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Content

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Precious Metals

October 31, 2008

Commodity	Open	High	Low	Close	Change
Gold Loco $	755.20	777.90	730.60	730.60	-25.75
Gold Dec $	757.5	778.3	733.0	737.4	-19.4
Gold Dec Rs.	12298	12320	11755	11790	-387
Silver Loco $	9.86	10.63	9.54	9.71	-0.16
Silver Dec $	9.91	10.645	9.565	9.710	-0.13
Silver Dec Rs.	17499	17499	16575	16678	-457
EURO/$	1.2966	1.3283	1.2801	1.2855	-0.0114
Rupee/$	49.43	49.50	49.30	49.30	-0.36
Yen/$	97.36	99.12	97.19	98.55	+1.21
US $ Index	84.58	85.35	83.10	85.00	-0.07

MAJOR HIGHLIGHTS

U.S. gross domestic product contracted 0.3 percent in the third quarter, the biggest decline since 2001, the Commerce Department said yesterday.

Spot Gold fell by almost 3.4% ($25.75) during yesterday's trading session.

Investment in the SPDR Gold Trust, the biggest exchange-traded fund backed by bullion, was unchanged at 749.2 tons in the past three days. It reached a record 770.6 tons on Oct. 10.

TECHNICAL ANALYSIS

Technically speaking, spot gold prices are currently trading between $730 - $735 which is an important support. The short-term trend still remains down for the bullion pack unless we see a daily close above $754 levels.

MARKET RECAP

Gold prices fell the most during this week on the back of strengthening of the $ against the Euro on signs that reductions in borrowing costs in Europe will lag behind the U.S. The dollar rebounded after declining 2.2 percent against the euro yesterday. The Federal Reserve slashed its benchmark interest rate to 1 percent earlier, the ninth reduction from 5.25 percent in September 2007.

In **currency** market, the Euro was unable to hold onto its gains yesterday and closed sharply lower. The trend for the Euro still remains sideways-down. The short-term top for the **Dollar Index** at 87.88 will act as stiff resistance. **Crude** also slipped later in yesterday's trading session as prices were unable to sustain above $70 levels.

Silver prices also slid during yesterday's trading session with Spot Silver closing above the $9 mark. A doji formation is seen on weekly charts with immediate support seen at $8.63 (i.e. last week's low).

OUTLOOK

The continued strength being displayed in the USD coupled with weakness in crude prices are pulling gold prices down. The direction of the dollar is going to dictate the price of gold and other commodities. With signs of inflation also slowing down, gold as a hedge against inflation appears to be losing ground. Also, as there is some sense of normalcy in global markets, the urge to buy gold amongst investors has also waned substantially.

But on the physical side, lower gold prices will continue to attract investors between the price ranges of Rs. 11300 – Rs.11,500. Indian physical demand is expected to pick up ahead of marriage season.

On intraday basis, **Spot Gold** prices have immediate and crucial support at $714/$700 whereas resistance is seen at $747/$762. **Spot Silver** prices shall find support at $9.20/$8.85 whereas resistance is seen at $9.80/$10.10.

MCX December Gold has support at 11580/11390 whereas resistance is seen at 11955/12156 levels whereas **MCX December Silver** shall find support at 16330/16000 whereas resistance is seen at 16700/17150 levels. *Prices are likely to trade sideways for the day.*

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Base Metals

October 31, 2008

Commodity	Open	High	Low	Close	Change
LME Copper	4530	4810	4125	4210	-340
LME Zinc	1240	1275	1125	1140	-70
LME Nickel	13250	13600	11550	11750	-1350
LME Lead	1530	1630	1435	1470	-50
LME Alum	2135	2185	2045	2065	-65
LME Tin	14750	15200	14150	15000	+350
COM Copper	1.9900	2.0715	1.9900	2.0715	+0.2300
MCX Copper	227.00	227.00	207.20	207.75	-22.5
MCX Zinc	59.60	59.95	54.70	54.80	-5.3
MCX Nickel	639.90	643.00	573.80	574.30	-77.8
MCX Lead	71.00	77.85	71.00	76.55	+7.05
MCX Alum	102.70	102.90	101.30	101.50	-1.65
MCX Tin	694.00	694.00	694.00	694.00	+25

LME Stocks	Close	Previous	Change
Copper	223,875	217,300	6,575
Zinc	1,523,175	1,506,975	16,200
Nickel	57,630	57,810	(180)
Lead	182,100	178,750	3,350
Aluminum	50,000	51,275	(1,275)
Tin	3,770	3,815	(45)

MARKET RECAP

The base metals pack resumed their downward trend after a three-day rally on the LME as prices declined on Thursday. As mentioned in our earlier reports that every technical rally could be attacked as overall financial market condition is very bleak. Prices surged since Monday as short-covering coupled with a technical push re-lit the bearish mood that was set in. Fundamentally, there has been no change as the global recession is currently being witnessed. Hence, this short-term rise in prices is nothing but a technically led rally.

Copper prices are feeling the pressure as LME inventories are rising continuously. The red metal saw a rise in inventories by a whopping 6,575 tonnes yesterday that put pressure on the downside. **Aluminum** prices are suffering on the backdrop of falling crude oil prices and rising inventories. **Nickel** prices declined as US stainless steel mills cutback on nickel usage. Overall base metals declined as investors sold back ahead of the month-end.

On the macroeconomic front, the US Dollar rose sharply against the euro on Thursday. US government data showed that the US economic shrank at 0.3% annual rate in the third quarter, the sharpest contraction in seven years. This led to a decline in base metal prices.

