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Precious Metals

October 3, 2008

Commodity	Open	High	Low	Close	Change
Gold Loco \$	867.90	876.30	828.25	835.10	-31.5
Gold Dec \$	876.2	881.6	834.8	840.9	-33.7
Gold Oct Rs.	13313	13313	13313	13313	0
Silver Loco \$	12.52	12.66	10.76	10.84	-1.70
Silver Dec \$	12.66	12.66	10.855	10.90	-1.74
Silver Dec Rs.	20568	20568	20568	20568	0
EURO/\$	1.4008	1.4019	1.3743	1.3814	-0.0206
Rupee/\$	47.19	47.23	46.57	46.62	-0.34
Yen/\$	105.80	106.28	105.07	105.29	-0.53
US \$ Index	79.69	80.79	79.46	80.54	+0.86

MAJOR HIGHLIGHTS

- The US Senate approved the revised bail-out plan on Wednesday night to stabilize the financial industry, just two days after the House of Representatives rejected the original package.
- US Jobless claims remained at seven-year highs, with weekly filings for benefits rising 1,000 to 497,000 for the week ended Sept. 27, the US Labor Department reported yesterday.
- The European Central Bank left its key lending rate unchanged at 4.25% yesterday.

TECHNICAL ANALYSIS



MARKET RECAP

Gold prices extended its decline for third day in a row, as US Senate's approval of a revised \$700 billion bailout plan boosted the dollar, putting pressure on yellow metal prices. Spot gold prices traded as low as \$828.25, before ending lower by 3.63%, to close at \$835.10 per ounce, lowest closing since 16th September. Silver prices followed suit. Spot Silver closed sharply lower by 13.55% to close at \$10.84 per ounce.

In currency market, US dollar traded at 13 month high against euro after the approval of bail-out plan by US senate, which boosted dollar against major currencies. Euro came under pressure after ECB president said that he may reduce interest rate in coming months. Dollar index, which tracks greenback against six major currencies, closed up by 1.07%.

In Energy market, crude oil prices traded lower for second day in a row on account of stronger US dollar and concern over falling demand. Crude Oil futures closed at \$93.97, down by \$4.56 a barrel.

OUTLOOK

We expect gold prices to trade on a volatile note in the near term amidst current financial turmoil as the financial markets appear to be undecided on the likely impact of the bail-out plan. In the long term, we maintain bullish outlook on gold.

On macroeconomic front, today traders will have to watch out for payroll data, which is expected to support gold prices. In other metals, Silver prices can remain under pressure, as slowdown in economy can lead to fall in its industrial usage.

On intraday basis, Spot Gold prices are expected to trade sideways, with immediate and crucial support is seen at \$828/\$816 levels whereas resistance is seen at \$855/\$872 levels. Spot Silver prices shall find support at \$10.05/\$10.20 levels whereas resistance is seen at \$11.45/\$11.80 levels.

MCX December Gold has support at 12780/12650 whereas resistance is seen at 12960/13100 levels. MCX December Silver shall find support at 18850/18300 whereas resistance is seen at 19440/19830 levels.



Base Metals

October 3, 2008

Commodity	Open	High	Low	Close	Change
LME Copper	6135	6260	5765	5780	-375
LME Zinc	1675	1675	1570	1580	-70
LME Nickel	15750	16070	15000	15125	-750
LME Lead	1760	1770	1680	1700	-30
LME Alum	2405	2417	2280	2300	-115
LME Tin	17400	17800	16250	16525	-1000
COM Copper	2.6725	2.6725	2.6525	2.6525	-0.1445
MCX Copper	303.50	305.00	288.65	289.45	-12.75
MCX Zinc	80.00	80.30	77.85	77.35	-1.6
MCX Nickel	764.40	769.00	751.00	754.50	-7.6
MCX Lead	87.50	88.20	81.65	82.00	-5
MCX Alum	114.80	114.80	111.95	112.05	-2.9
MCX Tin	828.00	828.00	828.00	828.00	+21.25

LME Stocks	Close	Previous	Change
Copper	199,075	199,050	25
Zinc	1,376,175	1,376,600	(425)
Nickel	55,974	56,034	(60)
Lead	154,950	155,025	(75)
Aluminum	64,700	64,100	600
Tin	5,700	5,700	0

MARKET RECAP

The base metals pack was hit badly on the LME yesterday on the back of heavy liquidation selling that came in due to a gloomy global economic environment. Economic news out of Europe was also grim and that took the US Dollar Index to a high of 80.79 yesterday, pulling dollar denominated commodities lower. The strength in the dollar is making base metals look unattractive for holders of other currencies.

All the base metals ended in the negative territory on the LME on Thursday. Copper prices declined sharply by 6.1% on the LME, Aluminum corrected 4.8%, Nickel was down 4.7%. The complex was badly hurt over worries that sectoral performance in the US could weaken and hence hurt demand for products from China. This in turn could lead to lower demand for industrial metals from China.

On the macroeconomic front, another round of poor US economic data shook confidence in the markets. The US economic rescue bill has shaken the investor confidence and has led to a sell-off. The US Dollar touched a one-year high against the euro as economic activity in the euro zone is weakening amid tight financing conditions.

