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Precious Metals

January 27, 2009

Commodity	Open	High	Low	Close	Change
Gold Loco \$	897.9	915.9	888.5	902.95	+4.15
Gold Feb \$	897.7	916.3	889	905.8	+6.2
Gold Feb Rs.	14038	14038	14038	14038	0
Silver Loco \$	11.95	12.28	11.80	12.04	+0.12
Silver Mar \$	11.905	12.285	11.825	12.115	+0.165
Silver Mar Rs.	19201	19201	19201	19201	0
Rupee/\$	48.61	49.30	48.53	49.02	-0.01
Euro/\$	1.2961	1.3204	1.2859	1.3184	+0.0199
Yen/\$	88.63	89.68	88.24	89.01	+0.21
US \$ Index	85.61	86.28	84.38	84.46	-1.1

MARKET RECAP

Spot Gold rose to the highest closing price in almost five months as the US Dollar weakened against major currencies and further on speculation that government spending will spur inflation, boosting demand for the precious metal as a hedge. Massive injections of liquidity into the global banking system will serve to drive gold prices higher. Yesterday, the U.S. President Barack Obama urged swift congressional action on an \$825 billion recovery package. Lawmakers already have spent \$350 billion of a \$700 billion financial-rescue fund to shore up lenders. Earlier, the Federal Reserve has slashed its benchmark interest rate to almost zero percent to spur growth as the yearlong U.S. recession deepened. All these factors continue to be supportive for the bullion pack.

MAJOR HIGHLIGHTS

Indian Financial markets were closed yesterday on account of Republic Day holiday.

Gold held by all exchange-traded funds reached a record level of 1,190 tons in 2008, the World Gold Council reported last week.

Investment in the SPDR Gold Trust, the biggest exchange-traded fund backed by bullion, rose 4.7 percent last week to a record 832.6 metric tons.

TECHNICAL ANALYSIS



Spot gold continues to close above both its 10-day as well as its 65-Day EMA, both are sloping upwards. Daily MACD Histogram has moved into positive territory whereas Weekly MACD Histogram is in positive territory. 14-day RSI is at 74 levels.

OUTLOOK

The eventual US stimulus plan will weaken the dollar to support gold. The dollar yesterday fell as much as 1.4 percent against a weighted basket of six major currencies. As the greenback weakens further, investors appetite for gold, both for wealth preservation & capital preservation, shall be supportive for bullion prices. Gold has gained more than \$100 since Jan. 15. Further, gold's recent improved luster has resulted from widespread global economic gloom and ultra-low global interest rates as the price of money [interest rates] is held down by central banks, the price of its competitor [gold] pushes higher on the lack of yield reward in monetary alternatives. Also physical demand, including both jewelry and investment 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 \$902/\$889 whereas resistance is seen at \$916/\$930. **Spot Silver** prices shall find support at \$11.80/\$11.50 whereas resistance is seen at \$12.28/\$12.52.

MCX Feb Gold has support at 14050/13870 whereas resistance is seen at 14330/14500 levels whereas MCX March Silver shall find support at 19200/18850 whereas resistance is seen at 19670/19980 levels.



Base Metals

January 27, 2009

Commodity	Open	High	Low	Close	Change
LME Copper	3255	3600	3205	3505	+225
LME Zinc	1155	1200	1135	1178	+13
LME Nickel	11675	12030	11325	11710	-15
LME Lead	1115	1185	1100	1174	+49
LME Alum	1340	1393	1320	1378	+22
LME Tin	12075	12350	11925	12175	+25
COM Copper	139	147.90	137.30	147.25	+8.25
MCX Copper	159.30	159.30	159.30	159.30	0
MCX Lead	54.80	54.80	54.80	54.80	0
MCX Zinc	56.90	56.90	56.90	56.90	0
MCX Alum	64.75	64.75	64.75	64.75	0
MCX Nickel	573	573	573	573	0
MCX Tin	550	550	550	550	0

