KARVY COMTRADE LIMITED

Metals Weekly

A Weekly Report on Base Metals

PERFORMANCE SNAPSHOT

Exchange	Commodity	Open	High	Low	Close	Close % Change	Volume	Volume % Change	Open Interest	Open Interest % Change
LME 3-mth Forward (USD/tonne)	Copper	7540	7629.75	7356	7445	-1.33	138907	-43.49	1505	-51.01
	Zinc	2329	2425	2301	2335	-0.60	55381	-37.44	1261	-67.37
	Lead	2245	2333.75	2213	2265	1.57	24936	-8.27	796	-43.71
	Nickel	22450	22825	20990	21750	-2.88	25971	-28.23	601	-36.33
	Aluminium	2226	2275	2204	2260.5	1.37	89989	-45.24	2231	-63.20
MCX Futures (Rs./Kg)	Copper	345.3	347.3	335.4	340.25	-1.22	630798	2.35	23089	4.83
	Zinc	107.5	109.35	105	106.7	-0.61	8445	24.26	562	9.55
	Lead	103.25	106	101.7	103.55	0.93	6022	38.98	508	13.65
	Nickel	1030	1038	962	993.5	-3.06	24963	22.89	1623	13.97
	Aluminium	102.5	103.6	100.9	102.95	0.64	1017	59.65	235	56.67

MARKET RECAP

- ***In the previous week metals were mostly in a consolidation phase and ended the week on a mixed note as the global market factors traded inconsistent, leading to non-directional trades on the metals front. Among global factors, the Dollar index closed low by 0.74% while Euro up by 1.05% and Wall Street up by 0.55%***
- ***The fall in inventory levels at LME for most of the metals was negated by the fall in cancelled warrants ratio.*** Moreover the closure of LME-Shanghai arbitrage window hassled to lowers stockpiling at Shanghai Futures Exchange as compared to the prior weeks intakes
- ***Another round of earthquake news in Chile called for a heavy rally in the market*** however market recovered lately with profit booking to follow
- ***China's aluminium demand is likely to remain stable this year*** despite a tighter monetary policy and excessive aluminium stocks. The government still hopes to keep the real estate and automobile industries stable, but not to curb their development

ECONOMIC INDICATORS

- ***The Wholesale inventories*** in January 2010 decreased 0.2% to $382.2 billion from December 2009, and were 15.4% below their level of a year ago. Sales increased 1.3% to $346.7 billion, and are 10.5% higher than a year ago
- ***The U.S. international trade deficit*** in goods and services in January 2010 decreased 6.6% to $37.3 billion. Exports declined 0.3% to $142.7 billion, and imports decreased 1.7% to $180.0 billion
- ***Retail sales*** in February 2010 increased 0.3% from January, to $355.5 billion. This was up 3.9% from the February 2009 level. Excluding autos, retail sales rose 0.8% from the previous month and increased 4.2% from the prior year, to $297.7 billion
- ***Business inventories*** were mostly unchanged at $1,310.2 billion in January 2010 from the prior month, and were down 8.6% from January 2009
- ***Jobless claims*** remain high, pointing to continued fall in the payrolls. Initial jobless claims totaled 462,000 in the March 6 week. ***Continuing claims*** in the Feb. 27 week rose 37,000, marking the fifth increase out of the last eight weeks

INDUSTRIAL UPDATES

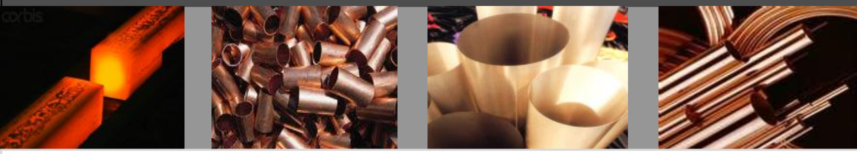
- ***As per the federal customs service, Russia exported*** 17,000 metric tonnes of nickel in January, a rise of 21.4% on the year. The nickel exported in January was worth $304.8 million, compared with $152 million a year ago
- ***The Chinese trade balance figures for February month came slightly better than the expectations*** at $7.61 billion while halved from the prior month of $14.17 billion. Moreover ***the exports*** increased tremendously to 45.7% against prior of 21.0% while ***imports*** fell to 44.7% compares to prior of 85.5%
- ***China's copper demand is expected to expand about 7% to about 6 million tonnes in 2010***, with growth significantly slower than last year. In terms of domestic consumption, this year demand is probably growing at a slower pace from last year. 2009 consumption grew nearly 17% from a year earlier to 5.6 million tonnes
- ***The restarts in mines and smelters in China*** is posing a threat to Nickel prices as surplus is bound to increase irrespective to steady recovery in demand from the stainless steel sector. China's nickel imports more than doubled last year to over 250,000 tonnes. In January, the imports remained up more than 100% Y/Y
- ***Belgium's Nyrstar, the world's biggest zinc producer***, aims to increase production in its mines to about 30% over the next year from 21%. It has also reached an agreement to buy zinc concentrate from Finnish group Talvivaara in a multi-year deal

