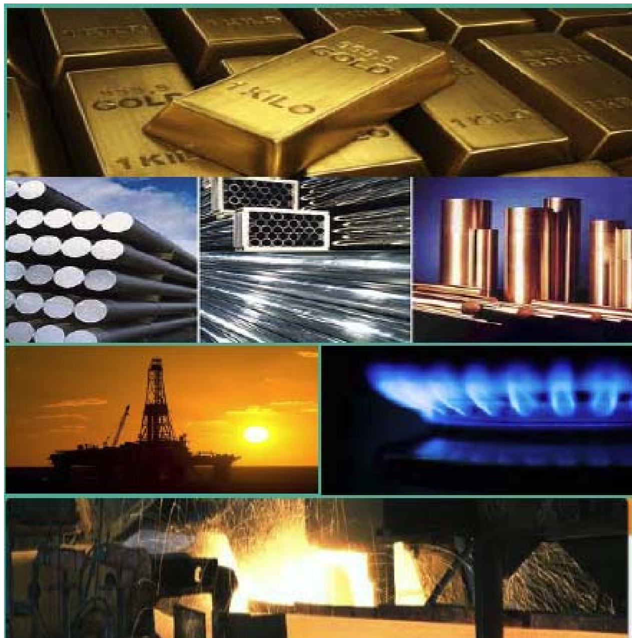
Weekly Market Update

Monday, June 17, 2013



Commodity	Closed	% Change	View
Gold	27879	1.08	Bullion settled up last week as support seen after official data showed that PPI in the US rose more-than-expected last month, boosting the precious metal's appeal as a hedge against inflation. The Labor Department said Friday that producer prices rose by a seasonally adjusted 0.5% in May, above expectations for a 0.1% increase. Core produces prices rose at an annualized rate of 1.7% in May, in line with expectations and unchanged from the preceding month.
Silver	43834	1.96	
Crude	5663	2.72	Crude settled up amid mounting concerns over a disruption to supplies from the Middle East. While Natural Gas settled dropped after investors locked in gains from Thursday's rally and sold the commodity for profits. Natural Gas was under pressure after the US Energy Information Administration said in its weekly report y that natural gas storage in the US rose by 95bcf, below market expectations for an increase of 96 billion.
Natural Gas	216.5	-1.64	
Copper	407.95	-1.28	Base metals mostly dropped in the last week trading with Nickel dropped nearly by -4.23% followed by Aluminium by -3.52% while others settled down by nearly -1.50% after the International Monetary Fund lowered its forecast for US economic growth in 2014 and urged the US Fed to end monetary stimulus in a cautious way.
Zinc	106	-1.58	
Nickel	827.2	-4.23	
Aluminium	105.60	-3.52	
Lead	121.90	-1.46	

Weekly Market Level for Bullion, Basemetal & Energy

COMMODITIES	GOLD	SILVER	CRUDE	NAT.GAS	COPPER	ZINC	NICKEL	ALUMINUM	LEAD
CLOSE	27879	43834	5663	216.5	407.95	106.00	827.20	105.60	121.90
	28980	46479	5956	233.7	434.0	114.4	930.0	117.1	133.0
RESISTANCE	28634	45489	5829	229.7	427.7	112.3	904.0	114.5	130.0
	28257	44662	5746	223.1	417.9	109.2	865.5	110.1	126.0
P. POINT	27911	43672	5619	219.1	411.6	107.1	839.7	107.5	123.0
	27534	42845	5536	212.5	401.8	104.0	801.5	103.1	119.0
SUPPORT	27188	41855	5409	208.5	395.5	101.9	775.7	100.5	116.0
	26811	41028	5326	201.9	385.7	98.8	737.5	96.1	112.0
Trend	WEAK	POSITIVE	POSITIVE	WEAK	WEAK	WEAK	WEAK	WEAK	WEAK

