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Precious Metals

September 23, 2008

Commodity	Open	High	Low	Close	Change
Gold Oct \$	877	908.2	864	898.2	+25.2
Gold Loco \$	877.30	908.60	861.55	901.45	+28.55
Gold Oct Rs.	12650	13152	12631	13117	+408
Silver Dec \$	12.645	13.675	12.540	13.530	+0.86
Silver Loco \$	12.67	13.58	12.45	13.42	+0.85
Silver Dec Rs.	19597	20743	19560	20674	+1054
EURO/\$	1.4489	1.4865	1.4436	1.4797	+0.033
Rupee/\$	45.28	45.52	45.25	45.45	-0.345
Yen/\$	107.1	107.2	105.1	105.4	-2
US \$ Index	77.77	77.79	75.89	76.18	-1.5

MARKET RECAP

Spot Gold prices increased by more than 3% yesterday, as sharp rise in oil prices and weak dollar led to surge in precious metal prices. Spot gold prices ended higher by 3.27% to close at \$901.45 per ounce. In other metals, Spot silver ended higher, tracking strength in gold prices. Silver prices were up by 6.76%, to close at \$13.42.

In currency market, dollar headed lower against major currencies as a massive plan by U.S. government to rescue the financial sector weighed on dollar. U.S. government plan of soaking up \$700 billion of mortgage instruments will widen the national deficit and may lead to higher inflation in the long run. This created negative sentiments for dollar.

In energy market, crude oil prices rallied on the back of weakening US dollar and huge short covering ahead of October contract expiry. October crude Oil futures touched a high of \$130 before closing at \$120.92 per barrel, up by \$16.37 per barrel. Unprecedented gains in oil prices also supported yellow metal rally.

MAJOR HIGHLIGHTS

- Yesterday, Spot gold prices closed above \$900 per ounce for the first time after 4th August, 2008, when prices closed at \$902.26 per ounce.
- U.S. govt. plan gives the Treasury Secretary authority to buy \$700 billion in mortgage-related assets, and would raise the statutory limit on the national debt from \$10.6 trillion to \$11.3 trillion.
- Dollar index, which tracks greenback against six major currencies, ended at 76.18, down by 1.93%.

OUTLOOK

U.S. government's plan is going to put inflationary pressure, which is supportive for commodities. We expect that measures taken by U.S. government can provide short term stability to the financial markets, but in the long run it can lead to rise in inflation and thereby it will support gold prices to move higher. Gold prices can also get support from weakening US dollar and higher oil prices. We expect gold prices to trade sideways for the day after yesterday's gains, as prices may witness fall on account of profit booking.

Despite short term expectation of fall in gold prices, we maintain our long term bullish outlook on Gold as uncertainty in the financial markets, rise in physical demand due to festive seasons and expectation that dollar may not be able to hold on to its gain in the long term can support gold and silver prices.

On intraday basis, Spot Gold prices are expected to trade sideways down, with immediate and crucial support is seen at \$872.40/\$856.90 levels whereas resistance is seen at \$905.50/\$920 levels. Spot Silver prices shall find support at \$12.70/\$12.20 levels whereas resistance is seen at \$13.85/\$14.15 levels.

MCX October Gold has support at 12900/12785 whereas resistance is seen at 13140/13305 levels. MCX December Silver shall find support at 20300/19910 whereas resistance is seen at 20950/21300 levels.

TECHNICAL ANALYSIS





Base Metals

September 23, 2008

Commodity	Open	High	Low	Close	Change
LME Copper	7060	7322	7000	7280	+250
LME Zinc	1775	1842	1750	1750	-22
LME Nickel	16925	17625	16900	17625	+800
LME Lead	1887	2007	1887	2001	+131
LME Alum	2545	2570	2535	2565	+24
LME Tin	17050	17625	17000	17100	-50
MCX Copper	318.70	326.70	318.0	325.70	+7.5
MCX Zinc	80.20	82.95	80.00	82.70	+2.8
MCX Nickel	771.10	793.50	771.10	790.20	+15.9
MCX Lead	86.75	90.90	86.35	90.55	+4
MCX Alum	114.25	115.75	113.75	113.95	-0.65

LME Stocks	Close	Previous	Change
Copper	206700	209800	-3100
Aluminum	1358900	1343250	+15650
Nickel	52050	52326	-276
Zinc	157225	157525	-300
Lead	69700	69175	+525
Tin	5905	5940	-35

MARKET RECAP

Prices of base metals soared during yesterday's trading, as dollar-based commodity-sector strength was sparked by the twin drivers of a meteoric surge in crude oil and a hefty decline in the US currency. Crude oil was almost unstoppable, with the expiring benchmark October futures rising to touch \$130 a barrel - its low-point earlier in the day was \$104.73. It then settled at \$122.60, up a massive \$18.05. The harder the dollar gets hit the more commodities will benefit, especially those of the base metal variety in which systematic short positions remain at the high end of their recent ranges.

On the LME, copper, which had a spectacular day yesterday, gained +\$250 to close at \$7280 levels, hitting a high of \$7322. Since hitting a nine-month trough of \$6,625 last week when the market's mood was at its blackest, the red metal has jumped nearly \$700, or 10 percent. The global refined copper market recorded a deficit of 130,000 tonnes in the first half of this year, about half the shortfall of 264,000 tonnes registered during the same period in 2007, the International Copper Study Group (ICSG) said on Monday. When seasonally-adjusted, however, the market was in surplus by 89,000 tonnes, compared with a deficit of 68,000 tonnes during Jan-Jun 2007, the Lisbon-based Group said in its latest monthly report. Chinese apparent usage (excluding unreported stocks) increased by 3.8 percent compared to the same period of 2007, a modest rate compared with the 38-percent year-on-year increase recorded in the first half of 2007.

