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Content

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Precious Metals

January 20, 2009

Commodity	Open	High	Low	Close	Change
Gold Loco $	842.5	846.2	831.35	835.9	-5.7
Gold Feb $	844.1	846.3	831.6	835.1	-7.9
Gold Feb Rs.	13152	13175	13051	13097	-70
Silver Loco $	11.25	11.31	11.05	11.16	-0.05
Silver Mar $	11.30	11.35	11.08	11.17	-0.11
Silver Mar Rs.	18268	18350	18155	18252	-89
Rupee/$	1.3338	1.3384	1.3084	1.3086	-0.0202
Euro/$	48.60	48.80	48.37	48.63	+0.02
Yen/$	90.99	91.31	90.13	90.67	+0.08
US $ Index	84.21	84.86	83.47	84.73	+0.68

MAJOR HIGHLIGHTS

US President-elect Barack Obama will be sworn into office today.

Japan's, the world's 2nd largest economy, industrial production fell 8.5 percent in November from a month earlier on a seasonally adjusted basis, Japan's govt. data showed yesterday.

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 48 levels.

MARKET RECAP

Trading was thin yesterday on account of Martin Luther King Jr Day Holiday in US. Spot gold traded sideways for the day, briefly breaching last Friday's high but unable to hold onto its gains. The strengthening of the Dollar against major currencies pulled down the bullion pack. Crude likewise continues to trade lower, thereby easing inflationary concerns substantially. But at the same time, the increasing liquidity in the global financial system through stimulus packages being implemented by major economies, raises the fear that money supply will increase dramatically, which could lead to further debasing of the currencies.

In **currency** market, the EURO fell sharply during yesterday's trading session on the back of strengthening of the USD. The EURO breached the key support of 1.3000 this morning indicating the current weakness in the EURO. For the day, resistance is seen at 1.3184/1.3285 whereas support is seen at 1.2985/1.28847. Yesterday too, the Rupee traded sideways against the USD, ending the day at 48.63 (+0.02). It continues to trade sideways for the past few weeks, with very strong support at 47.52 levels (100-Day EMA) whereas major resistance for this week is seen at 49.29. For the day, resistance is seen at 49.29/49.40 & support is seen at 48.60/48.27.

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). 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.

On intraday basis, **Spot Gold** prices have immediate support at $825/$818 whereas resistance is seen at $838/$46. **Spot Silver** prices shall find support at $10.80/$10.50 whereas resistance is seen at $11.30/$11.50.

MCX Feb Gold has support at 13020/12820 whereas resistance is seen at 13160/13220 levels whereas **MCX March Silver** shall find support at 18050/17830 whereas resistance is seen at 18330/18580 levels.

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Base Metals

January 20, 2009

Commodity	Open	High	Low	Close	Change
LME Copper	3400	3460	3310	3435	+85
LME Zinc	1265	1275	1225	1265	+15
LME Nickel	11100	11320	10675	11250	+475
LME Lead	1155	1170	1135	1167	+20
LME Alum	1455	1485	1404	1427	-43
LME Tin	11200	11200	10600	10950	+100
COM Copper	152.95	157.50	151.0	152.70	+0.2
MCX Copper	166.50	169.45	164.30	168.45	+2.35
MCX Lead	56.50	57.35	55.30	56.95	+0.85
MCX Zinc	60.85	61.40	59.20	60.75	+0.05
MCX Alum	70.80	70.80	67.65	68.15	-2.3
MCX Nickel	530.50	550.40	523.60	547.20	+18
MCX Tin	550	550	550	550	0

LME Stocks	Close	Previous	Change
Copper	393675	387325	+2150
Tin	8300	8090	+55
Lead	45525	45950	-275
Zinc	274575	270450	+775
Aluminum	2537150	2479125	+51875
Nickel	79008	78768	+294

MARKET RECAP

Base metals clawed back some lost ground during late Monday LME trading, but most of the bounces were laboured and little more than short-covering in a heavily depressed sector. Trading volumes were low because of the US holiday (Martin Luther King Day). There are no real reasons to be bullish - demand is faltering, stocks are rising and this year is going to be a real grind. Copper and nickel managed to secure some solid gains, nevertheless, with nickel up four percent, but aluminium typified the mood - falling to new lows for over five years on the back of near-record inventories and gloomy demand prospects.

Overall, the market was also restrained by the latest daily LME warehouse inventory report, which showed further stock increases for all metals but lead, underlying the weak state of current demand. Aluminium in particular was hit by a massive stock increase, with the stockpile approaching record levels last seen in 1994. Inventories rose by 51,1875 tonnes to 2,537,150 tonnes, a fresh high since July 1994. Prices fell as low as $1,408 a tonne, its weakest since end-September 2003, before ending 3.1 percent, or $46, lower at $1,424. According to the China Non-ferrous Metals Industry Association, the domestic aluminium market will show an oversupply again in 2009. This dampens the outlook for aluminium prices, as China is the largest aluminium producer and consumer across the globe.

