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Precious Metals

September 24, 2008

Commodity	Open	High	Low	Close	Change
Gold Loco \$	900.35	909.55	879.60	885.40	-16.05
Gold Oct \$	902.2	910.0	880.30	891.9	-6.3
Gold Oct Rs.	13042	13215	12972	13013	-104
Silver Loco \$	13.44	13.66	12.95	13.24	-0.18
Silver Dec \$	13.54	13.75	13.05	13.34	-0.19
Silver Dec Rs.	20600	20963	20451	20509	-165
EURO/\$	1.4794	1.4824	1.4622	1.4657	-0.014
Rupee/\$	45.60	45.96	45.55	45.76	+0.31
Yen/\$	105.4	106.1	105.1	105.8	+0.33
US \$ Index	76.19	76.92	76.06	76.71	+0.53

MARKET RECAP

Gold prices eased yesterday, as stronger US dollar against major currencies and fall in oil prices led to profit booking in precious metals. Spot Gold prices traded lower by 1.78%, to close at \$885.40 per ounce. Earlier, spot gold prices touched an intraday high of \$909.55 per ounce.

In currency market, dollar recovered from its lows and posted gains over euro, after contracting euro zone manufacturing activity focused attention on weakness in the euro area. US dollar index, which tracks greenback against six major currencies, was up by 0.69% to close at 76.71. In energy market, Crude Oil prices fell yesterday after record surge on Monday, as stronger dollar and concerns over falling demand weighed on oil prices. NYMEX November oil prices were down by \$2.76 to close at \$106.61 a barrel.

In other metals, Silver prices followed suit. Spot silver prices fell by 1.41% to close at 13.24 per ounce.

MAJOR HIGHLIGHTS

- Yesterday, Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke urged U.S. senators to approve the proposed \$700 billion bailout plan for troubled banks.
- Yesterday, Euro Zone manufacturing sector tumbled to 45.3 in September from 47.6 in August, its lowest level since December 2001.
- Yesterday, the German manufacturing PMI fell to 48.1 from 49.7 in August, for a 62-month low, while the services PMI slipped into contraction at 48.3 from 51.4 in August.

TECHNICAL ANALYSIS



OUTLOOK

After yesterday's testimony of Fed chairman and US Treasury secretary, it is clear that if measures to solve financial crisis are not implemented quickly, then there is greater amount of threat to the US economy and to the financial markets. With concerns remaining over the impact of the U.S. government's proposed \$700 billion bailout of the financial system, gold could be poised to trade higher in the long term. Gold prices would be supported by strong physical demand ahead of festive season and by risk aversion, as traders and investors put money into gold as a safe haven asset amidst unrest in the financial markets.

Today, Gold and Silver prices are expected to trade range bound. Traders will closely watch testimony of Fed chairman Ben Bernanke, which will be at 7.30p.m. IST. On macro economic front, US will release existing Home Sales data, which is likely to support gold prices.

On intraday basis, Spot Gold prices are expected to trade sideways, with immediate and crucial support is seen at \$873.40/\$861.50 levels whereas resistance is seen at \$903.50/\$920 levels. Spot Silver prices shall find support at \$12.90/\$12.50 levels whereas resistance is seen at \$13.60/\$13.95 levels.

MCX October Gold has support at 12910/12820 whereas resistance is seen at 13160/13275 levels. MCX December Silver shall find support at 20320/20120 whereas resistance is seen at 20830/21150 levels.



Base Metals

September 24, 2008

Commodity	Open	High	Low	Close	Change
LME Copper	7260	7274	6955	6975	-305
LME Zinc	1835	1835	1742	1742	-8
LME Nickel	17550	17600	16800	17150	-475
LME Lead	2000	2015	1920	1968	-33
LME Alum	2560	2565	2503	2513	-52
LME Tin	17500	17725	17100	17275	+175
MCX Copper	323.85	326.95	316.80	317.95	-7.75
MCX Zinc	82.05	82.75	80.50	80.65	-2.05
MCX Nickel	795.40	801.0	772.0	778.70	-11.5
MCX Lead	91.00	91.80	88.20	90.30	-0.25
MCX Alum	114.50	114.90	113.05	113.30	-0.65

LME Stocks	Close	Previous	Change
Copper	202075	206700	-4625
Aluminum	1361950	1358900	+3050
Nickel	52752	52050	+702
Zinc	156875	157225	-350
Lead	68400	69700	-1300
Tin	5885	5905	-20

MARKET RECAP

Base metals meandered aimlessly during yesterday's trading session, languishing in the minus column in less active trading, depressed by weakness in other commodities, a stable dollar, and fading optimism over the US's multi-billion dollar credit crisis rescue package. It has been following crude oil and the dollar today - basically it goes up a bit and then it goes down a bit. Also, the metals complex was vulnerable to profit-taking - in little more than a week copper jumped 10 percent to hit levels above \$7,300 at its late-Monday zenith - now it is back under \$7,000.

After last week's announcement with the \$700 billion deal there was a bit of euphoria and now reality's settling in - the market is realizing that the cash injection is not a panacea that's going to fix the world's problems. Yesterday we had the dollar weakening, then we had a squeeze in the front month oil. Everything was in favour of commodities but today everybody's sitting back and thinking that they've gotten ahead of themselves.

