

**PICK OF THE WEEK**
**Sell MCX Copper (Aug) on rallies around 312- 315 SL 320 Target 302**
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**THIS WEEK' RECOMMENDATION**

Commodity	Recommendation
Gold	Buy MCX Gold (Oct) above 11970 SL 11770 Target 12200.
	Sell MCX Gold (Oct) if prices closes below 11800 Target 11500
Silver	Buy MCX Silver (Sep) above 22000 SL 21600 Target 22550.
	Sell MCX Silver (Sep) below 21600 SL 22000 Target 21000
Copper	Sell MCX Copper (Aug) on rallies around 312- 315 SL 320 Target 302
Lead	Sell MCX Lead (Aug) below 83 SL 85.8 Tgt 79
Zinc	Sell MCX Zinc (Aug) below 71 SL 73 Tgt 68
Crude Oil	Buy MCX Crude Oil (Aug) above 5020 SL 4950 TGTs 5090 and 5130
	Sell MCX Crude Oil (Aug) below 4810 SL 4960 TGT 4650
Nat Gas	Buy MCX Nat Gas (Aug) above 360 SL 352.50 TGTs 368 and 371
	Sell MCX Nat.Gas (Aug) below 342 SL 353.80 TGT 322

**REVIEW OF LAST WEEK' RECOMMENDATION**

Commodity	Outcome
Gold	Partly Successful
Silver	Successful
Copper	Successful
Nickel	Successful
Zinc	Price levels did not materialize
Lead	Price levels did not materialize
Crude Oil	Successful
Natural Gas	Successful

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## WILL DOLLAR CONTINUE ITS CURRENT TRAJECTORY – A MILLION DOLLAR QUESTION ??

August 8th, 2008 will be known for two events: the start of the 2008 Beijing Olympics and the massive, bullish breakout for the US dollar. The currency made its move across the board, taking out significant technical (and psychological) levels against most of its major counterparts and marking its biggest one-day advance on a trade-weighted basis in over five years.

Since last September sub prime meltdown, the Federal Reserve has cut the benchmark-lending rate by 325 basis points, the housing sector has entered a recession not seen since the Great Depression, and employment numbers have contracted for the longest period since 2005. With conditions like these, why would the greenback be on the verge of a major advance? The answer is simple. Because despite the United State's current predicament, the outlook for the world's largest economy is fundamentally better than that of its industrialized counterparts.

From a growth perspective, revisions to annualized GDP numbers show that the US contracted for the first time in six years through the final quarter of 2007. However, by the time this slowdown was confirmed, more timely data was already suggesting the worst has already passed with second quarter growth figures reporting 1.9 percent expansion.

The Euro-Zone GDP number due next week is expected to match its slowest annualized pace in four-and-a-half years as domestic spending falters and exports suffer from curtailed demand and unfavorable exchange rates. In the UK, the local housing recession is already the worst in recent history and it looks to worsen with time. Add to that, inflation that has stifled business activity and consumer spending; and projections for growth are low. Finally, there is Japan. The Asian giant has struggled since the late 90s financial crisis, and recently consumer spending and a housing slump has slipped into critical levels. To top it off, for the first time since 2001, the Japanese government's assessment of domestic growth was downgraded to 'weakening' – what many consider an admission that the economy has already entered a recession.



For the dollar to maintain its current trajectory and confirm a major trend change, the currency and economy will need to answer these issues. Regardless of the technical breaks in the majors, the dollar will need to break resistance in the trade-weighted index. For the long term, the fundamentals will need to back the dollar fully. Growth factors will grow increasingly important – specifically consumer spending and sentiment, business activity, trade and the housing market will need to show genuine evidence of a bottom. Ultimately, though, the true determinate will be interest rate expectations. Three quarter point hikes are scheduled for the coming 12 months, but such a major exchange rate event will need confirmation of just such a monetary policy change early in the forecast period. What's more, a Fed hike would need to outpace any hawkish ambitions from other central banks.



