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## Precious Metals

October 10, 2008

Commodity	Open	High	Low	Close	Change
Gold Loco \$	897.90	911.80	879	881.90	-24.7
Gold Dec \$	900.40	914.4	882.9	885.60	-25.8
Gold Oct Rs.	13624	13689	13556	13605	-169
Silver Loco \$	11.72	12.13	11.46	12.03	+0.3
Silver Dec \$	19600	19950	19501	19777	+183
Silver Dec Rs.	11.80	12.195	11.520	12.10	+0.305
EURO/\$	1.3630	1.3784	1.3579	1.3596	-0.0033
Rupee/\$	47.60	48.80	47.50	48.00	+0.23
Yen/\$	99.16	101.47	99.10	99.63	+0.49
US \$ Index	80.96	81.49	80.54	81.40	+0.45

### MAJOR HIGHLIGHTS

- A group of major central banks including the Federal Reserve and European Central Bank cut interest rates by 50 basis points on Wednesday, with South Korea, Hong Kong and Taiwan making cuts of their own early on Thursday.
- US weekly initial claims fell by 20,000 to 4,78,000, U.S. Labour Department reported yesterday,
- South African gold output fell 23.2 percent year-on-year in August, Statistics South Africa said in a report.

### TECHNICAL ANALYSIS



### MARKET RECAP

Gold prices slipped yesterday, ending previous three days winning streak, as stronger USD coupled with profit booking by traders prompted the precious metal to end in red. Spot Gold prices closed at \$881.90 per ounce, down by 2.72%.

In currency market, dollar traded higher against its counterparts. Better than expected macroeconomic data supported dollar against euro. Dollar index, which tracks greenback against major currencies, rose by 0.55%, to close at 81.40. In energy market, crude oil prices fell to its lowest level for this year, amid growing concern over falling global oil demand. Larger than expected rise in crude oil stocks also weighed on oil prices. November Crude Oil futures closed at \$86.59 per ounce, down by \$2.36.

In other metals, Silver prices traded sideways during yesterday's trading session unlike gold. Spot Silver continues to consolidate between \$10.60 - \$12.60 range. Silver continues to remain the weaker metal in the bullion pack as on one hand, it is impacted by declining industrial demand and on the other, it does not have that great appeal as an investment asset class.

### OUTLOOK

Gold prices are benefitting from plunging equity market and a deepening credit crisis. A flight of capital from toxic assets to gold (a safe- haven) is working to gold's advantage. Until we see stabilization in global markets, gold is bound to remain the top favorite amongst investors. On the physical front, we are witnessing increased in demand for gold coins and bars, as gold appears to be the best bet right now. On macroeconomic front, today US will release data on Trade Balance. As per expectation data is likely to support dollar.

Technically speaking, a doji formation is seen on Daily charts which shall act as a short-term bottom. Spot Gold shall meet with stiff wall of resistance between \$925 - \$940 range. Only a close above the same and consistent trading above \$920 mark would lead to next leg up, towards the top of \$988.30 witnessed in the 2<sup>nd</sup> week of July.

On intraday basis, Spot Gold prices have immediate and crucial support is seen at \$906/\$888 whereas resistance is seen at \$937/\$950. Spot Silver prices shall find support at \$11.60/\$11.20 whereas resistance is seen at \$12.30/\$12.55.

MCX December Gold has support at 13800/13640 whereas resistance is seen at 14020/14180 levels. MCX December Silver shall find support at 20105/19750 whereas resistance is seen at 20710/20950 levels. *We expect prices to trade positive for the day with increased volatility.*



## Base Metals

October 10, 2008

Commodity	Open	High	Low	Close	Change
LME Copper	5220	5412	5160	5160	-15
LME Zinc	1455	1510	1440	1487	+37
LME Nickel	13300	13400	12550	13050	+50
LME Lead	1590	1656	1570	1650	+70
LME Alum	2262	2315	2255	2290	+25
LME Tin	14800	15100	14300	15100	+275
COM Copper	2.4240	2.4240	2.4240	2.4240	+0.0575
MCX Copper	270.80	272.45	256.00	259.95	-10.45
MCX Zinc	75.15	75.95	70.10	70.70	-4.15
MCX Nickel	690.00	692.30	629.00	636.00	-50.1
MCX Lead	79.15	79.85	76.35	77.75	-1.15
MCX Alum	108.30	110.90	107.30	108.65	+0.3
MCX Tin	795.00	795.00	795.00	795.00	0

LME Stocks	Close	Previous	Change
Copper	209,300	208,525	775
Zinc	1,394,525	1,394,550	(25)
Nickel	54,966	55,032	(66)
Lead	166,800	160,975	5,825
Aluminum	63,175	64,025	(850)
Tin	5,500	5,400	100

### MARKET RECAP

The base metals staged a temporary bounce back on the back of coordinated rate cuts across the globe that bought in short-term positive sentiments. Markets reacted to this and base metals recovered from their multi-month lows on Thursday on the LME. This jump can be regarded as temporary because the news of rate cut pushed markets but the actual fact that global economies are in pain cannot be changed. Hence, the fundamental truth remains the same and rate cuts are just a way to remove panic from the markets. It cannot be a permanent solution to solve the global economic slowdown.

