

ENERGY AND METALS UPDATE

ANALYSIS AND VIEW

GOLD & SILVER

FUNDAMENTALS

Bullish

- ❑ Gold production in South Africa in 2008 sank to its lowest level since the Boer War, pushing the country into third place in the league of global producers behind China and the US. The country's gold output dropped by an estimated 14 per cent, the sharpest decline since 1901
- ❑ Holdings in the SPDR Gold Trust, the largest exchange-traded gold fund, totaled 787.60 tons Monday, unchanged from a day earlier, according to the latest data from the fund.
- ❑ Both COMEX inventories for gold and silver were depleted over 45% - but the COMEX silver market is much smaller (in USD\$) than COMEX gold and would have been easily exceeded. The gold-silver ratio is at near historic highs - making silver much more undervalued.

Bearish

- ❑ Crude Oil fell 4% yesterday because OPEC and EIA revised their demand estimates for 2009.
- ❑ ECB cut its Interest Rate from 2.5% to 2% yesterday.
- ❑ Falling oil tends to exert downward pressure on gold prices, as some investors buy gold as a hedge against inflation.

TECHNICAL

- ❑ Range Bound
- ❑ Silver bearish below 17400 and if broken can touch 17000.
- ❑ Gold bullish above 12930 and if sustains could touch 13000. Gold has resistance at 12800 and resistance 13100.

COPPER

Buy MCX Copper (Feb) with SL of 161

FUNDAMENTALS

Bullish

- ❑ Shanghai weekly copper stockpiles fell 30% to 15871, the biggest drop since Jan 2008 indicating demand metal available domestically.
- ❑ Japanese as well as Asian copper smelters have been to negotiate for higher processing fees for 2009 due to rise in copper concentrate supply.
- ❑ China imported 286576 MT of copper and copper products in December up 32% from 217214 MT in November and 28% on year.
- ❑ China's copper consumption is expected to hit 5.4 million mt by the year 2010, up from an estimated 5.1 million mt in 2009, an official with Beijing Antaike, the state-owned nonferrous metals information provider said.
- ❑ 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

- ❑ LME copper warehouse stocks show sustained inflow and thus lack of demand. Inventories are up 29750 MT or 7.7% this week
- ❑ Chilean shipments of the metal this year for exports will decline by half to \$18.1 billion from \$36 billion in 2008.
- ❑ Arbitrage flows and tight domestic supply not stronger demand is believed to have led bounce back in copper import numbers.
- ❑ China will allow toll trading of copper starting from Feb 1. 'Toll trade' refers to the import of raw materials for processing and re-exports as Value added products.
- ❑ The global copper market saw a small surplus of 30,600 tonnes in the period January to October according to WBMS.

TECHNICAL

- ❑ Consolidating
- ❑ Next support around \$3118
- ❑ Resistance around \$3510

ANALYSIS AND VIEW

NICKEL

FUNDAMENTALS

Bullish

- ❑ Cuban unrefined nickel production this year likely to be lower around 70400 tons from an estimated 76000 tons.
- ❑ 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 percent of global nickel mine output.
- ❑ Producers suspending operations at various mines due to low nickel prices making it operational unfeasible.

Bearish

- ❑ Nickel demand dropped to the lowest in almost seven years in November and was 19,800 metric tons below production. Demand of 92,800 tons was the lowest since December 2001.
- ❑ 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

- ❑ Sideways
- ❑ Key support around \$10720
- ❑ Key resistance around \$13550

ZINC & LEAD

FUNDAMENTALS

Bullish

- ❑ Xstrata Plc, Europe's largest zinc producer, called for the Australian government to prevent the closure of its McArthur River mine after a court blocked an expansion of the operation last month. Xstrata, which won initial approval for the expansion in 2006 after meeting environmental conditions, wants to spend \$110 million converting the underground mine to an open pit operation to increase its working life by 20 years

Bearish

- ❑ Sentiment remains bearish as China's stockpiling of metal is not considered enough to erode a global oversupply and that its only designed to help country's smelting industry.
- ❑ Chinese participants were buying on the LME and selling on the SHFE to take advantage of the price differential.
- ❑ Zinc Inventories climbed to the highest level since may 2006 and rose today by 8% today to 268550 tonnes.
- ❑ 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

- ❑ Rebounded from its lows
- ❑ Overall bullish, tend to move higher

ANALYSIS AND VIEW

CRUDE OIL & NATURAL GAS

FUNDAMENTALS

Bullish

- ❑ Crude Oil futures manage to stand near \$35 a barrel today after Thursday's 10 percent fall; hurt by economic gloom and worries that world energy demand will keep shrinking this year.
- ❑ Crude Oil prices of futures contracts for later this year are higher than the February contract on investor expectations that OPEC's announced production cuts of 4.2 million barrels a day since September will begin to reduce global supply.
- ❑ Saudi Arabian Oil Co., the world's biggest state oil company, sent notices to refiners in Asia on Jan. 9 that it would lower crude supplies to the region by about 10 percent in February.

