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## Precious Metals

September 30, 2008

| Commodity      | Open   | High   | Low    | Close  | Change  |
|----------------|--------|--------|--------|--------|---------|
| Gold Loco \$   | 874.70 | 926.20 | 866.25 | 903.60 | +25.7   |
| Gold Dec \$    | 13151  | 13549  | 13023  | 13455  | +301    |
| Gold Oct Rs.   | 871.3  | 919    | 866.4  | 903.1  | +25.6   |
| Silver Loco \$ | 13.18  | 13.36  | 12.62  | 13.09  | -0.18   |
| Silver Dec \$  | 13.30  | 13.46  | 12.72  | 13.17  | -0.225  |
| Silver Dec Rs. | 21052  | 21200  | 20661  | 20956  | -158    |
| EURO/\$        | 1.4545 | 1.4564 | 1.4302 | 1.4412 | -0.0201 |
| Rupee/\$       | 46.15  | 47.11  | 46.15  | 46.96  | +0.46   |
| Yen/\$         | 106.3  | 107.0  | 104.0  | 104.0  | -1.94   |
| US \$ Index    | 77.29  | 78.37  | 76.95  | 77.72  | +0.77   |

### MARKET ANALYSIS

Gold prices ended higher yesterday, as failure of bail out plan offered by US govt. and mounting worries over the health of global financial sector led to safe haven buying. Spot gold prices closed traded as high as \$926.20 per ounce before closing at \$903.60 per ounce, up by 2.92%.

Gains in gold were capped by a stronger dollar. US dollar traded higher against euro, as Europe's own banking troubles put the euro and pound under heavy selling pressure. US dollar index, which tracks greenback against major currencies, traded higher by 1% to close at 77.72. In Energy market, benchmark NYMEX Crude-oil futures ended sharply lower, after congressional members rejected bail out plan. Crude Oil prices posted its second biggest fall in dollar term after January 1991.

In other precious metals, concern over slowdown in industrial activity put pressure on white metals like Silver and Platinum. Spot Silver closed lower by 1.35% to close at \$13.09 per ounce.

### MAJOR HIGHLIGHTS

- The U.S. House of Representatives rejected a \$700 billion bailout bill for the U.S. banking system, stoking concern of a worsening credit crisis.
- In Europe, the British government on Monday nationalized Bradford & Bingley after investors and lenders lost confidence in the mortgage bank, leaving it unable to fund its operations.
- The Dow Jones Industrial Average slid 778 points in its biggest point drop ever as \$1.2 trillion in market value was erased from U.S. equities.

### TECHNICAL ANALYSIS



### OUTLOOK

Gold has yet again proved its mettle amid turbulent times. Despite strength in US dollar against major currencies, gold has managed to put up strong gains. This is a sign of a tremendous strength building in yellow metal. Whether there is bail out or not, gold is expected to gain from its flight to safety status. Investment demand is expected to rise in coming months in gold, amidst current financial turmoil, supporting precious metal prices in the long term. We maintain bullish outlook on gold, with prices target of \$950 in the medium term.

On macroeconomic front, today US will release data on Chicago PMI and Consumer Confidence. Data is expected to support gold prices. In the short term, we expect gold and silver prices to trade on a volatile note with a good support at \$850 per ounce.

On intraday basis, Spot Gold prices are expected to trade sideways up, with immediate and crucial support is seen at \$888.50/\$870.10 levels whereas resistance is seen at \$921.70/\$937.50 levels. Spot Silver prices shall find support at \$12.68/\$12.35 levels whereas resistance is seen at \$13.30/\$13.60 levels.

MCX October Gold has support at 13340/13135 whereas resistance is seen at 13635/13860 levels. MCX December Silver shall find support at 20670/20380 whereas resistance is seen at 21110/21430 levels.



