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Precious Metals

October 7, 2008

Commodity	Open	High	Low	Close	Change
Gold Loco \$	830.25	876.30	824.25	866.35	+31.55
Gold Dec \$	836.00	879.00	828.40	859.20	+18
Gold Oct Rs.	12801	13429	12708	13336	+495
Silver Loco \$	11.09	11.49	10.85	11.04	-0.07
Silver Dec \$	11.155	11.555	10.935	11.070	-0.15
Silver Dec Rs.	18955	19350	18573	19095	+34
EURO/\$	1.3649	1.3674	1.3441	1.3484	-0.0285
Rupee/\$	46.53	47.86	46.53	47.81	+0.74
Yen/\$	104.92	105.12	100.21	101.36	-3.93
US \$ Index	80.99	81.75	80.31	81.61	+1.3

MAJOR HIGHLIGHTS

- Gold prices gained almost 3.8 percent (\$31.55) in yesterday's trading session on the back of the global current financial crisis.
- The Euro was down 5.8 percent last week at 1.3769, falling to a 13-month low against the dollar.
- US FOMC Minutes to be released tonight at 11:30 PM.

TECHNICAL ANALYSIS



MARKET RECAP

Gold prices once again rose sharply during yesterday's trading session on the back of crumbling US Stock Markets with Dow closing at a four year low, below its 10,000 psychological mark. With investors in an increased state of anxiety, it is all but natural for gold to hold the ground, being the safe haven investment asset is times of extreme turbulence.

In currency market, Euro fell almost 2.1% against the dollar after equities in UK fell the most since 1987. With one bank after another going down in Europe, its financial panic which is feeding itself, sending jitters across the globe. Euro is presently trading below its (200-Week Moving Average) clearly indicative of the current financial situation.

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

As economies worldwide witness a slowdown, central banks would be forced to lower interest rates which in turn, would be positive for gold prices. 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 in India, buying is expected to pick up during this month on account of festive and marriage season.

Technically speaking, a doji formation is seen on Daily charts which shall act as a short-term bottom. A lot of selling pressure is being witnessed between \$900 - \$920 range which is the next top in the making, after \$988.30 witnessed in the 2nd week of July.

On intraday basis, Spot Gold prices have immediate and crucial support is seen at \$852/\$834 whereas resistance is seen at \$882/\$894. Spot Silver prices shall find support at \$10.80/\$10.40 whereas resistance is seen at \$11.40/\$11.75.

MCX December Gold has support at 13157/12880 whereas resistance is seen at 13420/13610 levels. MCX December Silver shall find support at 18950/18570 whereas resistance is seen at 19440/19785 levels. *We expect prices to trade positive for the day.*



Base Metals

October 7, 2008

Commodity	Open	High	Low	Close	Change
LME Copper	5780	5810	5460	5470	-380
LME Zinc	1570	1570	1515	1520	-60
LME Nickel	15100	15100	14000	14050	-1200
LME Lead	1690	1690	1600	1610	-100
LME Alum	2305	2305	2235	2240	-90
LME Tin	16900	16900	16000	16015	-910
COM Copper	2.5040	2.5040	2.5040	2.5040	-0.2010
MCX Copper	276.25	276.25	265.75	266.40	-11.5
MCX Zinc	74.75	75.90	73.45	73.95	-1
MCX Nickel	720.00	723.90	680.60	682.20	-41.9
MCX Lead	80.95	80.95	77.70	78.45	-3
MCX Alum	109.00	109.00	106.20	106.95	-1.7
MCX Tin	795.00	795.00	795.00	795.00	0

LME Stocks	Close	Previous	Change
Copper	198,750	198,500	250
Zinc	1,385,625	1,383,025	2,600
Nickel	55,434	55,752	(318)
Lead	161,825	161,975	(150)
Aluminum	65,050	64,800	250
Tin	5,580	5,700	(120)

MARKET RECAP

The base metals pack ended in the negative territory on Monday as worries over global economic weakness raised concerns over demand. The financial crisis has spread from the US to Europe and this has deteriorated trader sentiments across the board. Weakness on the economic front has led to a correction in equity markets and commodities have followed suit. Gold prices have been able to trade positively as the metal is traditionally considered as a safe-haven in times of financial uncertainty.

Copper prices closed below the \$5,500 level and the metal is slowly sliding lower. Inventories in the case of copper are not giving any direction but in the month of September alone LME inventories for copper gained 14.3%, pushing copper lower by 13.3% in the same month. Aluminum prices are facing the pressure as crude oil prices are declining. Concerns over aluminum production have eased since crude oil began its journey southwards. Lead, Nickel and Zinc, the metals with weak fundamentals declined yesterday and followed the weakening trend of the stronger base metals.