OUTLOOK

Though base metal prices witnessed a rebound in the last few sessions, we feel that concerns over global recession will keep playing on market sentiments. Every rally could be attacked as concerns over demand are weighing on prices. Base metal prices could fall prey to volatility and bearish sentiments in the markets.

Copper, the leader of the base metals pack has managed to trade above its marginal cost of production in times of a financial breakdown. This indicates that markets are bullish on the future prospects of the red metal and hence the metal has received support above its cost of production.

On the macroeconomic front, the US is expected to announce data on *personal income, personal spending, and Chicago and Michigan* sentiments today. Since base metals take cues from the currency markets, the movement of the US Dollar will be highly crucial in today's trade.

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TECHNICAL ANALYSIS

Copper

Immediate support is seen at Rs.198.70 levels for MCX November contract. Further below, support is seen at 194.50 levels. Copper is expected to trade sideways down.

Whereas resistance is seen at Rs.208.90 levels & further upwards at Rs. 213.30.

Zinc

Immediate support is seen at Rs.53.05 levels for MCX Oct contract whereas crucial support is seen at Rs.50.60 levels. Zinc is expected to trade sideways down for the day.

Short-term resistance is seen at Rs 56.60 whereas major resistance is seen at Rs 58.30.

ECONOMIC CALENDAR

Date	IST	Country	Indicator	For	Forecast	Actual	Previous
24-Oct	19.30	US	Existing Home Sales	Sep	4.93M	5.18M	4.91M
27-Oct	19.30	US	New Home Sales	Sep	450K	464K	460K
28-Oct	19.30	US	Consumer Confidence	Oct	52	38.0	59.8
29-Oct	18.00	US	Durable Orders	Sep	-1.00%	-1.1%	-4.50%
29-Oct	23.45	US	FOMC Policy Statement				
30-Oct	18.00	US	Chain Deflator-Adv.	Q3	4.00%	4.2%	1.10%
30-Oct	18.00	US	GDP-Adv.	Q3	-0.50%	-0.30%	2.80%
30-Oct	18.00	US	Initial Claims	25-Oct	473K	479K	478K
31-Oct	18.00	US	Employment Cost Index	Q3	0.70%	-	0.70%
31-Oct	18.00	US	Personal Income	Sep	0.10%	-	0.50%
31-Oct	18.00	US	Personal Spending	Sep	-0.20%	-	0.00%
31-Oct	19.15	US	Chicago PMI	Oct	48	-	56.7
31-Oct	19.30	US	Mich Sentiment-Rev.	Oct	57.5	-	57.5

Energy

October 31, 2008

Commodity	Open	High	Low	Close	Change
NYMEX Crude Dec	68.11	70.60	64.04	65.96	-1.54
MCX Crude Nov	3400	3449	3213	3247	-161
NYMEX Nat Gas Nov	6.810	6.820	6.425	6.431	-0.347
MCX Nat Gas Nov	339.50	339.90	316.10	320.30	-18.7

MAJOR HIGHLIGHTS

- The US Energy Information Administration (EIA) reported on Wednesday, that Gasoline stocks fell by 1.5Mbbl to 195Mbbl, posting first drop in inventory in last five weeks.
- U.S. fuel demand during the past four weeks averaged 18.9 million barrels a day, down 7.8 percent from a year ago, an Energy Department report showed on Wednesday.
- As per US govt. data released yesterday, the U.S. economy shrank at a 0.3 percent annual rate in the third quarter, the sharpest contraction in seven years.
- As per US EIA report released yesterday, natural gas inventory rose by 46bcf against the expected rise of 41bcf.

TECHNICAL ANALYSIS

Crude Oil prices can face resistance at $68.05(10-Day EMA). With MACD histogram in negative territory and RSI sloping downwards, oil prices are expected to remain under pressure in the short term. On intraday basis, Nymex December Crude shall find support at $62.70/$60.10 levels whereas resistance is seen at $66.70/$69.30 levels.

MARKET RECAP

Crude Oil prices dropped more than 2% yesterday, after U.S. GDP data showed a contraction in the third quarter, raising concern over fall in energy demand. Late bounce back in dollar also pulled oil prices lower. NYMEX December Crude Oil futures were down by 2.28% to close at $65.96 a barrel.

Earlier in the day, oil prices continued its gain from previous day and crossed $70 a barrel for the first time since 21st October. Crude prices were supported by interest rate cut announced by US and China. Buoyed equity markets and unexpected fall in gasoline stocks also pulled oil prices higher. This rise was short lived on concerns over demand erosion and profit booking by traders.

New York Mercantile Exchange November **Natural Gas** futures ended lower as more than expected rise in inventory and weak oil prices weighed on gas prices. December natural gas ended at $6.431, down by 5.11%.

OUTLOOK

Crude Oil prices are expected to remain under pressure in the near term. During this week prices have consolidated in the range of $60 and $70 a barrel. Prices are failing to hold on to their gains on the back of slowdown in energy demand in US and other nations. Weak macroeconomic data from US and European countries is indicating possible recession in world's leading economies. We believe that further demand erosion is possible in coming months. Apart from this, firmness in US dollar can dampen oil prices in the short term.

OPEC member countries seem to have ignored an agreement reached at a meeting in September to more closely adhere to its production quotas at the time. OPEC supply has increased by 0.5% in October to 31.85Mbbl over previous month. In the wake of falling demand, we feel that supply may outpace demand in the medium term, putting pressure on oil prices.

For MCX November contract, immediate and crucial supports are seen at Rs. 3140/3030 and resistance is seen at Rs.3270/3360. *On Intraday basis, prices are expected to trade sideways down.*

Natural Gas prices are likely to trade lower on the back of weak oil prices and high inventory levels. In near term, NYMEX November futures can trade in the range of $6.05 and $6.75.

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