All base metals expect copper ended in the positive territory on the LME on Thursday. Copper inventories on the LME jumped 775 tonnes and this put pressure on the metal. Aluminum prices strongly held above the major support of \$2,200. The other base metals recovered from their lows and ended in the green. However, base metals on the MCX on Thursday ended in red.

On the macroeconomic front, the US announced data on *initial claims* yesterday. This data suggested that fewer Americans filed for first-time applications for unemployment benefits last week as job losses related to the Gulf Coast hurricanes subsided.

### OUTLOOK

The base metals market is expected to trade on a volatile note today as the short-term trend is bearish. The recovery that we saw recently is short-lived as overall global economic situation is weak. In the coming days we could witness fund liquidation as no policy announcements are capable to bring in immediate permanent effect. We recommend traders to remain cautious.

On the macroeconomic front, there is an emergency summit of the G20 nations this weekend which gives a likelihood of more coordinated policy announcements. This factor could also bring in some short-term relief to markets but we expect rallies to be attacked as the trend is bearish. Hence, every short-term rise will be followed by selling pressure.



## TECHNICAL ANALYSIS



### Copper

Immediate support is seen at Rs.236.50 levels for MCX November contract. Further below, support is seen at 227.10 levels. Copper is expected to trade lower.

Whereas resistance is seen at Rs.248 levels & further upwards at Rs. 255.50.

### Zinc

Immediate support is seen at Rs.67.50 levels for MCX Oct contract whereas crucial support is seen at Rs.66.10 levels. Zinc is expected to trade lower for the day.

Short-term resistance is seen at Rs71.05 whereas major resistance is seen at Rs 73.20.

## ECONOMIC CALENDAR

Date	IST (p.m.)	Country	Indicator	For	Forecast	Actual	Previous
7-Oct	23.30	US	FOMC Minutes	16-Sep			
8-Oct	19.30	US	Pending Home Sales	Aug	-1.00%	7.4%	-3.20%
9-Oct	18.00	US	Initial Claims	4-Oct	475K	478K	498K
9-Oct	19.30	US	Wholesale Inventories	Aug	0.40%	0.8%	1.40%
10-Oct	18.00	US	Export Prices ex-ag.	Sep	NA	-	NA
10-Oct	18.00	US	Import Prices ex-oil	Sep	NA	-	NA
10-Oct	18.00	US	Trade Balance	Aug	-\$60.0B	-	-\$62.2B



## Energy

October 10, 2008

Commodity	Open	High	Low	Close	Change
<b>NYMEX Crude Nov</b>	88.95	89.15	86.59	86.59	-2.36
<b>MCX Crude Oct</b>	4289	4308	4186	4224	-61
<b>NYMEX Nat Gas Nov</b>	6.760	6.825	6.70	6.825	+0.083
<b>MCX Nat Gas Oct</b>	328.90	332.60	322	330.50	+2.3

### MARKET RECAP

Crude Oil prices fell by more than \$2 yesterday, on fears that economic recession would force consumers to cut back on energy use. Even the news, that the OPEC is likely to cut oil production failed to stop the price slide. November Crude Oil futures fell 2.65% to close at \$86.59 per barrel.

Wednesday's crude oil inventory data showed bigger than expected rise in crude oil and gasoline inventory, as speedy recovery in refinery utilization and falling oil demand led to rise in oil stocks. Refinery utilization climbed 8.7% to 80.9%, biggest percentage rise since 1989.

New York Mercantile Exchange November Natural Gas futures ended marginally higher, as weekly inventory data was in line with the market expectation. November natural gas ended at \$6.825, down by 1.20%.

### MAJOR HIGHLIGHTS

- Crude Oil prices closed at their lowest level after 24<sup>th</sup> October, 2007 amidst fall in oil demand.
- OPEC said in a statement Thursday that it'll hold an "extraordinary" meeting on Nov. 18 in Vienna to "discuss the global financial crisis, the world economic situation and the impacts on the oil market."
- Crude Oil inventory rose by 8.12Mmbl to 302.6Mmbl, gasoline stocks increased by 7.18Mmbl to 186.8Mmbl, US Energy Information Administration (EIA) reported on Wednesday.

### TECHNICAL ANALYSIS



On intraday basis, Nymex November Crude shall find support at \$81.30/\$80.05 levels whereas resistance is seen at \$84.10/\$85.60 levels.

### OUTLOOK

Bears have taken strong control over crude oil prices. Oil prices are hitting new lows for the year and are poised to move southward till the time financial turmoil persists. Factors like sharp rise in oil stocks, rising dollar and no active hurricane in the Gulf of Mexico, are putting pressure on oil prices. We expect oil prices remain bearish in the near term with a resistance at \$86 per barrel.

Market participants are concerned that demand will continue to dwindle as global economies continue to slowdown. However in the coming month if OPEC decides to cut oil production, then oil prices may get support.

On Intraday basis, prices are expected to trade lower. For MCX October contract, immediate and crucial supports are seen at Rs. 3970/3905 and resistance is seen at Rs.4140/4250. Natural Gas prices are expected to trade sideways. In near term, NYMEX November futures can face resistance at \$7.25 and support at \$6.30.