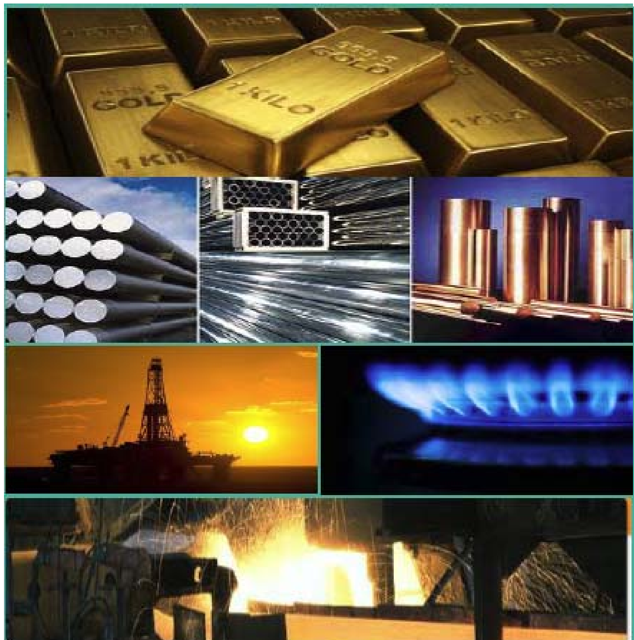
Weekly Market Update

Monday, July 01, 2013



Commodity	Closed	% Change	View
Gold	25669	-5.00	Bullion surged on Friday on end-of-quarter short-covering, but bullion still posted its largest quarterly loss in at least 45 years due to selling amid fears the US Federal Reserve may wind down its stimulus programme. Gold has taken a beating - losing as much as 15 percent or about $200 an ounce - since the beginning of last week. Investors, not individuals, are likely to hold the key for prices in the second half.
Silver	40208	-3.31	
Crude	5763	2.67	Crude oil futures dropped below $97 a barrel on Friday, hurt by a firmer dollar, but were on track to gain for the week. For the week, the contract is still up around +2.67 percent, its third gain in four weeks. It is nearly flat for the quarter. While Natural gas tumbled by -5.46 to settled at 214.80 to the lowest price in 16 weeks after US stockpiles increased more than forecast.
Natural Gas	214.8	-5.46	
Copper	406.60	-0.29	Base metals traded with a mixed tone were copper and nickel settled lower as the Fed announced it was keeping interest rates unchanged and would scale back its debt purchasing at the end of this year, while ignoring the fundamentals zinc and lead rallied nearly 1%, especially lead rallied as are expected to outpace most other metals in the second half due to strong seasonal demand.
Zinc	109.7	1.11	
Nickel	823.9	-1.52	
Aluminium	105.05	0.14	
Lead	122.25	0.99	

Weekly Market Level for Bullion, Basemetal & Energy

COMMODITIES	GOLD	SILVER	CRUDE	NAT.GAS	COPPER	ZINC	NICKEL	ALUMINUM	LEAD
CLOSE	25669	40208	5763	214.8	406.60	109.70	823.90	105.05	122.25
	29006	44314	6193	242.1	430.5	115.0	869.0	108.9	132.0
RESISTANCE	28003	42824	6030	235.3	420.4	112.6	852.0	107.3	128.0
	26836	41516	5896	225.1	413.5	111.2	838.1	106.2	126.0
P. POINT	25833	40026	5733	218.3	403.4	108.8	821.6	104.5	122.0
	24666	38718	5599	208.1	396.5	107.3	807.4	103.4	120.0
SUPPORT	23663	37228	5436	201.3	386.4	104.9	790.9	101.8	116.0
	22496	35920	5302	191.1	379.5	103.5	776.7	100.7	114.0
Trend	WEAK	POSITIVE	POSITIVE	WEAK	POSITIVE	POSITIVE	POSITIVE	POSITIVE	POSITIVE