On the macroeconomic front, the US Dollar remained strong yesterday and this factor also put pressure on base metals. Concerns over the global slowdown weighed in on market sentiments across the board and commodity as well as equity markets headed lower.

OUTLOOK

Base metals are currently reacting to the financial crisis and concerns over demand are being raised as a global slowdown could translate into lower demand. Even the metals with strong fundamentals have declined sharply and copper the leader of the base metals pack has corrected the most. In the coming days, we expect trade in base metals to remain volatile as sentiments are weak. The financial crisis was followed by a major decline in commodity prices and this has also made traders cautious. We recommend investors to trade on a cautious note as markets could remain volatile. Selling pressure in times of financial uncertainty cannot be rule out.

On the macroeconomic front, the US is expected to cut interest rates and will hold the FOMC meet today. Markets await this data and we expect heavy volatility in today's trade. The US Dollar could weaken as the Federal Reserve could consider a cut in interest rates, possibly at the central bank's next meeting at the end of the month. This rate cut is in the face of a deteriorating economic outlook and weak conditions in the financial markets.



TECHNICAL ANALYSIS



Copper

Immediate support is seen at Rs.270 levels for MCX November contract. Further below, support is seen at 265 levels. Copper is expected to trade lower.

Whereas resistance is seen at Rs.276.20 levels & further upwards at Rs. 279.90.



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 lower for the day.

Short-term resistance is seen at Rs76.80 whereas major resistance is seen at Rs 77.60.

ECONOMIC CALENDAR

Date	IST (p.m.)	Country	Indicator	For	Forecast	Actual	Previous
7-Oct	23.30	US	FOMC Minutes	16-Sep			
7-Oct	12.30	US	Consumer Credit	Aug	\$5.5B	-	\$4.6B
8-Oct	19.30	US	Pending Home Sales	Aug	-1.00%	-	-3.20%
8-Oct	20.05	US	Crude Inventories	4-Oct	NA	-	NA
9-Oct	18.00	US	Initial Claims	4-Oct	NA	-	NA
9-Oct	19.30	US	Wholesale Inventories	Aug	0.40%	-	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 7, 2008

Commodity	Open	High	Low	Close	Change
NYMEX Crude Nov	90.0	91.65	87.80	87.81	-6.07
MCX Crude Oct	4385	4388	4244	4302	-118
NYMEX Nat Gas Nov	7.075	7.09	6.835	6.835	-0.523
MCX Nat Gas Oct	345.50	347.60	333.0	334.0	-14.4

MARKET RECAP

Crude Oil prices closed below \$90 a barrel yesterday, lowest level since February 2008, as weakening global economy and continued financial turmoil across the world fueled more worries about slowing global oil demand. Crude Oil futures closed at \$87.81, down by 6.46%.

The rising dollar impacted oil prices negatively as it rose to its highest level against Euro since August 2007, reducing the investment appeal of US dollar-denominated commodities. Negative sentiments prevailing in Europe is putting pressure on Euro.

New York Mercantile Exchange November Natural Gas futures fell sharply yesterday, tracking lower crude oil prices. November natural gas ended at \$6.835, down by 7.10%.

MAJOR HIGHLIGHTS

- NYMEX Crude Oil futures closed at 8-month low on concern over falling demand.
- China will skip gasoline imports and turn exporter for a second straight month in October due to heavy domestic stockpiles and a dip in demand.
- A preliminary Reuter's poll showed an average forecast for a 2.3 million barrel increase in crude stocks last week, ahead of Wednesday's inventory data.

TECHNICAL ANALYSIS



On intraday basis, Nymex November Crude shall find support at \$87.90/\$86.50 levels whereas resistance is seen at \$91.50/\$93.10 levels.

OUTLOOK

Current financial turmoil is taking its toll on energy market, as weakening global economies are putting downward pressure on oil demand. In the near term oil prices are expected to remain under pressure, as growing economic crisis in US and European economies could curb energy demand further. US dollar's rise to a 13 month high against the euro is also weighing on oil prices. After yesterday's sharp fall in prices, today prices may witness technical buying, with a key support at \$85 per barrel.

Worsening financial crisis in the West is expected to have its negative impact on Asian countries like China and India. All this could lead to a fall in energy demand in the medium term. Under such a situation, we expect that trend in oil prices could remain bearish in the medium term.

On Intraday basis, prices are expected to trade sideways. For MCX October contract, immediate and crucial supports are seen at Rs. 4240/4170 and resistance is seen at Rs.4380/4450. Natural Gas prices are expected to trade lower on account of weakness in oil prices. In near term, NYMEX November futures can face resistance at \$7.50 and support at \$7.05.