## Base Metals

September 30, 2008

| Commodity  | Open   | High   | Low    | Close  | Change  |
|------------|--------|--------|--------|--------|---------|
| LME Copper | 6770   | 6786   | 6340   | 6340   | -475    |
| LME Zinc   | 1760   | 1772   | 1670   | 1670   | -100    |
| LME Nickel | 16750  | 16800  | 16200  | 16200  | -805    |
| LME Lead   | 1950   | 1950   | 1765   | 1765   | -190    |
| LME Alum   | 2490   | 2500   | 2415   | 2415   | -85     |
| LME Tin    | 17900  | 17900  | 17350  | 17350  | -650    |
| COM Copper | 2.9175 | 2.9175 | 2.9175 | 2.9175 | -0.1675 |
| MCX Copper | 315.30 | 315.80 | 303.05 | 303.40 | -12.3   |
| MCX Zinc   | 81.65  | 81.75  | 77.15  | 77.75  | -3.65   |
| MCX Nickel | 787.00 | 788.90 | 758.20 | 761.70 | -22.8   |
| MCX Lead   | 91.20  | 91.20  | 83.05  | 84.25  | -6.45   |
| MCX Alum   | 113.60 | 114.35 | 111.70 | 112.00 | -1.95   |
| MCX Tin    | 840.00 | 840.00 | 840.00 | 840.00 | 0       |

| LME Stocks | Close     | Previous  | Change  |
|------------|-----------|-----------|---------|
| Copper     | 198,925   | 200,175   | (1,250) |
| Zinc       | 1,372,900 | 1,370,700 | 2,200   |
| Nickel     | 55,596    | 54,342    | 1,254   |
| Lead       | 155,375   | 156,500   | (1,125) |
| Aluminum   | 64,525    | 65,700    | (1,175) |
| Tin        | 6,020     | 6,040     | (20)    |

### MARKET ANALYSIS

The base metals pack ended in the negative territory on Monday on the back of a deepening economic gloom, stronger US Dollar and weak oil prices. Concerns over the health of the world's largest economy also pushed the complex lower. Debt-ridden Wachovia Bank was bought out by Citigroup for around \$2.2bn. The US Dollar was sharply higher against the Euro and this added pressure to the downside as dollar-denominated commodities looked expensive for holders of other currencies. Only gold prices were immune to dollar strengthening as the metal is considered as a safe haven in times of financial uncertainty.

Copper prices declined almost 5% yesterday although there was a decline in LME inventories by 1,250 tonnes. Falling oil prices put pressure on Aluminum prices. The complete base metals complex was trading lower on Monday as worries over the macroeconomic front lead to heavy liquidation selling.

On the macroeconomic front, personal income in the US increased 0.5% but spending for the month of August remained flat. This data could not impact markets as news of another US bank merger came into the picture.

### OUTLOOK

Copper prices touched a low of \$6,340 yesterday and this indicates major weakness in the metal as demand from China is also expected to slowdown. Aluminum prices are expected to trade lower as crude oil prices are heading southwards. Since the overall macroeconomic picture is weak, the other metals are also expected to trade in the negative territory today.

*The base metals pack is expected to trade on a volatile note as the US Dollar is showing strength. Since the markets are currently digesting the implications of the bailout, base metals could remain under pressure.*

On the macroeconomic front, the US is expected to announce data on Chicago PMI and Consumer Confidence today. Consumer confidence is expected to decline in times of financial turmoil and even Chicago PME is expected to fall. Base metals may not receive cues from this data as overall economic scenario is gloomy.



## TECHNICAL ANALYSIS



### Copper

Immediate support is seen at Rs.294.40 levels for MCX November contract. Further below, support is seen at 291.50 levels. Copper is expected to trade lower.

Whereas resistance is seen at Rs.300.30 levels & further upwards at Rs. 303.50.



### Zinc

Immediate support is seen at Rs.74.20 levels for MCX Sep contract whereas crucial support is seen Rs.73.00 levels. Zinc is expected to trade lower for the day.

Short-term resistance is seen at Rs76.80 whereas major resistance is seen at Rs78.10.