**MULTI COMMODITY EXCHANGE (MCX)**

Commodity	Contract	Open	High	Low	Close	Change In Price	% Change in Price
<b>Gold</b>	Oct	12635	12678	11773	11850	-763.00	-6.05
<b>Silver</b>	Sep	24550	24633	21585	21650	-2829.00	-11.56

**COMEX \$**

Commodity	Contract	Open	High	Low	Close	Change In Price	% Change in price
<b>Gold</b>	Oct	919	924.1	857.5	864.8	-52.70	-5.74
<b>Silver</b>	Sep	17.54	17.65	15.24	15.33	-2.19	-12.50

**TECHNICAL LEVELS**

Commodity	Contract	S3	S2	S1	Pivot	R1	R2	R3
<b>MCX Gold</b>	Oct	10618	11195	11523	12100	12428	13005	13333
<b>MCX Silver</b>	Sep	17564	19575	20612	22623	23660	25671	26708
<b>COMEX Gold</b>	Oct	773.57	815.53	840.17	882.13	906.77	948.73	973.37
<b>COMEX Silver</b>	Sep	12.09	13.66	14.50	16.07	16.91	18.48	19.32

**ETF HOLDINGS (GOLD & SILVER)**

ETF Holdings	02/08/08	09/08/08	+/-tonne during last week
<b>Street Tracks Gold</b>	673.4	659.31	-14.09
<b>Gold Bullion Securities (LSE)</b>	119.71	119.39	-0.32
<b>Gold Bullion Securities (ASX)</b>	10.87	10.87	0
<b>New Gold Debentures (JSE)</b>	30.16	30.16	0
<b>COMEX Gold Trust (IAU)</b>	61.21	61.19	-0.02
<b>Total Gold Holdings</b>	<b>895.35</b>	<b>880.92</b>	<b>-14.43</b>
<b>I-shares Silver Trust</b>	6276.86	6197.33	-79.53



## FUNDAMENTAL COMMENTS

The euro dropped 3.65% during the week and 2% yesterday below \$1.50 for the first time since February after ECB President Jean-Claude Trichet yesterday said economic growth will be "particularly weak" through the third quarter. Dollar index that tracks the dollar against the currencies of six U.S. trading partners touched the highest since February. This led all commodities to plunge throughout this week and yesterday.

Last week was pretty bad for bullion, capped by a horrendous session on Friday. Bullion prices, which are closing related with currency and energy movements also nose dived by more than 10% like Newton's proverbial apple.

In the week ending 25<sup>th</sup> July 2008, the decrease of €578 million in gold and gold receivables reflected the sale by two Eurosystem central banks which roughly equates to the sale of just over 30.0 tonnes of gold. In the week ending the 1<sup>st</sup> of August, there was a decrease of €26 million in gold and gold receivables reflecting the sale by one Eurosystem central bank and the purchase of gold coins by another Eurosystem central bank, which roughly equates to the sale of around 1.40 tonnes of gold. In this 4<sup>th</sup> year of CBGA, 275 tonnes of Gold is sold in consistent with the Central Bank Gold Agreement that came into effect on 27<sup>th</sup> September 2004.

The Euro-Zone GDP number due next week is expected to match its slowest annualized pace in four-and-a-half years as domestic spending falters and exports suffer from curtailed demand and unfavorable exchange rates. In the UK, the local housing recession is already the worst in recent history and it looks to worsen with time. This is the beginning of a new chapter for the dollar as Trichet and other central banks are paying more attention to the downside risk to growth.

## TECHNICAL VIEW

Gold has very important support at \$860, prices could bounce from these levels and if price closes below this level, it would drag the prices to \$820.

**Buy MCX Gold (Oct) above 11970 SL 11770 Target 12200.**

**Sell MCX Gold (Oct) if prices closes below 11800 Target 11500.**

**Buy MCX Silver (Sep) above 22000 SL 21600 Target 22550.**

**Sell MCX Silver (Sep) below 21600 SL 22000 Target 21000**



**WEEKLY MOVEMENT**

Exchange	Contract	Open	High	Low	Close	Closing Change	%Closing Change
MCX (Rs/Kg)	Aug-08	336	336.3	307.9	310.05	-25.05	-7.48
LME (\$/Tonnes) 3-month		7893	7924	7350	7400	-500.00	-6.33
COMEX (\$/ Lb)	Aug-08	357.75	358.7	329.2	333.3	-24.55	-6.86

**WEEKLY CHANGE IN WAREHOUSE STOCKS**

Change In LME Stocks (In Tonnes)	Change In COMEX Stocks (In Tonnes)	Change In Shanghai Stocks (In Tonnes)
150875 (+6225)	5689(-634)	31509 (-5330)

**MARKET COMMENTS AND NEWS**

Copper fell 7% capping the biggest weekly drop since May 2007, on heightened concern that slumping economies worldwide will erode demand for industrial commodities. The dollar's biggest one-day gain in more than eight years against the euro also curbed the appeal of metals as an alternative investment to the U.S. currency.

Exchange stocks overall continue to pickup. LME warehouse stocks rose most this week by 4% or 6225 tons, while SHFE stocks declined went down by 5330 tons. Including those monitored by Shanghai and New York exchanges, inventories are around 3.6 days of global consumption.