Bullion

Gold continued its historic descent this week with prices plummeting through support at 24830 before settling around 25669 at the close of trade while Silver dropped nearly -3.30% to settled at 40208. This week's 5.40% decline in Gold$ pushes the quarterly losses to 31%, the largest quarterly decline seen in over 93 years. Despite the depth and swiftness of the decline, we will maintain a neutral bias on gold as we head into the close of the week, month and quarter with price action early next week likely to offer further conviction as to the next move in bullion prices. As heightening turmoil in China and the lack of positive developments out of the EU summit drags on broader market sentiment, gold has remained at the mercy of the bears with prices breaking below key support earlier in the week. In light of the shift in the Fed's policy outlook, the precious metal has continued to trade alongside broader commodities with risk-off flows offering no relief for the yellow metal. With that said, a renewed flight to safety may limit the topside in gold prices over the near-term with key event risk next week likely to offer clarity on a directional bias as we head into the second half of the year. Also open interest of Comex gold rose 1% to around 400,000 lots, suggesting more participants added bearish positions. After a spectacular surge in physical demand after a $200 two-day dive in April, dealers and jewellers said consumers across the world are reluctant to buy even after the latest price decline. With one day left in the month, sales of the US Mint's American eagle gold coins in June stand at only 47,000 ounces, a fifth of what was sold in all April, when sales hit a 3-1/2 year high. Silver Eagles sales are down 20%. Investors, not individuals, are likely to hold the key for prices in the second half. The world's eighth largest gold ETFs lost 530 tonnes of gold in the first half of 2013, equivalent to about 10% of annual gold production. Looking ahead to next week the June non-farm payrolls report highlights the most significant event risk for gold. Indeed the US economy is expected to add another 165K jobs with the unemployment expected to narrow to an annualized 7.5% from 7.6% the previous month. We also will be closely watching the participation rate with larger fluctuations in the US civilian labor force having attributed to the volatility in the headline unemployment rate. On the back of last week's FOMC policy meeting where Chairman Ben Bernanke reiterated that monetary policy remained 'data dependent' a strong NFP print may further fuel the argument to tapper asset purchases which would undoubtedly add to the downside pressure on the beaten commodity. From a technical standpoint, gold tagged critical near-tem support at $1180, a break below $1180 targets a support range between $1128, while Silver look to hold support at $18.20, a break below same can test $17.40 level.

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Energy

Crude oil futures dropped below $97 a barrel on Friday, hurt by a firmer dollar, but were on track to gain for the week. For the week, the contract is still up around +2.67 percent, its third gain in four weeks. It is nearly flat for the quarter. While Natural gas futures tumbled by -5.46 to settled at 214.80 to the lowest price in 16 weeks after US stockpiles increased more than forecast. Crude prices rose buoyed by rising consumer sentiment numbers in the US, which reflected an improving economy that will demand more fuels and energy going forward. Comments from a Federal Reserve governor suggesting an end to monetary stimulus programs starting in September quieted trading as investors digested the news. The upbeat numbers came in wake of a report that revealed that the Chicago PMI fell to 51.6 this month from 58.7 in May, exceeding expectations for a decline to 56.0. Elsewhere in the US, Federal Reserve Governor suggested earlier Friday that asset purchases may begin to taper in September provided the economy improves which boosted the dollar and swayed a few investors away from oil. The best approach is for the Committee to be clear that in making a decision in, say, September, it will give primary weight to the large stock of news that has accumulated since the inception of the program and will not be unduly influenced by whatever data releases arrive in the few weeks before the meeting — as salient as these releases may appear to be to market participants. Stimulus tools such as a monthly USD85 billion bond-buying program tend to push oil up as a side effect by weakening the greenback, which makes the commodity attractive in dollar-denominated exchanges. The commodities rout in June and the past quarter had been largely fueled by worries over US stimulus being scaled back and slower Chinese growth. If concerns over tight liquidity in China lingers, selling pressure may be intact in July. China's central bank is squeezing funds out of the money market, forcing banks to borrow money at historic interest rate levels, but the manoeuvre appears to have been calculated to have limited impact on the real economy. While Natural gas prices extended heavy losses after official US inventory data revealed the country's stockpiles shot up way more than expected last week. The US EIA said in its weekly report on Thursday that natural gas storage in the US in the week ended June 21 rose by 95bcf, above expectations for an increase of 88 billion. The data sent prices tumbling by more than 4% after release. Inventories rose by 58bcf in the same week a year earlier, while the five-year average change for the week is a rise of 79bcf. Further depressing prices were weather reports calling for below-normal temperatures in pockets of the eastern US in the coming days. Mild summer temperatures cut into the need for gas-fired electricity to cool homes and dampen demand for natural gas. Looking ahead to next week the June non-farm payrolls report highlights the most significant event risk for energy.