Bullion

Bullion settled up last week with Gold gained nearly +1.08% to settled at 27879 while Silver rallied by +1.96% at 43834 as support seen after official data showed that PPI in the US rose more-than-expected last month, boosting the precious metal's appeal as a hedge against inflation. Gold is considered a hedge against inflation risk, as prices tend to keep in step with consumer price increases. The Labor Department said Friday that producer prices rose by a seasonally adjusted 0.5% in May, above expectations for a 0.1% increase. Core produces prices rose at an annualized rate of 1.7% in May, in line with expectations and unchanged from the preceding month. Core prices are viewed by the Fed as a better gauge of longer-term inflationary pressure because they exclude the volatile food and energy categories. Separate reports showed that US industrial production was flat in May, while the capacity utilization rate fell unexpectedly last month. Also Friday, Data showed that the University of Michigan consumer sentiment index fell unexpectedly in the current month after rising to the highest level in almost six years in May. Now investors eyed next week's US Federal Reserve policy meeting for more clarity on whether the central bank would dial back its massive stimulus. The Fed's bond buying is tantamount to printing money and a pull back in the scheme would hurt gold's appeal as a hedge against inflation. Bullion, down 17 percent for the year, has already been hit by outflows from gold ETF and signs of softening demand in key buyers India and China. But in a recent indication of resilience, data showed US retail sales rose more than expected in May and first-time applications for unemployment benefits fell last week, which could prompt the Fed to start winding down its stimulus. Meanwhile Physical demand in India and China, the world's top two bullion buyers, is slowing from peak levels seen after the April sell-off in the precious metal. Net gold imports into India fell from an average of $135 million in the first half of May to $36 million in the second half, the finance minister said. The government has raised the import duty on gold and curbed gold financing in an effort to cut its current account deficit. China saw some demand during the long holiday earlier this week but not enough to support gold prices, dealers in Hong Kong said. Holdings in SPDR Gold Trust, the world's largest gold-backed ETF, fell 0.63 percent to 1,003.53 tonnes on Thursday their lowest since February 2009. In the coming week, markets will be focusing on Wednesday's Federal Reserve policy meeting, as investors look to Bernanke for any indication on when the US central bank may start to unwind its easing policies. Moves in the bullion price this year have largely tracked shifting expectations as to whether the Fed would end its bond-buying program sooner-than-expected.

Energy

In Energy complex Crude settled up by +2.72% at 5663 level as at a nine-month high, amid mounting concerns over a disruption to supplies from the Middle East. While Natural Gas settled at 216.50 down by -1.64% after investors locked in gains from Thursday's rally and sold the commodity for profits. Reports that the US will arm Syrian rebels in wake of allegations that Bashar al-Assad's government forces have used chemical weapons during the internal conflict sent oil prices sharply higher on Friday. While Syria is not a major oil producer, investors fear that the two-year-old civil war could spill over to affect oil supplies in nearby countries. Market players are also concerned about the involvement of Iran, OPEC's sixth-biggest oil producer. Oil traders shrugged off a series of weaker-than-expected US economic data releases on Friday. Data showed that the University of Michigan consumer sentiment index fell unexpectedly in the current month after rising to the highest level in almost six years in May. Separate reports showed that US industrial production was flat in May, while the capacity utilization rate fell unexpectedly last month. The US is the world's biggest oil consuming country, responsible for almost 22% of global oil demand. In the coming week, markets will be focusing on Wednesday's Federal Reserve policy meeting, as investors look to Fed Chairman Ben Bernanke for any indication on when the US central bank may start to unwind its easing policies. While Natural Gas was under pressure after the US Energy Information Administration said in its weekly report on Thursday that natural gas storage in the US in the week ended June 7 rose by 95bcf, below market expectations for an increase of 96 billion. Inventories rose by 66bcf in the same week a year earlier, while the five-year average change for the week is a rise of 84bcf. Total US natural gas storage stood at 2.347 trillion cubic feet as of last week. Stocks were 587bcf less than last year at this time and 58bcf below the five-year average of 2.405 trillion cubic feet for this time of year. The report showed that in the East Region, stocks were 102bcf below the five-year average, following net injections of 57bcf. Stocks in the Producing Region were 2bcf below the five-year average of 915bcf after a net injection of 25bcf. The data sent prices gaining to levels ripe for profit taking on Friday, as did forecasts for temperatures to rise to above-normal levels for late June.