Hedge-fund managers and other large speculators increased their net-short position in New York copper futures in the week ended Aug 5. Speculative short positions, or bets prices will fall, outnumbered long positions by 4319 contracts. Net short positions increased by 2077 contracts or 93% from the previous week according to the CFTC data.

**VIEW**

Copper open interest has risen 3.8 percent from July as prices slumped, signaling increasing short positions, which can either be bets on further price declines or producers hedging against weaker prices. The prices these days are being dampened by general worries prevailing about the economy's condition and its impact on demand for metals. The prices are also getting hurt by summers season's usually slow demand and hosting of Olympics by China.

**Sell MCX Copper (Aug) on rallies around 312- 315 SL 320 Target 302**

**MULTI COMMODITY EXCHANGE (MCX)**

Commodity	Contract	Open	High	Low	Close	Change In Price	%Change in price
<b>Lead (Rs/Kg)</b>	Aug	91.75	91.95	83.35	83.7	-7.95	-8.67
<b>Zinc (Rs/Kg)</b>	Aug	79.3	79.6	71.2	71.5	-7.80	-9.84

**LONDON METAL EXCHANGE (LME)**

Commodity	Contract	Open	High	Low	Close	change	%change	LME stocks (in tonnes)
<b>Lead (\$/ton)</b>	3 Month	2145	2145	1960.5	1974	-152.00	-7.15	91650(-600)
<b>Zinc (\$/ton)</b>	3 Month	1845	1855	1663	1685	-155.00	-8.42	162625(+4250)

**FUNDAMENTAL COMMENTS**

Metals have inverse correlation with Inventories. Rising inventories of Lead at LME warehouses suggests sluggish demand for the battery metal at this stage. LME warehouse stocks of lead have almost doubled and Zinc inventories have risen 83% this year, so Zinc and Lead prices are continuously under pressure. The market expects inventories may continue to build in the absence of bleak demand as production comes in line from new capacity

Few days back there were news that 10% of Chinese Zinc and Lead mines and Smelters will shut down their operations because they are able to break even of production. But now it is speculated that it might be difficult for mines to shut down, even if they don't break-even, due to fixed cost associated with it.

Some smelters are even booting their capacities, Zhuzhou Smelter Group Co., China's largest zinc producer, said it will gradually boost smelting capacity by 25 percent after completing an upgrade of plants in November to improve efficiency and reduce emissions.

Above all stated points is dragging the prices downwards. But if we see rebound in inventories situation, prices will also bounce back.

**TECHNICAL VIEW**
**Lead:**

Sell MCX Lead (Aug) below 83 SL 85.8 Tgt 79

**Zinc:**

Sell MCX Zinc (Aug) below 71 SL 73 Tgt 68

**WEEKLY MOVEMENT - MCX & NYMEX**

Commodity	Contract	Open	High	Low	Close	Change In Price	%Change in price
<b>MCX Crude</b>	Sept	5350	5360	4830	4839	-470.00	-8.85
<b>MCX Natural Gas</b>	Aug	399.9	404.2	346.4	348.9	-49.00	-12.31
<b>NYMEX Crude</b>	20-Aug	125.98	126.35	114.62	115.2	-9.90	-7.91
<b>NYMEX Natural Gas</b>	27-Aug	9.451	9.6	8.19	8.248	-1.14	-12.15

**FUNDAMENTAL COMMENTS**

Crude oil and Natural gas, along with precious metals, fell as The EUR/USD broke the 1.54 support yesterday after the European Central Bank acknowledged risks to European economic growth. If the support of 1.49 EUR/USD is broken, the USD rally will continue, the next major support is at 1.45.

Dollar also gained as Japan's Economy Watchers index fell to 29.3, indicating sentiment among Japanese merchants in July dropped to the lowest level since October 2001, from 29.5 in June.

Russian Prime Minister Vladimir Putin said war has started over the breakaway region of South Ossetia in Georgia as Georgian President Mikheil Saakashvili accused its neighbor of a well-planned invasion. The Russian ruble dropped the most against the dollar in 8 1/2 years on concern the conflict will worsen.

Though there are many factors suggesting strength in dollar and hence fall in oil prices, one factor which can support the oil price to rise is oil supply concerns. Georgia, which has access to the Black Sea and is roughly the size of South Carolina, is strategically located between Asia and Europe. It shares borders with Armenia, Azerbaijan, Russia and Turkey. Key oil and gas routes go through Georgia. The Baku-Tbilisi-Ceyhan oil pipeline runs from Azerbaijan through Georgia and Turkey to Ceyhan on the Turkish Mediterranean coast. Any disruption resulting into supply concerns can pull the oil prices upwards.