OUTLOOK

- ***Rising Chinese inflation raised concerns that China*** may tighten its monetary policy anytime soon which may lead to reduced speculative inflows in the metals
- ***This week, we expect a host of data release from the US, per se net TIC flows, housing starts, building permits, industrial production, current account balance, and few others.*** As per the Bloomberg economist survey, apart from the new and existing jobless claims data, all others are posting a negative impact on economy and dollar. Fall in industrial production, capacity utilization and housing sector data weigh on demand outlook, which might pressurize metals for a downward correction
- ***Moreover the US is due to release the FOMC meet decision.*** Although the bank rate is expected to remain unchanged at historical lows of 0.25%, the outcomes of the discussions and outlook over economic recovery would be important to watch for
- ***This week, we expect base metals to trade sideways to lower. Data release brings in the bearish trend while some downward correction in dollar index might work to limit the losses. Easing out the Greece fiscal deficit concerns would pump in demand from the European nations***

Indices	Last Week	This Week	% Change
Dow Jones Ind. Avg.	10566.20	10624.69	0.55%
S&P 500 Index	1138.70	1149.99	0.99%
FTSE 100 Index	5599.76	5625.65	0.46%
Nikkie 225	10368.96	10751.26	3.69%
Shanghai Composite	3013.41	3013.41	0.00%
Sensex	16994.49	17166.62	1.01%

Currency	Last Week	This Week	% Change
Dollar Index	80.432	79.833	-0.74%
EUR/USD	1.3626	1.3769	1.05%
GBP/USD	1.5137	1.5204	0.44%
USD/INR	45.615	45.445	-0.37%



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TECHNICAL PREFACE

LME 3-Forward	S	**$20500**	R	**$22600**
MCX- Mar	S	955	R	1000

Nickel- March MCX: March-MCX: Sell around 988-985, targeting 965, stoploss above 1005

LME NICKEL

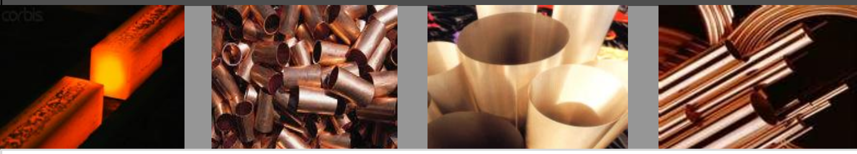
- 3 month Forward Nickel Prices traded lower and settled down at $21750 in the last week. Market was moving northwards past 3 weeks and made slight correction and closed below previous week indicating further decline. Coming week we are expecting Nickel prices to correct further and trade lower. Moreover, Bearish Piercing pattern suggesting the prices may took towards south. Nevertheless, weekly RSI fell from 0.068 to 0.064, confirming downward trend. However, the daily chart is seems to slightly bullish and can witness some upward movement before resuming its downtrend for next few days. The support can be seen at $21000 and then at 20500. Likewise, we can see Resistances at $ 22200 and then at $ 22600
- **Recommendation**: Sell in the range $21700-800 targeting $ 20700 stop loss above 22300