Base Metal

Base metals mostly dropped in the last week trading with Nickel dropped nearly by -4.23% followed by Aluminium by -3.52% while others settled down by nearly -1.50% after the International Monetary Fund lowered its forecast for US economic growth in 2014 and urged the US Fed to end monetary stimulus in a cautious way. A report from the WSJ claimed that Bernanke might emphasize during the upcoming FOMC press conference that even if the Fed will scale back QE3, it will be done in a gradual way and that the Fed will probably fine-tune its easing monetary policy instead of end it abruptly. University of Michigan's initial June CCI for US fell to 82.7, but was still the second highest over the past eight months, and the figure in May was at the highest in nearly 6 years, but that does not mean consumers' sentiment turned pessimistic. Sub-item index is expected to rise to 76.7 in June, the highest since November 2012; US May manufacturing output rose by 0.1% after sliding for two consecutive months; US capacity utilization rate in May was 77.6%, lower than 77.8% in the previous month or 77.8% expected. US consumer outlook is positive, but the manufacturing is sluggish due to reasons other than consumer demand. US manufacturing will be weighed down further in 2H if consumer spending slows. The Fed will hold its monetary policy meeting during June 18-19, and will decide when to cut its USD 85 billion debt purchasing. US economic growth is relatively slow, and inflation rate is much lower than the 2% target set by the Fed. Besides, the IMF lowered its forecast for US economic growth in 2013 and 2014 on June 14, anticipating US economic growth will fall to 1.9% in 2013, and downgrading its expectations of US economic growth in 2014 by 0.3 percentage point to 2.7%. IMF anticipates inflation rate will remain mild next year, attacking the Fed's intention to quit QE3. The US dollar index maintained downward track during the week ending June 14, and failed to rebound after losing 82.40. That may be because large investors pushed down the US dollar index. Also according to the National Energy Administration, China's power consumption in the industry sector in May grew 4.67%, which is nearly 3 percentage points slower than the previous month. China's GDP growth in 2H will likely drop below 7%, and the likelihood is that the growth will slow to 7.4% in Q3, and fall further to 7.2% in Q4. China's economic growth is slowing, as financing costs rise, it will be difficult for local governments to maintain construction projects, and this will affect fixed assets investments in the following months. But since Chinese government will unlikely release large scale stimulus policies in the near term. Caution ahead of Fed policy meeting and concerns over demand in China caused by slowing growth in power consumption will keep prices in check.

Commodity	View for the week
Gold	SELL GOLD AUG @ 28100 SL 28400 TGT 27450.MCX
Silver	SELL SILVER JULY @ 44200 SL 44800 TGT 42800-42000.MCX
Crude oil	BUY CRUDEOIL JULY @ 5640 SL 5560 TGT 5800.MCX
Natural Gas	SELL NAT.GAS JUNE @ 222 SL 229 TGT 212-206.MCX
Copper	SELL COPPER JUNE @ 414 SL 426 TGT 406-400.MCX
Zinc	SELL ZINC JUNE @ 107.50 SL 109.50 TGT 105.50-103.50.MCX
Nickel	SELL NICKEL JUNE @ 840 SL 860 TGT 815-790.MCX
Aluminium	SELL ALUMINIUM JUNE @ 107 SL 109.50 TGT 102.50.MCX
Lead	SELL LEAD JUNE @ 123 SL 126 TGT 120-117.50.MCX

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