index was better-than-expected at 61.9, against an expected 59.2. Earlier, the CPI for December fell 0.7 percent, against a forecast 0.8 percent decline, but industrial production fell 2.0 percent, compared with an expectation of a 0.9 percent drop.

Copper, which had risen over five percent at its peak to \$3,445, fell back to \$3,355, still up \$80, or 2.4 percent from the previous close. LME stocks rose 4,200 tonnes to a fresh five-year high of 391,525 tonnes, but there was a 6,865-tonne decline in weekly SHFE warehouse stocks. Aluminum continues to trade sideways with big stock increases, and more to come, restrained prices at a ceiling of \$1,500. LME stocks rose 6,150 tonnes to 2,485,275 tonnes, a fresh high since August 1994, while there was a 21,555-tonne leap in weekly SHFE inventories. Elsewhere, zinc was \$5 weaker at \$1,260, as stocks jumped 3,350 tonnes to 273,800 tonnes, the highest since April 2006. Lead ended at \$1,690, up \$15, with a 150-tonne fall in stocks seen.

OUTLOOK

Overall, the trend for the complex remains lower, with the first half of the year seen as a period of unprecedented economic weakness, while there could also be further upheavals in the financial sector to jolt fragile sentiment. At any indication that things are starting to improve, metals should lead the way higher. Metals markets also face an uphill struggle in the medium term from slow demand and rising inventories as production cutbacks have not kept pace with the steep tail-off in off take. Also, 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.

Hopes are currently pinned on Obama as to the measures that he plans to initiate to provide stimulus to the US economy, which would be supportive for the base metals pack. 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 traded sideways last week with prices closing near to the open of the week. Prices did manage to close strong on Friday though. For the day, immediate support for MCX Feb contract is seen at Rs.165.50 Further below, support is seen at 162 levels.

Whereas resistance is seen at Rs.170.50 levels & further upwards at Rs. 172.30.

Zinc

Zinc prices also traded sideways last week 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
16-Jan	7.00	US	Core CPI	Dec	0.10%	0.0%	0.00%
16-Jan	7.00	US	CPI	Dec	-1.00%	-0.7%	-1.70%
16-Jan	7.45	US	Capacity Utilization	Dec	74.70%	-73.6%	75.40%
16-Jan	7.45	US	Industrial Production	Dec	-0.80%	-2.0%	-0.60%
16-Jan	8.25	US	Mich Sentiment-Prel	Jan	60	-61.9	60.1
22-Jan	7.00	US	Building Permits	Dec	615K	-	616K
22-Jan	7.00	US	Housing starts	Dec	610K	-	625K
22-Jan	7.00	US	Initial Claims	01/17	548K	-	524K



Energy

January 19, 2009

Commodity	Open	High	Low	Close	Change
NYMEX Crude Mar	43.95	43.95	42.25	42.57	-0.97
MCX Crude Feb	2141	2171	2064	2084	+25
NYMEX Nat Gas Feb	4.885	4.975	4.765	4.801	-0.042
MCX Nat Gas Jan	238.80	242.90	233.10	235.60	-0.1

MARKET RECAP

Crude Oil prices traded lower in the last week, as weak economic data from US, Europe raised concern over falling demand. Rise in dollar against major currencies and more than expected rise in oil products stocks also weighed on oil prices. NYMEX February Crude Oil futures, which will expire on 20th January, ended last week 10.58% lower than the previous week.

Oil prices got very little support from rising geopolitical tension in Gaza strip, as last week's inventory data showed unexpected rise in gasoline in distillates stocks, indicating that demand is still falling in US. Sentiments in the markets weakened further after OPEC lower down its demand forecast for this year. Spread between NYMEX February and March contract was \$6.40 on Friday from \$8 on previous day.

New York Mercantile Exchange **Natural Gas** futures traded sharply lower in the last week, as bearish inventory data and weak oil prices pulled gas prices lower. NYMEX February Natural Gas futures ended the week 13.99% down than previous week.

OUTLOOK

Continuing economic deterioration in developed countries can lead to further fall in energy demand, which can put downward pressure on oil prices. After OPEC, International Energy Agency (IEA) also reduced its demand forecasts for this year, marking first two-year decline in demand since 1983. The near term economic data likely to remain extremely weak and that can lead to rise in negative sentiment in energy market. Even though some of the OPEC members are promising that, they will cut more production than oil cartel has decided; it will do little to shore up oil prices amidst weak fundamentals. *Today oil prices can trade range bound, as US market will be closed on account of Martin Luther King Jr. holiday.*

We can witness sideways move in crude oil prices with crucial support for NYMEX March contract is seen at \$41.40/39.80 level & resistance at \$43.90/45.40 levels.

Natural Gas prices are likely to trade sideways down amidst weak fundamentals. MCX Jan contract has support at 224.10 levels & resistance at 235.70 levels.

MAJOR HIGHLIGHTS

- NYMEX March Crude Oil futures ended the week 7.31% lower than the previous week to close at \$42.57 per barrel.
- MCX January Crude Oil futures expired on 15th January to close at Rs.1, 641 per barrel.
- The International Energy Agency (IEA) reduced its global demand estimate for 2009 by 0.6% to 85.3 million barrels a day.
- Ministers should agree fresh cuts at the group's March 15 meeting if prices continue to slide, Algerian Oil Minister Chakib Khelil said on Saturday.

TECHNICAL ANALYSIS



RSI is trading at 38 levels. Prices are trading below 18 day-EMA (Rs. 2195) which acts as a short term resistance. On intraday basis, MCX February Crude shall find support at 2020/1960 levels whereas resistance is seen at 2120/2175 levels.