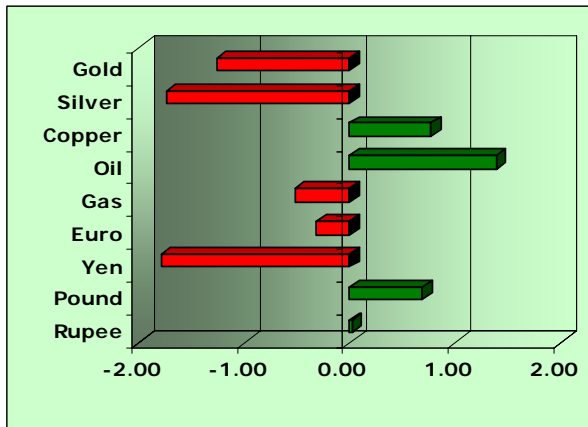


Fundamental Update

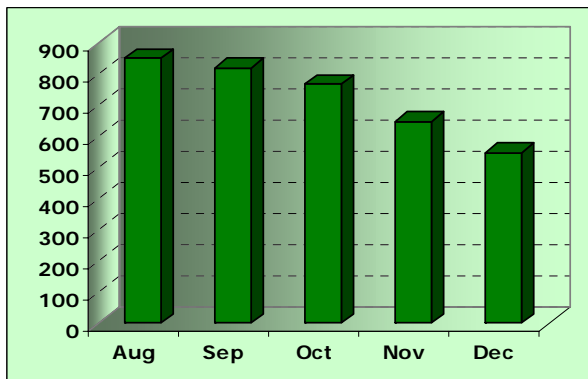
International market review



LME Warehouse stocks as on 29th Jan'09

	+/-	Closing stock
Copper	+22750	477675
Zinc	+925	321500
Nickel	+954	83718
Lead	+350	52525
Tin	+150	9200
Aluminium	+59750	2791600

U.S. Housing starts (In Thousands)



Market Highlights

- Fed says prepared to buy debt to aid economy
- Crude dips below \$42, after rise on stock data
- IMF sees world economy at near standstill in 2009

Economy

The Federal Reserve on Wednesday inched closer to buying U.S. government bonds in a new front in its fight against the credit crisis and signaled unease over the risk of deflation with the economy weakening. The U.S. central bank, battling the worst recession since World War Two, held its main interest rate in a range from zero to 0.25 percent. With no room to cut short-term rates, the Fed said it stood ready to buy long-term government debt if it felt it would help ease credit more broadly.

U.S. crude futures edged down on Thursday, after gaining the previous day when U.S. government data showed draws in distillate and gasoline inventories and OPEC vowed to fully implement steep supply cuts by the end of the month. U.S. crude oil inventories jumped last week, rising for the fifth week in a row, amid lower demand from domestic refiners curbing operations for first-quarter maintenance programs or for economic reasons, government data on Wednesday showed. The weekly data from the Energy Information Administration showed a surprise drawdown in gasoline inventories and a slightly larger-than-forecast decline in distillates, mostly due to a big drop in heating oil supplies amid cold weather in the Northeast.

The global economy is slowing to a virtual standstill and it is critical that policy-makers cleanse the banking system of toxic assets to help restore growth, the IMF said on Wednesday. In a grim assessment of the world economy, the IMF slashed its 2009 forecast to a slight 0.5 percent, the weakest year since World War Two, from a November estimate of 2.2 percent.

Economic Calendar

	US Economic Data	Month	Actual	Survey	Prior
27nd Jan'09					
7.00pm	Consumer Confidence	Jan	37.7	39	38
28th Jan'09					
9.00pm	EIA Inventory (Million Barrel)	w/e			
	Crude oil		6.2	--	---
	Gasoline		1.0	--	---
	Distillate		0.1	--	---
29th Jan'09					
1.45am	FOMC rate decision	Jan		--	0-0.25
7.00pm	New housing starts	Dec		0.4	0.407
7.00pm	Initial jobless claims (000s)	w/e		580	589
7.00pm	EIA Natural gas storage change	w/e		--	--

Precious Metals



- Gold prices are continuing down trend for the third consecutive session. Prices can fall for \$866.8/Troy ounce level in the spot market and MCX-February futures may target Rs.13639/10gr target level. Gold prices can trade below \$892.0/Troy ounce (Rs.13992) levels today. U.S. housing starts and jobless claims are suggesting short covering in the evening session.
- Prices can test resistance around \$887.2/Troy ounce i.e. Rs.13926/10gr level. If price falls below \$882.4 (Rs.13857) then selling is likely to emerge for initial target \$876.3 (Rs.13773) level. Further prices can fall for our revised target level \$866.8 i.e. Rs.13639-13606/10gr levels. As per Elliott wave count in the spot-hourly chart. Prices are likely to show sharp recovery with bargain hunt to take short term uptrend from \$866.8/Troy ounce level.
- Silver prices held below \$12.27/Troy ounce level yesterday. Prices can show down trend on breaching below \$11.82 i.e. Rs. 19060/kg level. Prices can target \$11.54 i.e. Rs. 18610/kg level. Prices may trade below \$12.09 i.e. Rs.19470/kg levels. Prices can recover from \$11.54 in the spot market today.

Base Metals



Copper-MCX-February



Zinc-LME-Select



Nickel-LME-Select



Lead-LME-Select

- Copper prices fell as expected yesterday and opened sharply lower. Today Copper prices have resistance at \$3330/ton i.e. Rs.164.10/kg in MCX and selling will emerge there. While on lower side, copper prices can crash below \$3238/ton i.e. Rs.158.5/kg in MCX and prices can target \$3120/ton i.e. Rs.154.8/kg in MCX and short covering is expected there.
- Zinc prices also faced resistance at Rs.56.5/kg in MCX January contract yesterday and selling emerged there. Today Zinc prices are expected to remain range bound again until prices breakdown below Rs.53.00/kg in MCX. Below Rs.53.00/kg in, Zinc prices can target Rs.49.40/kg in MCX.
- Nickel prices rose yesterday sharply but now prices has to cut \$12100/ton i.e. Rs.586/kg in MCX January contract to turn bullish. Nickel prices can give breakout above Rs.586.0/kg in MCX and prices can target Rs.636.0/kg in MCX. On lower side nickel prices can fall below Rs.557.0/kg to Rs.539.0/kg in MCX.
- Lead Prices are expected to remain sideways. Lead prices can turn bullish only on breach of Rs.57.50/kg in MCX January contract and prices can target Rs.60.50/kg. While on lower side lead prices can see further down ward move below Rs.54.60/kg and prices can target Rs.52.40/kg.

Energy



- Crude oil prices are still not finding proper direction. Uncertain price moves can be observed. Prices have taken reversal with short covering at \$40.6 i.e. Rs.2005/Barrel yesterday. Prices can show gains only on breaking above \$42.45 i.e. Rs.2085/Barrel level today.
- Prices can trade with upside bias to take target at \$43.6 i.e. Rs.2140 and \$45.45 i.e. Rs.2230/barrel level on upside move above \$42.45/Barrel level. Higher oil inventories by U.S. Energy Information Administration were pressurized oil prices yesterday.
- Natural gas prices are still under positive outlook because there were lower price spikes observed at \$4.35/mmBtu support level yesterday. Prices can target \$4.74 i.e. Rs. 233.5/mmBtu level in the short term. In MCX-February contract Rs.214-212/mmBtu level is well bargained support levels to buy for above mentioned target level. Prices can find resistance around \$4.47-\$4.54 i.e. Rs.220-222.6/mmBtu level.

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