

Commodity Daily

ENERGY AND METALS UPDATE

ANALYSIS AND VIEW

GOLD & SILVER

FUNDAMENTALS

Bullish

- ☐ Trading may be choppy for the rest of the day, with low liquidity during another holiday week.
- ☐ The escalating conflict between Israel and Hamas over the Gaza Strip will support gold prices further.
- Political uncertainty around the world, including the potential for war, tends to send gold higher. Investors often turn to gold as a safe investment in an uncertain market.
- □ The world's largest gold-backed exchange-traded fund, the SPDR Gold Trust, said its bullion holdings rose nearly 5 tonnes on Dec. 29 to a record high. The trust, which issues securities backed by physical stocks of gold, now holds 780.23 tonnes of bullion, against 775.33 tonnes on Dec. 26. Its holdings are up 22.1 tonnes or 3 percent from the beginning of December.

Bearish

- □ Precious metals may find it harder to attract investment if financial market systemic risk continues to ease.
- ☐ Gold may fall on profit-taking on year-end.
- □ There is no physical demand in Gold and Silver due to high prices. Imports were down to around 4 tons so far this month as compared to 34 tons in November. India had imported 16 tons in December and 54 tonnes in November last year.

TECHNICAL

- □ Range bound
- □ Gold Having Some Support Zone Around \$866-\$863-\$860 & Resistance Around \$878-\$881-\$884-\$888

COPPER

Buy MCX Copper (Feb) with SL of 150.3

FUNDAMENTALS

Bullish

- Dollar strengthening against major currencies likely to turn into gains for commodities denominated in dollar.
- □ China's increases VAT on range of metal ore imports, in an aim to stabilize domestic metal prices.
- China's apparent copper demand jumped in November versus previous month as imports rose, demand rose to an implied 478052 tonnes increasing 16.8% YoY from October.
- □ China, the world's largest consumer of metals and steel, reiterated it will boost strategic reserves of "important" raw materials to help domestic producers.
- Costs for mining firms are sliding, a rare bright spot in a downturn that will help soften the impact of a crash in metals prices.

Bearish

- □ Stockpiles monitored by LME jumped close to highest in 5 years, since Feb 2004. Inventories are now at 339775 MT.
- ☐ The global copper market saw a small surplus of 30,600 tonnes in the period January to October according to WBMS.
- □ Codelco, the world's top copper producer, has slashed term premiums for refined copper to China by 32% to \$75 a tonne in 2009, amid weak demand in the world's biggest copper market, traders said on Thursday. The cut shows Codelco's bearish outlook on the copper market.

TECHNICAL

- ☐ In Uptrend
- Next support around \$2820
- □ Resistance around \$3304



ANALYSIS AND VIEW

NICKEL

FUNDAMENTALS

Bullish

- Nickel rose to the highest in almost two months in London on speculation index funds will buy more industrial metals this month to reflect annual reweightings in their benchmarks. Buying by funds tracking the Dow Jones-AIG Commodity Index would likely equal 7.7% of open interest
- OZ Minerals shut its Avebury mine in Australia. The site in Tasmania accounts for 8,000 metric tons of nickel mine output a year.
- ☐ Cia. Vale do Rio Doce is preparing to lower production at its Sudbury mine in Canada. Sudbury accounts for almost 6 % of global nickel mine output.
- □ Indonesia's Inco, one of the world's top nickel producers, might slash its output by a fifth next year if prices remained weak.

Bearish

- □ Rio Tinto Group, the world's third-largest mining company, said it may delay the development of its \$1.5 billion nickel project in Indonesia to study changes in the government's new mining law.
- □ The supply shortfall of nickel in China, the world's largest producer, will narrow in 2009 as domestic output increases and demand falls. The country's refined nickel output may rise to 229,000 MT next year from an estimated 200,000 tons in 2008.

TECHNICAL

- □ In uptrend
- □ Key support around \$11440
- □ Key resistance around \$13700

ZINC & LEAD

FUNDAMENTALS

Bullish

- ☐ The positive economic data and the news that demand from China may increase in 2009 as China have announced stimulus package to bolster their economy, has regenerate the confidence among the investors that the Chinese Economy will get its aggressiveness back.
- □ Strong growth shown by China, major consumer of base metals, led to sharp rise in metals like copper, lead, nickel, zinc till the mid of the year 2008. Prices started climbing as restocking by metal traders, rise in industrial activity supported metal prices.