OUTLOOK

Trading activity in the base metals market is expected to remain volatile as macroeconomic worries and the global slowdown is raising questions over demand. Major concern over demand from China is expected to pull the complex lower. Since the US economic bailout is expected to receive a final call today, traders are expected to wind up their positions today, prior to the weekend. Hence, selling pressure is expected to prevail.

Copper prices touched a low of \$5,765 yesterday and the metal is facing tremendous pressure on the downside. Prices are weak on the back of concerns over demand from China and the strength in the US Dollar is making the red metal unattractive. Slowdown in economic activity in the Eurozone is making the Euro weaker and this factor is pushing the US Dollar Index higher.

On the macroeconomic front, the US is expected to announce data on unemployment rate today. This data is not expected to change much against the last month but as it is unemployment rate is very high at 6.1%. Decision on the US economic rescue bill is also expected to be out today and this will keep markets under pressure.



TECHNICAL ANALYSIS



Copper

Immediate support is seen at Rs.270.10 levels for MCX November contract. Further below, support is seen at 265.50 levels. Copper is expected to trade sideways.

Whereas resistance is seen at Rs.285.50 levels & further upwards at Rs. 294.50.

Zinc

Immediate support is seen at Rs.73.40 levels for MCX Oct contract whereas crucial support is seen at Rs.71.70 levels. Zinc is expected to trade sideways for the day.

Short-term resistance is seen at Rs77.20 whereas major resistance is seen at Rs 79.40.

ECONOMIC CALENDAR

Date	IST (p.m.)	Country	Indicator	For	Forecast	Actual	Previous
29-Sep	6:00	US	Personal Income	Aug	0.20%	0.0%	-0.70%
29-Sep	6:00	US	Personal Spending	Aug	0.20%	0.50%	0.20%
30-Sep	7:15	US	Chicago PMI	Sep	54	56.7	57.90
30-Sep	7:30	US	Consumer Confidence	Sep	55.00	59.8	56.90
1-Oct	5:45	US	ADP Employment	Sep	NA	-8K	-33K
1-Oct	7:30	US	Construction Spending	Aug	-0.50%	0.0%	-0.60%
1-Oct	7:30	US	ISM Index	Sep	50.00	43.50	49.90
2-Oct	6:00	US	Initial Claims	9/27	NA	497K	NA
2-Oct	7:30	US	Factory Orders	Aug	-1.80%	-4.0%	1.30%
3-Oct	6:00	US	Hourly Earnings	Sep	0.30%	-	NA
3-Oct	6:00	US	Nonfarm Payrolls	Sep	-90K	-	NA
3-Oct	6:00	US	Unemployment Rate	Sep	6.10%	-	NA
3-Oct	7:30	US	ISM Services	Sep	50.00	-	50.60



Energy

October 3, 2008

Commodity	Open	High	Low	Close	Change
NYMEX Crude Nov	95.90	96.10	93.97	93.97	-4.56
MCX Crude Oct	4746	4799	4496	4656	-88
NYMEX Nat Gas Nov	7.760	7.820	7.460	7.481	-0.247
MCX Nat Gas Oct	354	368.70	349.90	365.70	+11.2

MARKET RECAP

Crude Oil prices fell sharply for second day in a row yesterday, as stronger dollar against major currencies and concerns over weakening oil demand weighed on oil prices. NYMEX November crude oil futures were down by 4.62% to close at \$93.97 a barrel.

Crude Oil prices have lost 7.89% or \$8.05 a barrel in last two days. Last Wednesday's inventory data showed more than expected rise in crude oil stocks and surprise build up in gasoline stocks, which put pressure on oil prices. Rise in jobless claims and fall in factory orders renewed concern over economic slowdown in US, also pull oil prices lower.

New York Mercantile Exchange October Natural Gas futures ended lower, after weekly inventory data showed more than expected rise in gas stocks. November natural gas ended at \$7.481, down by 3%.

MAJOR HIGHLIGHTS

- U.S. fuel use over the past four weeks averaged 19 million barrels a day, the weakest since October 2001, an Energy Department report showed earlier this week.
- According to EIA, weekly crude oil inventory rose by 4.3Mbbbl against the expectation of 1.5Mbbbl rise. Gasoline inventory increased by 0.9Mbbbl and distillates stocks fell by 2.3Mbbbl.
- Natural gas inventory increased by 87bcf last week, against the expected 75bcf, the EIA said yesterday.

TECHNICAL ANALYSIS



On intraday basis, Nymex November Crude shall find support at \$91.50/\$89.90 levels whereas resistance is seen at \$95.95/\$98.35 levels.

OUTLOOK

The global economic scenario remains gloomy which is impacting the overall demand along with the US consumption is expected to decline further amidst current financial turmoil. Financial bail out plan may get approval, but it will not help to avert looming recession in US. With the financial crisis engulfing European economies, one has to wonder whether demand from Asian countries can be maintained, which is the last hope for the bulls. All this could lead to fall in energy demand in the medium term. Under such situation we expect that trend in oil prices can remain bearish in the medium term with a price target of \$86.50 per barrel.

On Intraday basis, prices are expected to remain sideways down. For MCX October contract, immediate and crucial supports are seen at Rs. 4710/4620 and resistance is seen at Rs.4830/4905. Natural Gas prices will take cues from oil prices. In near term, NYMEX November futures can face resistance at \$7.75Mcf and support at \$7.25.