

ENERGY AND METALS UPDATE

ANALYSIS AND VIEW

GOLD & SILVER

FUNDAMENTALS

Bullish

- ❑ Gold's ultimate status as a money and a safe haven asset is showing its luster again as the financial crisis escalates. Fiat money is flowing into gold as uncertainty and fear rocket to new heights. Volatility remains high across all markets and precious metals are not immune
- ❑ The world's largest gold-backed exchange-traded fund, the SPDR Gold Trust GLD, has its gold holdings to a record 765 tons.

Bearish

- ❑ The price of gold is sliding from 2 days as investors fled from commodities to the perceived safe haven of government bonds. That's even though the returns on those bonds are so low that it's a money-losing trade.

TECHNICAL

- ❑ Buy on dips

COPPER

FUNDAMENTALS

Bullish

- ❑ Copper headed for the biggest two-day gain, on plans by U.S. and European governments to buy stakes in banks.
- ❑ Imports of Copper and copper products by China, rebounded in September after prices slumped on concerns of global slowdown. Imports climbed 20% to 213,782 metric tons from August.
- ❑ BHP Billiton Ltd. said production at its Escondida copper mine in Chile, the world's largest, will be disrupted because of repairs to equipment. Minera Escondida Ltd., may require nine months to fix equipment failure at the mine in northern Chile
- ❑ Codelco, the world's largest copper producer, may reduce its "premium" on copper prices for European buyers to a five-year low on signs of reduced demand.

Bearish

- ❑ The copper market is expected to see a surplus of about 100,000 tonnes in 2008, growing to around 275,000 tonnes in 2009 reports ICSG.
- ❑ Freeport-McMoRan Copper & Gold Inc.'s Peruvian mine workers will suspend a strike that has trimmed copper output.
- ❑ China returning from weeklong holiday showed no inclination to pick up cheap copper. If china is shunning copper at these prices, there's no signal for shorts to cover.
- ❑ Hedge-fund managers and other large speculators increased their net-short position in COMEX copper futures for the week ended Sep 30. Speculative short positions outnumbered long positions by 16169 contracts. Net-short positions fell by 6270 contracts, or 63%, from a week earlier.
- ❑ Chile is seen producing about 6.8 million tons per year of copper by 2012 or 23% more than it produced in 2007.

TECHNICAL

- ❑ Bounce Back from lows
- ❑ Break below the March 2006 lows.
- ❑ Key support seen around \$4570
- ❑ Key resistance is seen around \$5660 and 5940

ANALYSIS AND VIEW

NICKEL

FUNDAMENTALS

Bullish

- ❑ Nickel prices seen increasingly overdue, leads the bounce back rally in basemetals.
- ❑ Demand for Ferrochrome (raw material for steel) is rising, suggesting restocking by stainless steel producers, which means rising demand for nickel.

Bearish

- ❑ China's largest nickel producer Jinchuan Group has lowered its domestic prices for both of its electrolytic nickel products by Yuan 19,000(\$2,787)/mt each
- ❑ China's largest steel maker, Baosteel Group, will cut steel production over the next three months in the face of a weakening outlook for demand,
- ❑ Base metals prices dragged over burnt of economic slowdown.
- ❑ The global nickel market will be in a 110,000 tonnes surplus in 2009 with a sharp pick-up in output outweighing a slower recovery in usage, the International Nickel Study Group (INSG) reports.
- ❑ China's output of high nickel content stainless steel, fell to 2.2 million tonnes in the January to July 2008 period, down by 200,000 tonnes from same period last year
- ❑ Nickel prices are likely to average 14% lower than estimate because of slowing demand in North America and Europe. Demand from stainless steel has lowered at the same time supply from conventional sources are increasing as new mines are commissioned and refineries operate close to capacity.

TECHNICAL

- ❑ Bounce back seen
- ❑ Break below November 2005 levels.
- ❑ Key support seen around \$11190
- ❑ Key resistance seen around \$14780 and \$15360

ZINC & LEAD

Buy on dips

FUNDAMENTALS

Bullish

- ❑ Rising costs and falling metal prices forced mines to close globally, as supply outpaced demand hurt by an economic slowdown.

Bearish

- ❑ Zinc and Lead prices were though largely hit by prevailing global economy's slowdown, thus hurting the demand for industrial metals.
- ❑ According to ILZSG, Lead consumption growth will slow to 4 percent next year from 5.7 percent this year. Demand will expand to 8.65 million metric tons this year and to 8.99 million tons next year, led by China. Supply will outpace demand by 30,000 tons this year, with an "even closer balance" in 2009.

TECHNICAL

- ❑ Consolidating at its lows.

ANALYSIS AND VIEW

CRUDE OIL & NATURAL GAS

Buy MCX Nat.Gas (Oct) above 327.70 SL 322.90 TGT 336

FUNDAMENTALS

Bullish

- ❑ Crude oil rose in New York, on speculation the U.S. government will invest \$125 billion in banks to stave off a global recession.
- ❑ OPEC announced yesterday it would hold an extraordinary meeting on Nov. 18 as the worsening credit crunch threatens to restrain economic growth and curtail energy demand. It is expected that OPEC might decide to cut the oil production as demand is falling.
- ❑ Natural gas prices may rise as demand season is approaching in U.S. The cold-weather season runs from November to March when demand for natural gas outstrips production, requiring utilities and other large users to draw on supplies put into storage during the summer.

Bearish

- ❑ Crude oil prices may fall on the expectations that U.S. oil and gasoline inventories probably rose last week as production increased and refineries opened units that were shut last month because of Hurricanes Gustav and Ike. Crude oil stockpiles probably increased 2.6 million barrels in the week ended Oct. 10 from 302.6 million the week before, according to the median of 10 analyst estimates.
- ❑ Crude oil may not sustain on higher levels on concern that lower economic growth will curb fuel demand in the U.S. the world's biggest energy consuming country. The fuel use during the past four weeks averaged 19 million barrels a day, the weakest since October 2001.