Copper closed at $3,430, up 2.2 percent from Friday's $3,355 close. Inventories rose another 2,150 tonnes to a fresh five-year high of 393,675 tonnes. **Nickel** closed $445, or 4% higher at $11,300. It was helped by reports that BHP Billiton is considering the closure of its Ravensthorp nickel mine in Australia, which only opened in 2007, because of falling prices and the weakness of economic activity. This was underscored by inventories rising 294 tonnes to 79,008 tonnes, the highest since July 1995. **Zinc** was unchanged at $1,260 - a 775-tonne stock increase to 274,575 tonnes, the highest since early April 2006. **Lead** was just $6 higher at $1,175, but there were reports of soft demand from the replacement battery sector during this peak winter season.

OUTLOOK

The UK government on Monday announced its second bank rescue plan, throwing its ailing banks another multi-billion pound lifeline in a bid to get them lending again to consumers. Meanwhile, President-elect Barack Obama is set to take office today, and many hope he will take bold economic measures to pull the country out of recession. Over the weekend, his senior adviser David Axelrod said the new team would improve the way the second half of the $700 billion bank rescue plan was used, to get credit flowing again to cash-starved consumers and companies. It looks as though we are in the still early stages of a second bout of weakness. With RBS and companies reporting now for 2008 we could get a second significant sell-off.

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 offtake. 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.

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

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TECHNICAL ANALYSIS

Copper

Copper prices continue to trade sideways with 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.59.20 levels for MCX Jan contract whereas crucial support is seen at Rs.58.20 levels. Short-term resistance is seen at Rs61.50 whereas major resistance is seen at Rs 62.70.

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

Energy

January 20, 2009

Commodity	Open	High	Low	Close	Change
NYMEX Crude Mar	42.43	42.63	40.21	40.75	-1.58
MCX Crude Feb	2070	2085	1976	1998	-80
NYMEX Nat Gas Feb	4.736	4.778	4.710	4.714	-0.076
MCX Nat Gas Feb	232.90	235.70	231	232.6	-1.6

MAJOR HIGHLIGHTS

- The agreement between Russia and Ukraine, which set a final price for 2009 supplies, is expected to lead to the restart of flows of Russian natural gas to Europe via Ukraine within the next 36 hours.
- Israel planned to complete a troop pullout from Gaza before Barack Obama's inauguration, Israeli political sources said yesterday.
- Crude-oil inventories at Cushing, Oklahoma, where West Texas Intermediate traded on the Nymex is stored, climbed 2.5 percent to 33 million barrels last week, the Energy Department said this week.

MARKET RECAP

Crude Oil prices traded lower amidst thin volumes yesterday, on expectation that faltering global economic growth will lead cut down energy demand. Implementation of cease fire between Israel and Hamas also eased supply concerns, pushing oil prices lower. NYMEX March Crude Oil futures were down by 3.73% to close at $40.75 per barrel.

Russia and Ukraine signed 10-year natural-gas contracts, ending a dispute that's squeezed supplies to the European Union for almost two weeks. Prices were under pressure since last Friday, after two major oil organizations cut their demand forecast for this year amidst economic slowdown. Spread between NYMEX February and March futures was just above $6 per barrel.

New York Mercantile Exchange **Natural Gas** futures started the week on negative note, as weak oil prices and relatively less demand weighed on gas prices. NYMEX February Natural Gas futures were down by 6.57% to close at $4.843.

TECHNICAL ANALYSIS

Prices are trading below 10day-EMA (Rs. 2105). RSI is trading at 34levels and inching downward. The short-term trend has turned down along with intermediate and long term trends, which continue to remain down. On intraday basis, MCX February Crude shall find support at 1930/1870 levels whereas resistance is seen at 2060/2120 levels.

OUTLOOK

Rising crude oil inventory and downward forecast of global demand from International Energy Agency and OPEC is likely to weaken sentiments in energy market. Traders are increasingly worried about falling demand, which can lead to further fall in oil prices in coming days. Since conflict in Gaza is over and dispute between Russia and Ukraine is solved, traders will once again shift their attention toward weak economic data and waning oil demand. Crude oil market is trading in contango, where near month contract is trading at discount to next month contract. Under such situation, near month contract is likely to see more selling pressure than far month contract. Crude Oil prices in the near term can remain down, with good support is seen at $33 per barrel.

We can witness sideways down move in crude oil prices with crucial support for NYMEX March contract is seen at $39.70/37.50 level & resistance at $42.20/44.80 levels.

Natural Gas prices are likely to trade sideways; as weakness in oil prices can keep gas prices under pressure. MCX Feb contract has support at 228.50 levels & resistance at 237.50 levels.