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For Intl. Commodities Research Queries, please contact the following:

Amar Singh
Mandar Pote
Reena Walia

Head Commodity Research (Bullion)
Research Analyst (Energy)
Research Analyst (Base Metals)

(022) 4035 8638
(022) 4035 8633
(022) 4035 8632

amar.singh@angeltrade.com
mandar.pote@angeltrade.com
reena.walia@angeltrade.com



Precious Metals

January 28, 2009

Commodity	Open	High	Low	Close	Change
Gold Loco \$	903	907.5	891.95	898.75	-4.2
Gold Feb \$	902.4	907.6	892.2	898.7	-7.1
Gold Feb Rs.	14059	14214	13956	14095	+57
Silver Loco \$	12.05	12.21	11.86	12.08	+0.04
Silver Mar \$	12.030	12.220	11.855	12.065	-0.05
Silver Mar Rs.	19339	19595	19172	19476	+275
Rupee/\$	48.60	48.95	48.60	48.93	+0.4
Euro/\$	1.3186	1.3328	1.3118	1.3164	-0.002
Yen/\$	89.06	90.07	88.41	88.91	-0.1
US \$ Index	84.47	84.77	83.72	84.55	+0.09

MAJOR HIGHLIGHTS

- US Federal Reserve will announce its decision on interest rates today.
- Standard & Poor's reported Tuesday that home values in 20 major U.S. cities fell a record 18.2% in the 12 months ending in November.
- Holdings of New York's SPDR Gold Trust GLD inched up to a new record for the sixth consecutive session on Monday, and have climbed more than 52 tonnes since the beginning of the year.

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 63 levels.

MARKET RECAP

Gold prices traded marginally lower in range bound trading yesterday, as relatively strong dollar and sharp fall in oil prices weighed on yellow metal prices. Spot gold was down by 0.46% to close at \$898.75/oz. Unlike gold, spot silver traded marginally higher. In energy market crude oil prices fell by 9%, as weak economic data and expectation of rise in weekly crude oil stocks weighed on oil prices. NYMEX March crude oil futures were down by 9.07% to close at \$41.58 per barrel. Normally fall in oil prices pull gold prices lower, as they reduce gold's appeal as a hedge against inflation. Traders were also taking cautious approach ahead of US Fed interest rate decision.

In currency market, the EURO could not hold on to its gains, closing tad lower against dollar. The recent low of 1.2764, witnessed on 23rd Jan 08 shall act as short-term key support. For the day, resistance is seen at 1.3305/1.34273 whereas support is seen at 1.30823/1.2967. The Rupee has been trading sideways for the past few weeks within the range of 48 - 49.35. For the day, resistance is seen at 49.29/49.50 whereas support is seen at 48.65/48.32.

OUTLOOK

Gold prices are likely to trade range bound ahead of today's FOMC meet. US Fed will take decision on interest rate, but that will come after Indian market hours. With interest rates are already near zero level, market participants are not expecting any change in interest rates. Traders will have to watch out for issues, like how Fed describes the economic outlook, as it can have effect on risk trend and movement in dollar. Gold will continue to take cues from movement in dollar. As the greenback weakens, 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 \$884/\$875 whereas resistance is seen at \$909/\$920. **Spot Silver** prices shall find support at \$11.80/\$11.50 whereas resistance is seen at \$12.24/\$12.40.

MCX Feb Gold has support at 13870/13760 whereas resistance is seen at 14090/14210 levels whereas MCX March Silver shall find support at 19180/18850 whereas resistance is seen at 19650/19830 levels.



Base Metals

January 28, 2009

Commodity	Open	High	Low	Close	Change
LME Copper	3515	3605	3219	3290	-215
LME Zinc	1185	1215	1135	1135	-43
LME Nickel	11720	11875	11050	11400	-310
LME Lead	1155	1200	1120	1142	-32
LME Alum	1375	1400	1325	1340	-38
LME Tin	12323	12350	11400	11400	-775
COM Copper	157.20	162.50	145.45	157.95	-10.95
MCX Copper	160.40	173.75	158.60	161.30	+2
MCX Lead	57.05	58.05	54.65	56.25	+1.45
MCX Zinc	58.00	59.20	54.70	55.00	-1.9
MCX Alum	65.55	66.25	63.70	64.00	-0.75
MCX Nickel	575.80	586.50	544.60	554.40	-18.6
MCX Tin	528	528	528	528	0

LME Stocks	Close	Previous	Change
Copper	451800	439425	12375
Tin	9055	9035	20
Lead	52125	50425	1700
Zinc	314775	305750	9025
Aluminum	2719350	2711550	7800
Nickel	81966	81468	498

MARKET RECAP

Base metals reverted to the downside on Tuesday on the LME, erased nearly entire of the previous session's rally, allowing worries about the impact of the global economic downturn on demand and inventories to resurface.

Base Metals, key components in homebuilding, led a broad-based rally in the metals complex on Monday following data that showed sales of previously owned U.S. homes rebounded in December but yesterday Pessimistic economic prospects reflected in data showing U.S. consumer confidence dropped to a record low index in January to 37.7 versus the forecast of 38.7.