TECHNICAL

- ❑ Crude has Important support at Rs.3850
- ❑ Important resistance at Rs.4140
- ❑ NYMEX Crude has important resistance of \$ 88
- ❑ Support in NYMEX Crude lies at \$ 76.50

INTRADAY CALLS COVERED

Commodity	Reco	Reco. Price	Covering Price	Gain /loss	Lot size	Margin %	Margin Money	Per contract	ROI (%)	Target Achieved
Silver	Short	18550	18480	70	30	12	66780	2100	3.14	Booked
Gold	Short	13245	13211	34	100	10	132450	3400	2.57	Booked
Gold	Short	13180	13131	49	100	10	131800	4900	3.72	Booked
Nickel	Short	630	634.1	-4.1	250	8.5	13388	-1025	-7.66	SL Trgd
Copper	Long	243.85	244.85	1	1000	7	17070	1000	5.86	Booked
Crude oil	Long	3985	3950	-35	100	10.5	41843	-3500	-8.36	Booked
Crude oil	Long	3950	3950	0	100	10.5	41475	0	0.00	Cost
Crude oil	Long	3915	3930	15	100	10.5	41108	1500	3.65	Booked
Natural Gas	Long	324	324	0	1250	10.5	42525	0	0.00	Cost
Natural Gas	Long	324	322	-2	1250	10.5	42525	-2500	-5.88	SL Trgd
Natural Gas	Long	326.5	326.7	0.2	1250	10.5	42853	250	0.58	Exit
Natural Gas	Long	323.4	324.3	0.9	1250	10.5	42446	1125	2.65	Booked

POSITION CALLS INITIATED OR CONTINUED

Commodity	Reco	Trade Initiated On	Reco. Price	Stop loss or Recived	Next Target	Lot Size	Margin %	Margin Money	Target Achieved
Zinc	Long	13-Oct-08	71	68	75	5000	10	35500	---
Lead	Short	13-Oct-08	75	72	79	5000	11.5	43125	---

POSITION CALLS CLOSED

Commodity	Reco	Reco. Price	Covering Price	Gain /loss	Lot size	Margin %	Margin Money	Per contract	ROI (%)	Target Achieved
Gold	Short	13450	13100	350	100	10	134500	35000	26.02	Achieved
Silver	Long	18600	18300	-300	30	12	66960	-9000	-13.44	SL Trgd

ECONOMIC DATA

Date	Country	Event	Time	Consensus	Previous	Actual
13-17 Oct	CHINA	Money Supply - M2 (YoY) (SEP)	--	16.10%	16.00%	--
13-17 Oct	CHINA	Foreign Exchange Reserves (SEP)	--	--	\$1,808.00	--
14-17 Oct	CHINA	Trade Balance (SEP)	--	24.5B	28.69B	--
14/10/08	EUROPE	Euro-Zone Industrial Prod. (YoY) (AUG)	14:30	-1.60%	-1.70%	--
	USA	IBD/TIPP Economic Optimisim (OCT)	19:30	44	45.8	--
	USA	Monthly Budget Statement (SEP)	23:30	45.0B	112.9B	--
	USA	ISM Prices Paid (SEP)	19:30	73	77	--

LME WAREHOUSE STOCKS

Commodity	Stocks	+/- Change
Aluminium	1405350	6750
Copper	211800	2475
Lead	62300	-150
Nickel	56256	-24
Zinc	165650	-300

EXCHANGE MOVEMENT

MCX/NCDEX MOVEMENT

Commodity	Contract	Open	High	Low	Close	% Change In Price
Gold	Dec	13524	13600	12865	13068	-2.82
Silver	Dec	18446	18832	18255	18764	1.72
Copper	Nov	238.25	255.5	238.1	354.35	49.74
Nickel	Oct	606.9	634.2	588.2	623.4	7.15
Lead	Oct	74.75	77.15	73.25	76.2	4.38
Zinc	Oct	70.35	72.9	69	70.95	1.65
Steel	Oct	24810	24970	24390	24680	-1.32
Crude Oil	Nov	4001	4016	3901	3972	0.20
Natural Gas	Oct	320.1	327.4	318.5	323.2	-0.37

EXCHANGE MOVEMENT

INTERNATIONAL MOVEMENT

Commodity	Contract	Open	High	Low	Close	% Change In Price
Gold	COMEX	856	875	824.5	842.5	-1.92
Silver	COMEX	10.24	10.91	10.07	10.79	1.79
Copper	LME	4900	5180	4795	5115	6.78
	COMEX	216.05	236.05	216	231.25	7.83
Nickel	LME	12000	13300	12000	12800	5.13
Lead	LME	1490	1575	1490	1565	6.10
Zinc	LME	1420	1520	1401	1480	2.07
Crude Oil	NYMEX	80.12	82.52	79.45	81.19	4.49
Natural Gas	NYMEX	6.535	6.776	6.519	6.688	2.34

TECHNICAL LEVELS

Commodity	Contract	S2	S1	Pivot	R1	R2
Gold	Dec	12443	12755	13178	13490	13913
Silver	Dec	18040	18402	18617	18979	19194
Copper	Nov	265	309.8	282.7	327.2	300
Nickel	Oct	569	596.3	615.3	642.3	661
Lead	Oct	72	73.9	75.5	77.8	79
Zinc	Oct	67	69.0	71.0	72.9	75
Steel	Oct	24100	24390	24680	24970	25260
Crude Oil	Nov	3848	3910	3963	4025	4078
Natural Gas	Oct	314	318.7	323.0	327.6	332

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