Bearish

- ❑ Crude oil fell to the lowest price of \$33.20 in three weeks after OPEC report showed demand will drop this year and U.S. supplies rose as the recession cut fuel use. The Organization of Petroleum Exporting Countries shaved its global demand estimate for 2009 by 20,000 barrels to 85.66 million barrels a day. That brings this year's reduction to 180,000 barrels a day, or 0.2 percent.
- ❑ The forecast for the global economy in 2009 has been reduced by a further 0.2 percentage points to 1.3% as major OECD regions slip deeper into recession and economic activity in developing countries and China slows sharply.
- ❑ The U.S. Energy Information Administration on Tuesday again pared back its 2009 world oil demand forecast due to the global economic downturn, but predicted a slight recovery in consumption for next year.

TECHNICAL

- ❑ Rebounded from its low
- ❑ Crude (Feb) has important resistance at Rs.2260. Support around 2030.
- ❑ NYMEX Crude has important resistance of \$38. Support in NYMEX Crude lies at \$32.

INTRADAY CALLS COVERED

Commodity	Reco	Reco. Price	Covering Price	Gain /loss	Lot size	Margin %	Margin Money	Per contract	ROI (%)	Target Achieved
Crude oil	Long	2147	2174	27	100	14.5	31132	2700	8.67	Achieved
Crude oil	Long	2210	2185	-25	100	14.5	32045	-2500	-7.80	SL Trgd
Copper	Long	161.8	160	-1.8	1000	14	22652	-1800	-7.95	SL Trgd
Zinc	Short	60.3	61.8	-1.5	5000	8.5	25628	-7500	-29.27	SL Trgd
Gold	Short	12790	12830	-40	100	5	63950	-4000	-6.25	SL Trgd

ECONOMIC DATA

Date	Country	Event	Time	Consensus	Previous	Actual
15/01/09	EUROPE	Euro-Zone CPI (YoY) (DEC)	15:30	1.60%	2.10%	1.60%
	USA	ECB Announces Interest Rates (JAN 15)	18:15	2.00%	2.50%	2.00%
	USA	Producer Price Index (YoY) (DEC)	19:00	-1.20%	0.40%	-0.90%
	USA	PPI EX Food & Energy (YoY) (DEC)	19:00	4.20%	4.20%	4.30%
	USA	Initial Jobless Claims (JAN 4)	19:00	503K	467K	524K
	USA	Empire Manufacturing (JAN)	19:00	-25	-25.76	-22.20
	USA	Philadelphia Fed. (JAN)	20:30	-35	-32.9	-24.3
16/01/2009	EUROPE	Euro-Zone Trade Balance (NOV)	15:30	1.0B	0.9B	--
	USA	Consumer Price Index (YoY) (DEC)	19:00	-0.20%	1.10%	--
	USA	CPI Ex Food & Energy (YoY) (DEC)	19:00	1.80%	2.00%	--
	USA	Net Long term TIC Flows (NOV)	19:30	2.0B	1.5B	--
	USA	Total Net TIC Flows (NOV)	19:30	--	286.3B	--
	USA	Industrial Production (DEC)	19:45	-1.00%	-0.60%	-

LME WAREHOUSE STOCKS

Commodity	Stocks	+/- Change
Aluminium	2485275	6150
Copper	391525	4200
Lead	45800	-150
Nickel	78714	-54
Zinc	273800	3350

EXCHANGE MOVEMENT

MCX/NCDEX MOVEMENT

Commodity	Contract	Open	High	Low	Close	% Change In Price
Gold	Feb	12841	12925	12731	12787	-0.51
Silver	March	17593	17700	17392	17484	-0.63
Copper	Feb	162	164.9	157.3	160.2	-1.60
Nickel	Jan	524	531	512.6	523.7	-0.08
Lead	Jan	55.1	56.3	53.55	55.5	0.00
Zinc	Jan	61.05	62.2	60	60.6	-0.66
Steel	Jan	21610	22000	21610	21810	-0.82
Crude Oil	Feb	2148	2225	2032	2059	-3.87
Natural Gas	Jan	242	246.7	234	235.7	-4.46

TECHNICAL LEVELS

Commodity	Contract	S2	S1	Pivot	R1	R2
Gold	COMEX	810.3	822.1	801.5	807.3	-0.19
Silver	COMEX	10.53	10.675	10.32	10.44	-0.33
Copper	LME	3295	3345.25	3171	3280	-0.18
	COMEX	147.75	151.35	143.35	145.35	-2.29
Nickel	LME	10750	10851	10475	10695	-1.43
Lead	LME	1125	1155	1085.25	1154	2.03
Zinc	LME	1250	1289	1235	1262.5	-0.04
Crude Oil	NYMEX	37.34	37.99	33.2	35.4	-5.04
Natural Gas	NYMEX	4.925	5.03	4.742	4.843	-2.56

EXCHANGE MOVEMENT

INTERNATIONAL MOVEMENT

Commodity	Contract	Open	High	Low	Close	% Change In Price
Gold	Feb	12620	12704	12814	12898	13008
Silver	March	17217	17351	17525	17659	17833
Copper	Feb	153	156.7	160.8	164.3	168
Nickel	Jan	504	513.9	522.4	532.3	541
Lead	Jan	52	53.9	55.1	56.7	58
Zinc	Jan	59	59.7	60.9	61.9	63
Steel	Jan	21417	21613	21807	22003	22197
Crude Oil	Feb	1912	1986	2105	2179	2298
Natural Gas	Jan	226	230.9	238.8	243.6	252

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