**TECHNICAL VIEW**
**Crude Oil**

Buy MCX Crude Oil (aug) above 5020 SL 4950 TGTs 5090 and 5130

Sell MCX Crude Oil (aug) below 4810 SL 4960 TGT 4650

**Natural Gas**

Buy MCX Nat Gas (aug) above 360 SL 352.50 TGTs 368 and 371

Sell MCX Nat. Gas (aug) below 342 SL 353.80 TGT 322

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**WEEKLY MOVEMENT**

Commodity	Contract	Open	High	Low	Close	Change In Price	%Change in price
<b>Chilli</b>	Aug	5322	5335	5060	5190	-162	-3.03
<b>Guarseed</b>	Sept	1868	1868	1727	1750	-121	-6.47
<b>Jeera</b>	Sept	12800	13099	12221	12195	-756	-5.84
<b>Maize</b>	Aug	1031	1048	977	995	-41.5	-4.00
<b>Pepper</b>	Aug	14230	14274	13805	13910	-273	-1.92
<b>Mustardseed</b>	Sept	607	615	568	582	-27.4	-4.50
<b>Sugar</b>	Aug	1615	1660	1615	1756	101	6.10
<b>Soybean</b>	Aug	2570	2630	2482	2571	-16	-0.62
<b>Castorseed</b>	Aug	647	651	620	628	-24	-3.68
<b>Turmeric</b>	Aug	4462	4473	3870	3909	-556	-12.45
<b>Cocudcaki</b>	Sept	533	533	504	513	-22.8	-4.26

**SUPPORT – RESISTANCE LEVELS**

Commodity	Contract	S1	S2	S3	R1	R2	R3
<b>Chilli</b>	Aug	5055	4920	4780	5,195	5330	5470
<b>Guarseed</b>	Sept	1695	1641	1554	1,782	1836	1923
<b>Jeera</b>	Sept	11911	11627	11033	12,505	12789	13383
<b>Maize</b>	Aug	965	936	894	1,007	1036	1078
<b>Pepper</b>	Aug	13719	13527	13250	13,996	14188	14465
<b>Mustardseed</b>	Sept	562	542	516	588	608	635
<b>Sugar</b>	Aug	1694	1632	1649	1,677	1739	1722
<b>Soybean</b>	Aug	2492	2413	2344	2,561	2640	2709
<b>Castorseed</b>	Aug	615	602	584	633	646	664
<b>Turmeric</b>	Aug	3695	3481	3092	4,084	4298	4687
<b>Cocudcaki</b>	Sept	500	487	470	516	529	546

MCX launched futures for Coriander spice on 28th July. Near month future opened at price of Rs.9495/kg market with aggregate volume of 20.59 crores on first trading day. Prices have rise n by 16% in six trading sessions with marked aggregate volume of 111 crores.

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Date	Time	Country	Event	Period	Consensus	Previous
8/12/2008	14:00	EUROPE	CPI (YoY)	JUL	4.20%	3.80%
	18:00	USA	Trade Balance	JUN	-\$62.0B	-\$59.8B
8/13/2008	2:30	USA	ABC Consumer Confidence	11-Aug	-	-49
	14:30	EURO	Industrial Production YoY	JUN	0.20%	-0.60%
	18:00	USA	Advance Retail Sales	JUL	-0.10%	0.10%
	19:30	USA	Business Inventories	JUN	0.50%	0.30%
8/14/2008	14:30	EURO	GDP (YoY)	2Q	1.50%	2.10%
	18:00	USA	Consumer Price Index (YoY)	JUL	5.10%	5.00%
	18:00	USA	CPI Ex Food & Energy (YoY)	JUL	2.40%	2.40%
	18:00	USA	Initial Jobless Claims	10-Aug	435K	455K
	18:00	USA	Continuing Claims	3-Aug	3300K	3311K
8/15/2008	18:00	USA	Empire Manufacturing	AUG	-4.4	-4.9
	18:30	USA	Net Long-term TIC Flows	JUN	\$52.5B	\$67.0B
	18:30	USA	Total Net TIC Flows	JUN	-	-\$2.5B
	18:45	USA	Industrial Production	JUL	0.00%	0.50%
	18:45	USA	Capacity Utilization	JUL	79.80%	79.90%
	19:30	USA	U. of Michigan Confidence	AUG	62	61.2

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