US Treasury Secretary Henry Paulson and Fed Chairman Ben Bernanke started two days of congressional hearings yesterday to hasten approval of the \$700 billion bailout that will buy back the toxic sub-prime debt that caused the credit crunch. But some lawmakers are said to be reluctant to merely rubber stamp the Bush administration's plan and are odds with the Treasury over several issues, suggesting the end of the week deadline may prove unrealistic. All this is weighing on the base metals prices in the near-term.

OUTLOOK

Base metals sentiment seems to be negatively influenced by perceptions that the current turmoil is bound to slow global growth further. Investors are also fretting about the pace of negotiations while also worrying that even if the fund is set up, it may not succeed in turning around the credit crisis - and all the while, the US appears even more deeply in debt.

Copper, the leader of the base metals pack has managed to find support around \$6700 levels which is crucial as it has been held for many months. With rising inventory and slowing demand scenario, only a pick up in physical demand side from China could life the prices from dipping further. The red metal continues to run into a wall of resistance at \$7200 levels. Nickel prices tumbled during late LME to trade below \$17,000 level with prices supported at \$16000 level on LME. Earlier, nickel inventories rose by 702 tonnes to 52,725 tonnes, the highest since July 1999.

Lead prices on LME are unable to close above \$2000 level which continues to remain elusive. Prices are likely to trade range-bound as market appears to be undecided. It is expected that in 2009, the global lead market surplus will balloon to 150,000 tonnes from 86,000 tonnes this year as a result of a surge in production is based on an expected re-start of Magellan's Ivernina mine in Western Australia, which will boost supply by 100,000 tonnes a year. On the demand side, a dim picture for auto markets in the US and Europe have market hopes centered on China. Zinc finished \$8 down at \$1,742, continuing to consolidate between \$1650 - \$1850 levels.



TECHNICAL ANALYSIS



Copper

Copper prices are expected to trade sideways down for today with; immediate support is seen at Rs.314.50 levels for MCX November contract whereas crucial support is seen Rs.310.40 levels.

Short-term resistance is seen at Rs.320.50 whereas major resistance is seen at Rs.324.10.

Zinc

Zinc prices are expected to trade sideways up with immediate support is seen at Rs.79.80 levels for MCX September contract whereas crucial support is seen Rs. 78.50 levels.

Short-term resistance is seen at Rs.82.50 whereas major resistance is seen at Rs.83.40.

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



Energy

September 24, 2008

Commodity	Open	High	Low	Close	Change
NYMEX Crude Nov	107.30	108.90	105.65	106.61	-2.76
MCX Crude October	4941	4995	4782	4811	-113
NYMEX Nat Gas Oct	7.920	7.980	7.860	7.931	+0.273
MCX Nat Gas Oct	361.40	376.40	360.10	373.70	+15.6

MARKET RECAP

Crude Oil prices fell by more than 2% yesterday, after a record one day rise on Monday, as stronger dollar and concerns over execution of U.S. \$700 billion bail-out plan for financial firms prompted profit taking. November Crude Oil futures traded in the narrow range, before closing at \$106.61, down by 2.52%.

The October contract on Monday had soared a record \$16.37 a barrel to close at \$120.92 after climbing as high as \$130 per barrel. Crude oil prices were boosted by combination of factors like, weakness in dollar, news of supply cut from Saudi Arabia and massive short covering ahead of October contract expiry.

NYMEX Natural gas prices ended higher for second day in a row, as technical buy out at lower levels supported gas prices. NYMEX October Natural Gas futures were up by 0.34%, to close at \$7.494.

MAJOR HIGHLIGHTS

- Federal Reserve Chairman Ben Bernanke and Treasury Secretary Henry Paulson told the US Congress in a Senate banking hearing yesterday, that swift passage of the 700-billion-dollar rescue plan was critical to avert a US economic meltdown.
- As per Reuters poll today's weekly oil inventory data is expected to show fall in crude Oil stocks by 1.30Mbbbl. Distillates stocks are expected to fall by 1.4Mbbbl and Gasoline stocks are expected to fall by 4Mbbbl.
- About 66.8% of oil production and 61.6% of the natural-gas output in the Gulf are still shut in as of Tuesday, according to the US Minerals Management Service.

TECHNICAL ANALYSIS



Crude Oil prices are likely to face resistance at \$110 (200DMA) in the short term. With RSI trading in neutral zone and MACD is still below 0 line, we expect oil prices to trade sideways. On intraday basis, Nymex November Crude shall find support at \$104.20/\$101.30 levels whereas resistance is seen at \$109.70/\$111.50 levels.

OUTLOOK

Today, oil prices will take cues from oil inventory data, which is expected to show drop in inventory of oil and oil products. This drop is on the back of shut down of oil refineries in Gulf of Mexico due to recent hurricanes Gustav and Ike. Today, we expect oil prices to trade sideways up ahead of weekly inventory data.

Currently oil market is facing lot of uncertainty with regard to effect of financial turmoil on global economy. As long as measures taken to stabilize financial markets are not implemented promptly, there is more downside risk to the economy and therefore to energy demand. Under such situation we are likely to see volatile movements in the oil prices in the short term. We expect oil prices to trade in the range of \$100 and \$115 in the short term.

On intraday basis we expect, that MCX October contract shall find immediate and crucial support at Rs.4825/4745 and resistance is seen at Rs.4940/5050, oil prices are expected to trade sideways up for the day.

NYMEX October gas futures are expected to trade higher, due to tight supplies and stronger oil prices. NYMEX Natural gas has key support at \$7.75 and resistance at \$8.35.