On the LME, the gains were generally solid right across the board. Lead and zinc both ended 4.7 percent above pre-weekend levels, tin was four percent higher, while copper and nickel were just under three percent up on the day.

OUTLOOK

Base metals prices continue to display positive sentiments with earlier gains built on as buy-stops that were triggered around support levels, due to a falling dollar and cautious optimism about the US government financial crisis plan. A groundswell of bullish sentiment was seen in other commodities too, as crude oil jumped by more than \$5.00 a barrel, gold in excess of \$20.00 an ounce, while platinum and silver hit two and three-week highs respectively.

Optimism has been generated by the weekend US government rescue plan to tackle the worst financial crisis since the Great Depression, with similar measures also seen from Russia and China. This latest rally may still have some steam left, as the recently announced industry bailout has changed the commodities landscape to some degree. In particular, the mammoth spending program announced could, in the least, reverse the bearish impact of the rising dollar on commodities and push the deteriorating macro situation somewhat to the backburner for now. But questions still linger about the long-term efficiency of the US plan and the likelihood of more financial market fall-outs. Although the measures will allay the short-term credit-crunch related issues that have caused havoc in global markets over the last week, the long-term economic structural problems remain, and these may well cloud the outlook for the global economy in the medium term.

Copper continues to display strength with resistance seen at \$7400 levels whereas Zinc & Lead run into a wall of resistance around \$1900 \$2120 levels respectively. Elsewhere, nickel, which slipped to its worst since April 2006 last week at \$16,450, rose \$800 to \$17,625. Finally, Aluminium appears to have formed a base around \$2480 levels with resistance at \$2580. *For today, prices shall witness selling pressure around the resistance levels mentioned above.*



TECHNICAL ANALYSIS



Copper

Copper prices are expected to trade sideways for today with; immediate support is seen at Rs.322.50 levels for MCX November contract whereas crucial support is seen Rs.318.7 levels.

Short-term resistance is seen at Rs.328.90 whereas major resistance is seen at Rs.332.10.



Zinc

Zinc prices are expected to trade sideways with immediate support is seen at Rs.81.40 levels for MCX September contract whereas crucial support is seen Rs. 80.10 levels.

Short-term resistance is seen at Rs.83.70 whereas major resistance is seen at Rs.84.80.

ECONOMIC CALENDAR

Date	IST (p.m.)	Country	Indicator	For	Forecast	Actual	Previous
24-Sep	7:30	US	Existing Home sales	Aug	4.93M	-	5.00M
25-Sep	6:00	US	Durable Orders	Aug	-1.3%	-	1.30%
25-Sep	6:00	US	Initial Claims	09/20	NA	-	455K
25-Sep	7:30	US	New Home sales	Aug	518K	-	515K
26-Sep	6:00	US	Chain deflator-final	Q2	1.2%	-	1.2%
26-Sep	6:00	US	GDP Final	Q2	3.4%	-	3.3%
26-Sep	7:30	US	Mich Sentiment-Rev	Sep	74.0	-	73.1



Commodity	Open	High	Low	Close	Change
NYMEX Crude Oct	107.60	130.0	107.60	120.92	+16.37
MCX Crude October	4659	4955	4659	4924	+277
NYMEX Nat Gas Oct	7.450	7.660	7.450	7.658	+0.127
MCX Nat Gas Oct	353.20	359.50	349.40	358.10	+1.1

MARKET RECAP

Crude Oil prices started the week on strong bullish note, as oil futures surged by more than \$16 per barrel, buoyed by drop in U.S. dollar and massive short covering ahead of NYMEX October contract expiry. October crude Oil futures, which expired yesterday, traded higher by 15.65%, to close at \$120.92.

Dollar fell against its counterparts yesterday as the U.S. government bail-out plan to ease global credit crisis reignited worries about widening U.S. budget deficit. Crude oil prices got further support from news, that Saudi Arabia has cut its oil supplies to international majors and U.S. refiners since start of September.

NYMEX Natural gas prices ended higher, lifted by surge in crude oil prices. NYMEX October Natural Gas futures were down by 0.34%, to close at \$7.494.

MAJOR HIGHLIGHTS

- Crude Oil futures posted its biggest one day gain of \$16.37 per barrel yesterday, highest in dollar term since 1984.
- The gain in oil prices surpassed the previous price-gain record of \$10.75, registered on June 6, 2008. The highest percentage rise in a single day was seen on Jan. 3, 1994, at 20.9%.
- About 76.6% of oil production and 65.5% of the natural-gas output in the Gulf are still shut as of Monday, according to the Minerals Management Service.

TECHNICAL ANALYSIS



With RSI trading in the neutral zone and MACD is still below 0 lines, oil prices can trade range bound in the short term. On intraday basis, Nymex November Crude shall find support at \$107.30/\$102.80 levels whereas resistance is seen at \$112.50/\$116.10 levels.

OUTLOOK

Currently crude oil prices are currently being driven more by the sentiments prevailing in the financial markets, than actual demand supply situation. Measures taken by U.S. to solve current financial crisis may help to stabilize economy in the short term and that is putting a floor under oil prices. Oil prices are getting further support from weakness in dollar and unrest in Nigeria. After yesterday's sharp rise in oil prices, we expect prices will consolidate between \$102 and \$115 in the short term.

Despite short term strength in oil prices, over the long-term, we expect prices to trade lower as the uncertainty over U.S. economy is not expected to die down soon.

On intraday basis we expect, that MCX October contract shall find immediate and crucial support at Rs.4850/4780 and resistance is seen at Rs.4970/5050, oil prices are expected to trade sideways for the day.

NYMEX October gas futures are expected to trade lower, amidst low season demand. NYMEX Natural gas has key support at \$7.25 and resistance at \$7.90.