Bearish

- Zinc prices are trading in range on weak note as rising inventory and heavy surplus from the beginning of the year weighed on metal prices. Lead prices succumbed to the pressure of global financial turmoil, as fall in demand for batteries put breaks on demand for this metal.
- □ According to ILZSG, the world market for refined lead was in surplus by 21,000 metric tons in the first 10 months of the year. This compares with a deficit of 69,000 tons during the same period in 2007.

TECHNICAL

Prices are rebounding from its lows.



ANALYSIS AND VIEW

CRUDE OIL & NATURAL GAS

FUNDAMENTALS

Bullish

- Crude oil may rise as the Organization of Petroleum Exporting Countries makes record production cuts to counter the deepest economic slump since World War II. OPEC agrees to cut 2.2 million barrels / day effective from 1st Jan 2009.
- ☐ The tension in Gaza Strip is increasing and Israel continues on attack to hamas. Prices may also increase on concerns that supplies from the Middle East may be disrupted because of a conflict between Israel and Hamas in the Gaza Strip.

Bearish

- □ Crude oil prices fell, extending its worst yearly drop, on concern that a global economic contraction will limit fuel demand. Crude oil prices drop more than 6% today, after rising almost 14% on Wednesday.
- □ The financial crisis has led to economic weakness and falling demand in the U.S. The problems in the U.S. are now spreading to China and other developing countries also.

TECHNICAL

- Bullish
- □ Crude (Jan) has important resistance at Rs.2180. Support around 1950.
- □ NYMEX Crude has important resistance of \$45. Support in NYMEX Crude lies at \$37.



INTRADAY CALLS COVERED

Commodity	Reco	Reco. Price	Covering Price	Gain /loss	Lot size	Margin %	Margin Money	Per contract	ROI (%)	Target Achieved
Crude oil	Short	1860	1820	40	100	13	24180	4000	16.54	Achieved
Gold	Short	13375	13410	-35	100	5.5	73563	-3500	-4.76	SL Trgd
Silver	Short	17850	17800	50	30	7.5	40163	1500	3.73	Booked
Crude oil	Long	1865	1885	20	100	13	24245	2000	8.25	Second TGT
Gold	Long	13391	13402	11	100	5.5	73651	1100	1.49	Booked
Gold	Long	13520	13535	15	100	5.5	74360	1500	2.02	Booked
Silver	Long	17300	17345	45	30	7.5	38925	1350	3.47	Booked
Copper	Long	146	149	3	1000	14	20440	3000	14.68	Achieved

POSITION CALLS CLOSED

Commodity	Reco	Reco. Price	Covering Price	Gain /loss	Lot size	Margin %	Margin Money	Per contract	ROI (%)	Target Achieved
Lead	Long	45.5	50	4.5	5000	15.5	35263	22500	63.81	Both

ECONOMIC DATA

Date	Country	Event	Time	Consensus	Previous	Actual
31/12/2008	USA	Initial Jobless Claims (DEC 28)	19:00	575K	586K	492K
02/01/2009	EUROPE	Euro-Zone PMI Manufacturing (DEC F)	14:30	34.5	34.5	
	USA	ISM Manufacturing (DEC)	20:30	35.4	36.2	

LME WAREHOUSE STOCKS

Commodity	Stocks	+/- Change
Aluminium	2338300	9400
Copper	340550	775
Lead	45150	0
Nickel	78822	432
Zinc	253475	-25



EXCHANGE MOVEMENT

MCX/NCDEX MOVEMENT

Commodity	Contract	Open	High	Low	Close	% Change In Price
Gold	Feb	13699	13784	13650	13748	0.87
Silver	March	18475	18549	18362	18474	0.65
Copper	Feb	155	157.75	152.2	155.7	1.93
Nickel	Jan	576	592.9	574	585.4	2.68
Lead	Jan	49.35	50.9	49.1	49.85	1.53
Zinc	Jan	58.6	60.9	58.6	59.65	1.88
Steel	Jan	23600	23900	23410	23710	0.98
Crude Oil	Jan	2015	2123	1995	2100	5.21
Natural Gas	Jan	272.8	275.2	270	274.2	1.29

TECHNICAL LEVELS

Commodity	Contract	S2	S1	Pivot	R1	R2
Gold	Feb	13593	13671	13727	13805	13861
Silver	March	18275	18374	18462	18561	18649
Copper	Feb	150	152.7	155.2	158.2	161
Nickel	Jan	565	575.3	584.1	594.2	603
Lead	Jan	48	49.0	50.0	50.8	52
Zinc	Jan	57	58.5	59.7	60.8	62
Steel	Jan	23183	23447	23673	23937	24163
Crude Oil	Jan	1945	2022	2073	2150	2201
Natural Gas	Jan	268	271.1	273.1	276.3	278

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