## 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  | 54.00%   | -      | 57.90%   |
| 30-Sep | 7:30       | US      | Consumer Confidence   | Sep  | 55.00%   | -      | 56.90%   |
| 1-Oct  | 9:30       | US      | Auto Sales            | Sep  | NA       | -      | 4.5M     |
| 1-Oct  | 9:30       | US      | Truck Sales           | Sep  | NA       | -      | 5.9M     |
| 1-Oct  | 5:45       | US      | ADP Employment        | Sep  | NA       | -      | -33K     |
| 1-Oct  | 7:30       | US      | Construction Spending | Aug  | -0.50%   | -      | -0.60%   |
| 1-Oct  | 7:30       | US      | ISM Index             | Sep  | 50.00%   | -      | 49.90%   |
| 2-Oct  | 6:00       | US      | Initial Claims        | 9/27 | NA       | -      | NA       |
| 2-Oct  | 7:30       | US      | Factory Orders        | Aug  | -1.80%   | -      | 1.30%    |
| 3-Oct  | 6:00       | US      | Average Workweek      | Sep  | 3370.00% | -      | NA       |
| 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

September 30, 2008

| Commodity                | Open   | High   | Low    | Close  | Change |
|--------------------------|--------|--------|--------|--------|--------|
| <b>NYMEX Crude Nov</b>   | 101.25 | 101.25 | 96.37  | 96.37  | -10.52 |
| <b>MCX Crude Oct</b>     | 4944   | 4954   | 4585   | 4638   | -315   |
| <b>NYMEX Nat Gas Oct</b> | 7.480  | 7.550  | 7.340  | 7.472  | -0.252 |
| <b>MCX Nat Gas Sept</b>  | 355.80 | 355.80 | 339.00 | 344.30 | -11.9  |

### MARKET RECAP

Crude Oil prices plummeted yesterday by more than \$10 a barrel, as US bail out plan was rejected by congressional leaders and signs of financial turmoil spreading to Europe raised concern over global economic slowdown and falling oil demand. November Crude Oil futures fell by 9.84% to close at \$96.37 a barrel, lowest since 16<sup>th</sup> September.

Monday's nosedive in oil prices came as US lawmakers defeated the emergency measure, which would have absorbed billions of dollars in banks' bad mortgage-related debt and other risky assets in a bid to steady the teetering economy. Rally in dollar against the euro and British pound added further pressure on oil prices.

New York Mercantile Exchange October Natural Gas futures ended lower, tracking fall in oil prices. October natural gas ended at \$7.472, down by 3.26%.

### MAJOR HIGHLIGHTS

- The U.S. House of representatives rejected President Bush's \$700 billion bailout package. The bill fell through with 205 voting in favor and 228 against.
- Crude Oil prices marked second largest one day fall in dollar terms on NYMEX. The largest fall was set in January 1991, when prices had posted single day loss of \$10.56, according to Marketwatch.
- U.S. fuel demand averaged 19.5 million barrels a day in the four weeks ended Sept. 19, the lowest since October 2003, according to Energy Department data.

### OUTLOOK

After yesterday's sharp fall we may see technical buying coming at lower levels but major trend is still expected to head southwards. Failure of bail out plan proposed by US government and further signs of slowing euro zone economic activity is putting downward pressure on global oil demand. Dollar is can extend its gain against euro, as ECB is expected to lower its interest rates. Strength in dollar is also expected to weigh on oil prices.

There is no quick fix to current credit crisis and we are likely to experience prolonged economic slowdown and its spill over effect on emerging economies like China and India. All this will lead to significant drop in energy demand and will keep bears in favor. Due uncertainty in the financial markets and widespread collapse of banking systems, we expect commodity prices to trade on volatile note in the short term.

On Intraday basis, prices are expected to remain sideways down. For MCX October contract, immediate and crucial supports are seen at Rs. 4480/4410 and resistance is seen at Rs.4650/4725. Natural Gas prices are expected to trade sideways. In near term, NYMEX October futures can face resistance at \$7.50Mcf and support at \$7.00.

### TECHNICAL ANALYSIS



On intraday basis, Nymex November Crude shall find support at \$94.70/\$91.30 levels whereas resistance is seen at \$98.75/\$101.05 levels.