LME copper for three months delivery was down \$215 at \$3,290 a tone, near the bottom of its session range between \$3,219 and \$3,605 a tone as LME warehouse stocks increased sharply by 12,375 tones to 451,800 tones on Tuesday, their highest level since December 2003. Copper fails to find support from a weak dollar, which slipped to a one-week low against the euro at \$1.3330 after a surprise rise in German corporate sentiment. Freeport-McMoRan Copper and Gold Inc increased production cuts at its already-curtailed Morenci copper mine in Arizona because due to sharp declines in the price of copper.

Aluminum was \$38 at \$1,340, its LME stock rose 7,800 and are seen reaching four million tones by the summer, as a steady stream of off-exchange metal is warranted; Nickel fell \$775 to \$11,400, as stocks climbed 498 tones; zinc dropped \$43 to \$1,135, there was a heavy 9,025-tonne stock rise; Lead slipped by \$40 to \$1,145, with stocks rising 3.4 percent.

OUTLOOK

There was some enthusiasm on Monday for the housing market it was over- exuberance. Yesterday, the market is came back to down on economic report, consumer confidence which remained overwhelmingly bearish. It may just be positioning as the economic data goes from bad to worse. Company reports coming out there's a lot of potential for more bad economic news.

Stocks keep piling up and there is no end in sight. We will need massive cutbacks to prompt a trend reversal. Given the build in short positions in base metals and in copper in particular, prices are vulnerable to violent bursts higher when these shorts run for cover, but without an improvement in the fundamentals gains will prove short-lived

We expect this kind of volatile price action to remain a characteristic of metals prices for some time yet.



TECHNICAL ANALYSIS



Copper

Copper prices rose sharply during the past couple of days with immediate support for MCX Feb contract is seen at Rs.158. Further below, crucial support is seen at 154 levels.

Whereas resistance is seen at Rs.165 levels & further upwards at Rs. 169.80.

Zinc

Zinc prices have also bounced back from its lows with immediate support seen at Rs.53.60 levels for MCX Jan contract whereas crucial support is seen at Rs.52.40 levels.

Short-term resistance is seen at Rs.55.60 whereas major resistance is seen at Rs 58.20.

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	37.7	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 28, 2009

Commodity	Open	High	Low	Close	Change
NYMEX Crude Mar	44.35	44.35	41.58	41.58	-4.15
MCX Crude Feb	2269	2318	2110	2133	-105
NYMEX Nat Gas Mar	4.465	4.550	4.420	4.445	-0.013
MCX Nat Gas Feb	221.10	223.90	217.30	219.10	-2.9

MARKET RECAP

Crude Oil prices tumbled more than 9% in yesterday's trading, as weak US economic data renewed concerns over deepening recession, which can lead to further erosion in energy demand. NYMEX March Crude Oil futures were down by 9.07% to close at \$41.58 per barrel.

Crude Oil prices were under pressure since morning, as traders were expecting rise in crude oil stocks in weekly inventory report. Fall in oil prices accelerated after reports showed that the US consumer confidence fell in January amidst weak housing market and worsening job prospects. Consumers are still pessimistic about the state of the economy and about their earnings. Strength in dollar against Euro also pulled oil prices lower.

New York Mercantile Exchange Natural Gas futures traded lower yesterday, as sharp fall in oil prices weighed on gas prices. NYMEX March Natural Gas futures were down by 0.29% to close at \$4.445.

MAJOR HIGHLIGHTS

- As per Bloomberg survey, today, crude oil inventory is likely to rise by 2.8 million barrels. Gasoline stocks are expected to increase by 1.75 million barrels and distillates stocks are likely to fall by 1.13 million barrels.
- U.S. consumer confidence fell to a record low in January to 37.7, the US Conference Board said yesterday.
- Home values in 20 major U.S. cities fell to a record 18.2% in the 12 months through November, Standard & Poor's reported yesterday.

TECHNICAL ANALYSIS



On intraday basis, MCX February Crude shall find support at 2030/1965 levels whereas resistance is seen at 2120/2190 levels. RSI is trading at 42 and heading southward. MACD is trading in negative territory, indicating weakness in oil prices in the short term.

OUTLOOK

Today, Crude Oil prices will take cues from weekly inventory data, which will be released at 9 p.m. IST. As per expectation crude oil and gasoline stocks are expected to rise, whereas distillates stocks, which include diesel and heating oil, can fall. Crude oil inventory has marked continuous rise for past 18 weeks. Continuous rise in inventory is confirming the facts that demand for energy products are weak amidst deteriorating economy. Traders will also have to watch out for oil stocks at Cushing Okla., NYMEX delivery center. Economic data from developed countries is showing bleak economic outlook. With consumer spending is falling, energy demand is expected to fall further in coming months. We believe that trend in oil prices is still down and prices can fall up to \$38 levels in the near term.

We can witness sideways down movement in crude oil prices with crucial support for NYMEX March contract is seen at \$40.60/38.70 level & resistance at \$43.90/46.10 levels.

Natural Gas prices are expected to trade sideways, as weak oil prices and lower demand can weigh on gas prices. MCX Feb contract has support at 213 levels & resistance at 226.70 levels.