LME 3-Forward	S	**$7300**	R	**$7640**
MCX- Apr.	S	332	R	352

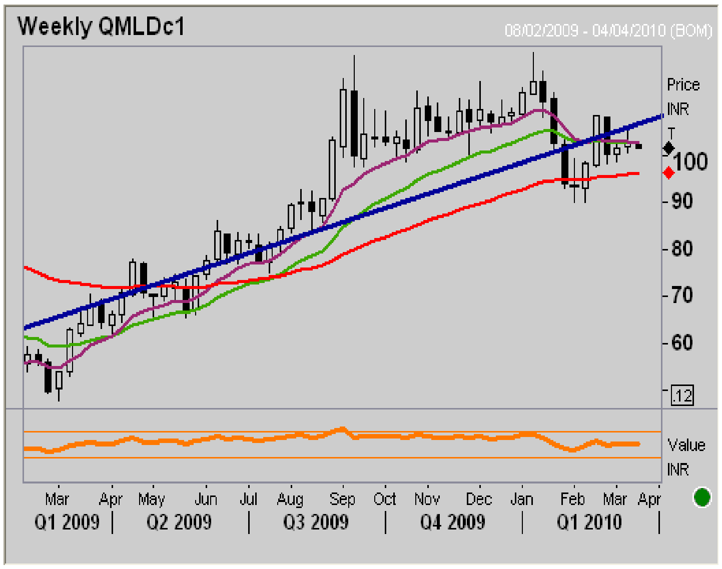
Copper- April MCX: Sell in the range of 342-343 targeting 335 then 332 with strict stop loss above 350

LME COPPER

- The 3-month forward copper prices were seen trading sideways to lower in the last week and settled at $7461 levels. Market has been consolidating for the past two weeks and this week's closing is lower from the previous week suggesting the price trend to remain lower in the short term. However, market does not render any clear trend. Nevertheless, current prices are trading below the rising trend channel which is giving a signal of selling. Moreover, weekly RSI-14 is treading around 0.60 and likely to decline in the short term. The supports can be seen at $7300 then $7250 levels. On breach of the same it may test $7200 levels. On the precautionary note, it is essential to note the crucial resistance levels. The resistances can be seen at $7640 levels. On break of the same it may test $7800 levels
- **Recommendation**: Sell below $7440 targeting $7300 then $7250 with stop loss above $7600



