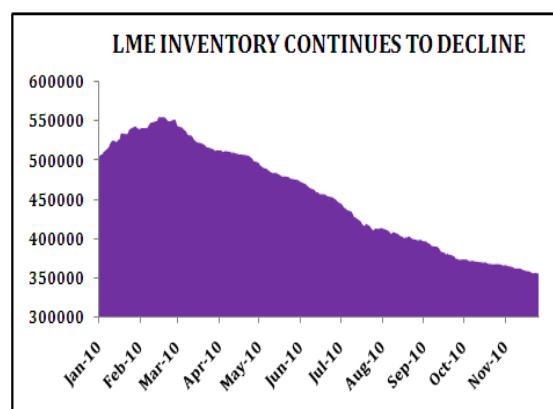
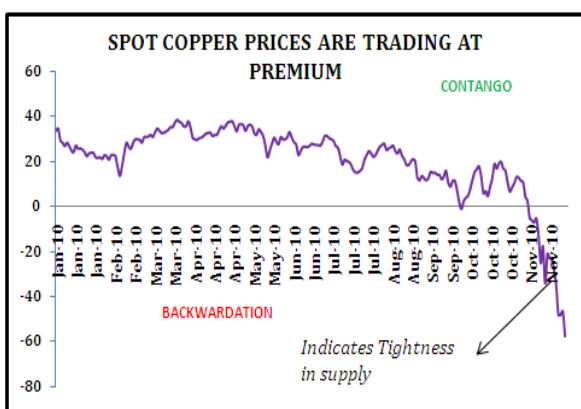


COPPER – HEADING FOR NEW HIGHS

LME: BUY AT \$8450-8500 TARGET: \$8960/9000 STOP LOSS BELOW \$7900
MCX (Feb): BUY 1st lot AT 390-392, 2nd lot at 380-382 TP 400 THEN 405 STOP LOSS 370

Copper was the top performer among the base metal pack in the month of November. On LME it ended higher by 2 percent at \$8360/tonne while on MCX it ended at ₹390/Kg, up by 5.7 percent. Weaker rupee supported prices in the Indian market.

SPOT TRADING AT PREMIUM: For the first time in 2010, copper market has moved into backwardation i.e., spot prices are trading at premium. The premium currently stands at \$58/tonne thereby indicating tight supply conditions in the near term. Workers at Collahuasi-Chile, one of the world's largest copper producers, continue to remain on strike for almost a month now. The company accounts roughly for 3 percent of world's copper production. The company has said that the production continues to remain normal. However if no wage deal is struck through than production might soon get disrupted.



STOCKS ON LME CONTINUE TO DECLINE: Copper is the only base metal that is witnessing consistent decline in inventories from London Metal Exchange. On a monthly basis, stocks are now declining for 11 consecutive months. The total stocks as on Nov 30 stands at 355,750, down by 28 percent from a year earlier.

Some of the report also indicated that the nearly 50-70 percent of the total copper stocks on LME are held by a single company. So any increase in demand might not translate into higher supply and thereby prices might move higher.

On LME copper price is nearly \$600/tonne away from its recent high of \$8,966/tonne, while in Indian markets the prices are away just ₹9 away from its recent high of ₹399. So the rupee depreciation has helped prices from not declining much. Overall, given the strong fundamentals, on both demand and supply side, we expect copper prices to touch to new highs soon and even if does not it might continue to outperform the other base metals.

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