Base Metal

Last week, base metals traded with a mixed tone were copper and nickel settled lower as the US Federal Reserve announced it was keeping interest rates unchanged and would scale back its debt purchasing at the end of this year, while ignoring the fundamentals zinc and lead rallied nearly 1%, especially lead rallied as are expected to outpace most other metals in the second half due to strong seasonal demand for car batteries and tepid supply growth, but a wild card is hidden inventories used for financing deals. While Zinc rallied as China Customs reported that China imported 160,300 mt of zinc concentrate in April, up 116% MoM, and up 29.5% YoY. YTD imports through April were 580,000 mt, down 11.35% YoY. Zinc imports soared to a high in April due mainly to steady demand and import profits. Although zinc prices remained weak at the end of Q1, a survey shows the average operating rate at domestic smelters remained high at 73%, with only a small number of enterprises cutting or suspending production. Copper traded in the range last week mostly recovered from the lows on hopes the Federal Reserve will maintain its bond purchases for longer and after data showed that profit growth at Chinese industrial companies accelerated in May. The Commerce Department said Wednesday that U.S. gross domestic product expanded at an annual rate of 1.8% in the three months to March, below an earlier estimate of 2.4% growth. Economists had expected the rate of growth to remain unchanged at 2.4%. The disappointing data eased fears the Fed will begin to taper its bond purchase program in the coming months. The Fed's stimulus program is viewed by many investors as a key driver in boosting the price of commodities as it tends to depress the value of the dollar. The U.S. was to release the weekly government report on initial jobless claims and a report on pending home sales later Thursday. Meanwhile, copper prices drew further support after official data showed that profits at China's industrial companies jumped 15.5% in May from a year earlier, higher than April's 9.3% gain. Market sentiment received a further boost amid improvement in China's strained money markets. Copper concluded its steepest quarterly drop in two years, also depressed by concerns over slower growth in top consumer China. Now traders now looked ahead to Friday's highly-anticipated U.S. nonfarm payrolls data for indications of how the recovery in the U.S. labor market is progressing. Any improvement in the U.S. economy could scale back expectations for further easing, putting upward pressure on U.S. yields and boosting the dollar.

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Commodity	View for the week
Gold	SELL GOLD AUG ON JUMP @ 26000 SL 26480 TGT 25450-24900.MCX
Silver	SELL SILVER SEPT @ 41500 SL 42600 TGT 40400-39200.MCX
Crude oil	SELL CRUDE OIL JULY @ 5800 SL 5880 TGT 5720-5640.MCX
Natural Gas	SELL NAT.GAS JULY @ 219 SL 226 TGT 208-201.MCX
Copper	SELL COPPER AUG @ 412 SL 420 TGT 402-394.MCX
Zinc	ZINC A BOUNCE WILL 112 CAN BE SEEN, WILL WAIT FOR ENTRY.
Nickel	SELL NICKEL JULY @ 835 SL 845 TGT 810.MCX
Aluminium	SELL ALUMINIUM JULY @ 106.50 SL 109.50 TGT 103.50-101.MCX
Lead	SELL LEAD JULY @ 125 SL 128.00 TGT 121.20-118.MCX

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