TECHNICAL PREFACE

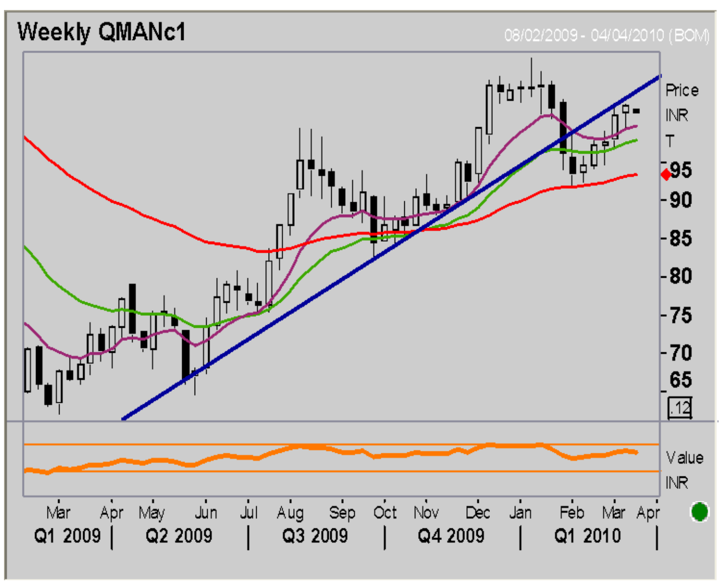


LME 3-Forward	S	**$2150**	R	**$2350**
MCX- Mar	S	98	R	104

LEAD

LME 3-Forward	S	**$2200**	R	**$2450**
MCX- Mar	S	101	R	107

ZINC

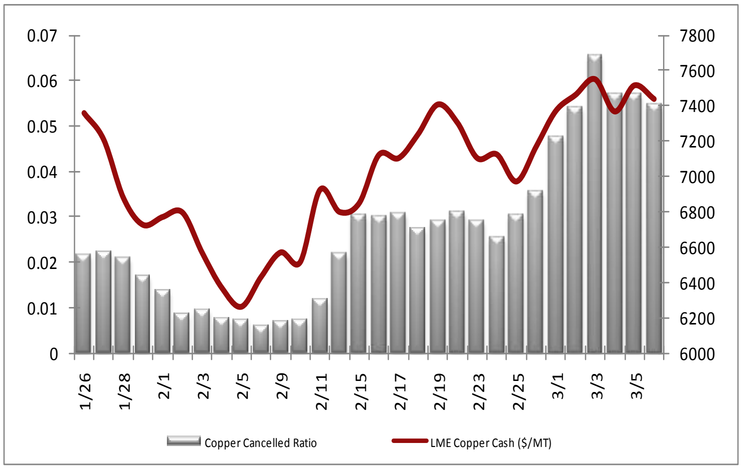


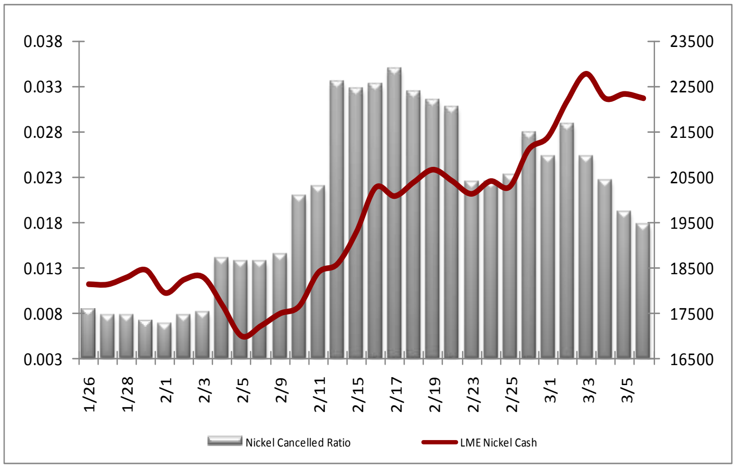
LME 3-Forward	S	**$2180**	R	**$2400**
MCX- Mar	S	100	R	105

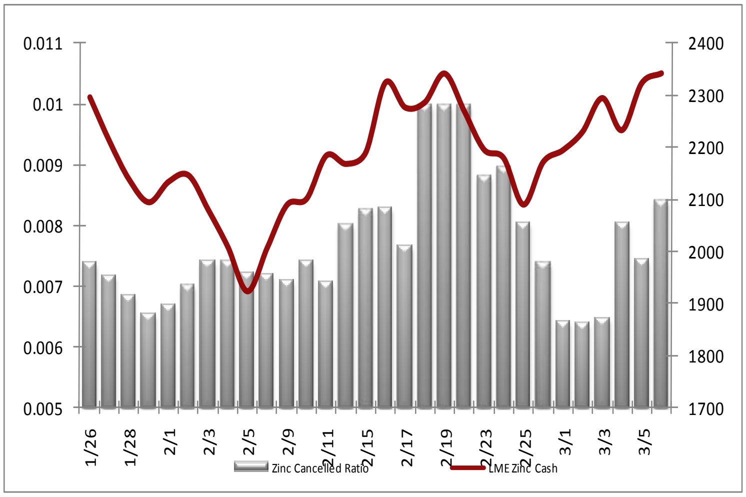
ALUMINIUM

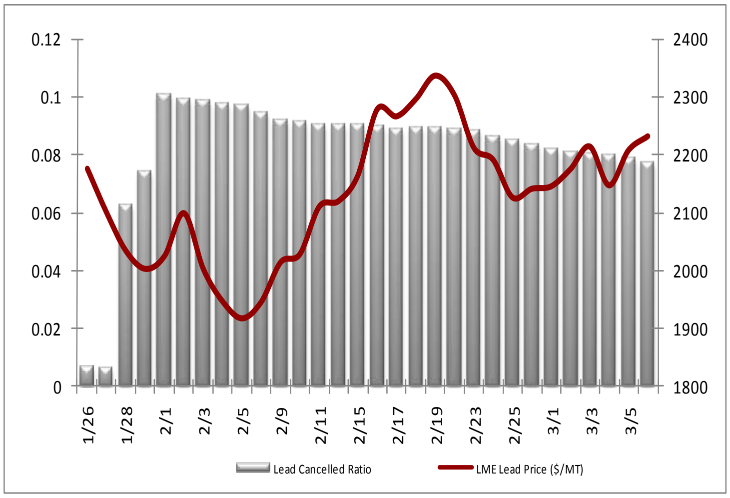
INVENTORY UPDATE

The reporting period, for a day's stock movement in and out of LME registered warehouses is from 16.30 of the previous day until 16.30 on the day to which the stock report refers. The stock report is then released for the market everyday at 9.00 of the following day. In India, we get the report at 14:30 IST. ***Cancelled tonnage*** represents tonnage waiting for the owner's instructions to the warehouse company for removal from the warehouse, or possibly re-issue of warrants. These warrants are no longer freely available for trading. ***Cancelled warrants ratio*** represents the percentage of cancelled tonnage from the total closing stock, suggesting the amount of inventory actually marked for delivery on daily basis.