LME Stocks	Close	Previous	Change
Copper	439425	424625	+14800
Tin	9035	8950	+85
Lead	50425	50475	-50
Zinc	305750	297250	+8500
Aluminum	2711550	2692325	+19225
Nickel	81468	80358	+1110

MARKET RECAP

Copper prices surged to near two month highs on the LME Monday, buoyed by a massive wave of short covering that spread to other base metals, amid improved sentiment in financial markets, as investors moved gingerly back into risky assets. There's been some fund and technical buying and the market was probably short copper as well with the overall fundamentals still very grim. A combination of short covering, fund buying and technically motivated purchases sent copper more than ten percent higher at one stage, while tin touched its best for almost two months and lead rose by over six percent. Further impetus for the move was provided by firmer stock markets, with the Dow Jones rising over 1.7 percent and European equities up three percent, as British bank Barclays rocketed by 73 percent after saying it did not need to raise fresh funds and had a good start to 2009 with high customer activity. Additionally, better-than-expected recent US data provided a rare bit of good economic news in the current recessionary climate. December existing home sales were 4.74 million, against a forecast 4.40 million, while leading indicators rose 0.3 percent -- they had been expected to fall 0.2 percent.

Copper was the stand-out performer yesterday, rising as much as 10.9 percent to hit \$3,603.75 a tonne at one point, its highest since December 2, before closing at \$3,560, still up 9.5 percent from the strong Friday close. In other metals, Aluminium rose \$41, or 3.1 percent to \$1,383, although inventories gained 19,225 tonnes to hit a fresh all-time high of 2,711,550 tonnes.

Lead bounced 6.3 percent to \$1,185, while zinc rose to \$1,200, up \$40, or 3.4 percent, although an 8,500-tonne rise in stocks lifted the total above 300,000 tonnes for the first time since March 2006 - they now stand at 305,750 tonnes. However, nickel, which jumped ten percent on Friday on technical buying, eased back slightly, dropping by \$50 to \$12,050. Stocks jumped 1,110 tonnes to 81,468 tonnes, a fresh high since July 1995.

OUTLOOK

The base metal market remains fragile, due to lack of clarity about how long the positive mood would persist, as inventories keep rising while in the financial world, job cuts continue and worries about global economic health remain acute. The start of the week-long Chinese Lunar New year today could also increase volatility due to thin trading conditions. The action bears the hallmarks of someone bullying it to trigger the shorts out in the thin holiday conditions, rather than any fresh fundamentally led move. Whether the gains are simply the inevitable reaction to the sustained and unrelenting pressure of the past two weeks or the start of something more remains to be seen.

So although the economic backdrop is very gloomy it is important to remember that the fundamentals in the metals are not purely dependent on the demand side of the equation. Supply has been reined in and if destocking may have run its course, apparent demand may get a boost as it would from restocking and, or short-covering. Overall we are not bullish but we feel the market may have become transfixed on the gloomy economic outlook which has no doubt been made to look worse by heavy destocking.

For today's trading session, we expect the base metals pack to trade with a positive bias as the short-term trend has turned slightly positive.



TECHNICAL ANALYSIS



Copper

Copper prices rose sharply during the past couple of days with immediate support for MCX Feb contract is seen at Rs.166. Further below, crucial support is seen at 162 levels.

Whereas resistance is seen at Rs.76.6 levels & further upwards at Rs. 179.80.



Zinc

Zinc prices have also bounced back from its lows with immediate support seen at Rs.56.20 levels for MCX Jan contract whereas crucial support is seen at Rs.54.40 levels. Short-term resistance is seen at Rs.58.70 whereas major resistance is seen at Rs 60.20.

ECONOMIC CALENDAR

Date	IST	Economic Release	For	Consensus	Actual	Prior
26-Jan	20.30	Existing Home Sales	Dec	4.40M	4.74M	4.45M
26-Jan	20.30	Leading Indicators	Dec	-0.30%	0.30%	-0.40%
27-Jan	20.30	Consumer Confidence	Jan	39	-	38
28-Jan	0.45	FOMC Rate Decision	Jan. 28	NA	-	0-0.25
29-Jan	19.00	Durable Orders	Dec	-1.80%	-	-1.50%
29-Jan	19.00	Initial Claims	24-Jan	575K	-	589K
29-Jan	20.30	New Home Sales	Dec	400K	-	407K
30-Jan	19.00	Chain Deflator-Adv.	Q4	0.60%	-	3.90%
30-Jan	19.00	GDP-Adv.	Q4	-5.40%	-	-0.50%
30-Jan	20.15	Chicago PMI	Jan	34	-	34.1
30-Jan	20.25	Mich Sentiment-Rev	Jan	61.9	-	61.9
30-Jan	20.30	Employment Cost Index	Q4	0.70%	-	0.70%



Energy

January 27, 2009

Commodity	Open	High	Low	Close	Change
NYMEX Crude Mar	46.00	48.59	45.73	45.73	-0.74
MCX Crude Feb	2238	2238	2238	2238	0
NYMEX Nat Gas Mar	4.455	4.590	4.355	4.458	-0.035
MCX Nat Gas Feb	222	222	222	222	0

MARKET RECAP

Crude Oil prices failed to hold on to their gains in yesterday's trading, as concerns over falling energy demand amidst global economic downturn and rising crude oil inventory weighed on oil prices. NYMEX March Crude Oil futures were down by 1.59% to close at \$45.73 per barrel. Indian financial markets were closed yesterday on account of Republic Day holiday.

In the first half of trading session, oil prices touched a three week high of \$48.59 per barrel, as weak US dollar against major currencies and unexpected. Despite of this rally, oil prices succumbed to bleak economic outlook and its negative impact on energy demand. Demand for oil in US is expected to remain down in the medium term.

New York Mercantile Exchange Natural Gas futures traded lower yesterday, as renewed concern over sluggish demand weighed on gas prices. NYMEX February Natural Gas futures were down by 0.77% to close at \$4.458.

MAJOR HIGHLIGHTS

- OPEC's president, Jose Botelho de Vasconcelos, said over the weekend that the cartel could meet before its scheduled meeting on March 15 if oil prices keep falling.
- Tracking agency Petro-logistics reported on Friday that oil production of the Organization of Petroleum Exporting Countries (OPEC) will fall by 1.55 million barrels per day in January.
- US Existing home sales increased to a 4.74 million units in December from a downwardly revised 4.45 million units in November, a National Association of Realtors showed yesterday.

TECHNICAL ANALYSIS



On intraday basis, MCX February Crude shall find support at 2215/2140 levels whereas resistance is seen at 2290/2350 levels. RSI is trading at 44 indicating consolidation in oil prices. Oil prices are trading above 18 Day EMA (Rs. 2182) close below this can lead to fall in oil prices.

OUTLOOK

There is a tug of war between bulls and bears in the energy market. On bearish front, we have weakening global economy and falling energy demand. But weak dollar and strength in equity markets is giving bulls the reason to prop up oil prices. In the short term, movement in equity markets can also have bearing on oil price direction. As per expectation, tomorrow's inventory data is likely to show rise in crude oil stocks, which can limit the upside in oil prices. Continuous rise in inventory is confirming the facts that demand for energy products are weak amidst deteriorating economy. We believe that crude Oil prices can face resistance around \$50 level and can fall towards \$40 levels in the short term.

We can witness sideways down movement in crude oil prices with crucial support for NYMEX March contract is seen at \$44.50/42.20 level & resistance at \$47.60/49.40 levels.

Natural Gas prices are expected to trade lower, as weak oil prices and lower demand can weigh on gas prices. MCX Feb contract has support at 212 levels & resistance at 228.70 levels.