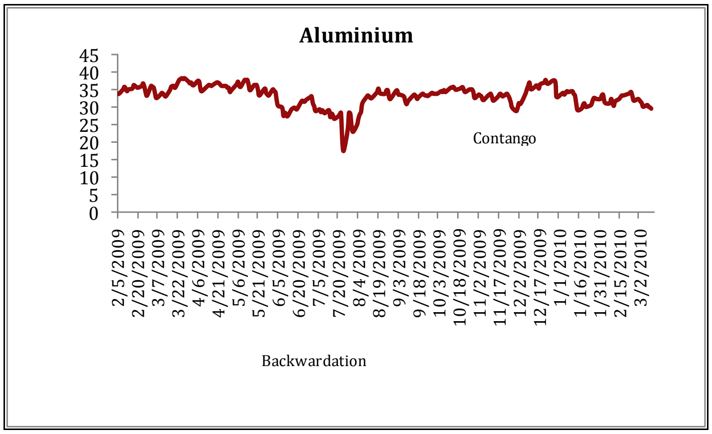


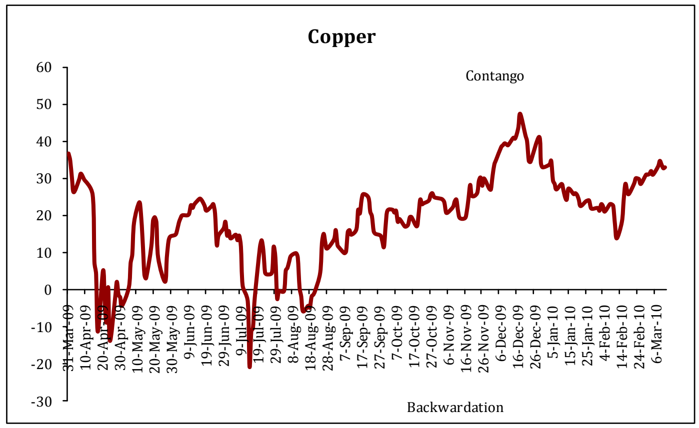


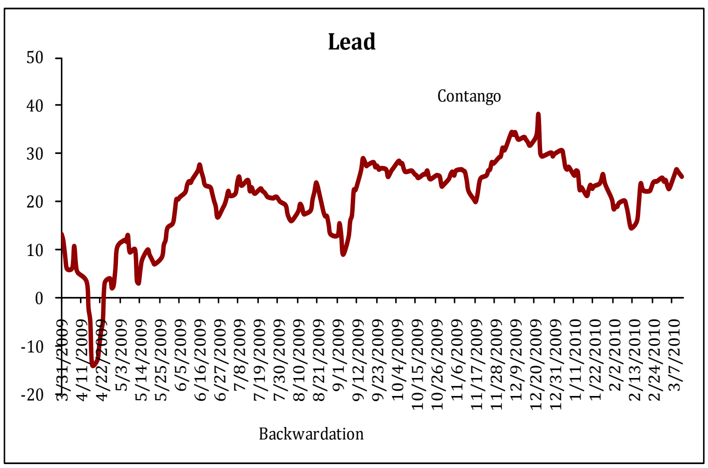
LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	543150	532575	-10575	-1.95%
Zinc	540700	538750	-1950	-0.36%
Aluminium	4545125	4518800	-26325	-0.58%
Lead	169975	170150	175	0.10%
Nickel	160884	158940	-1944	-1.21%

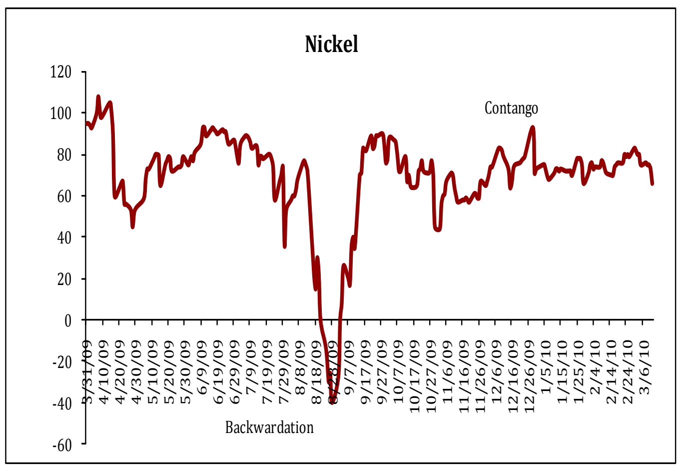
BASIS CHARTS

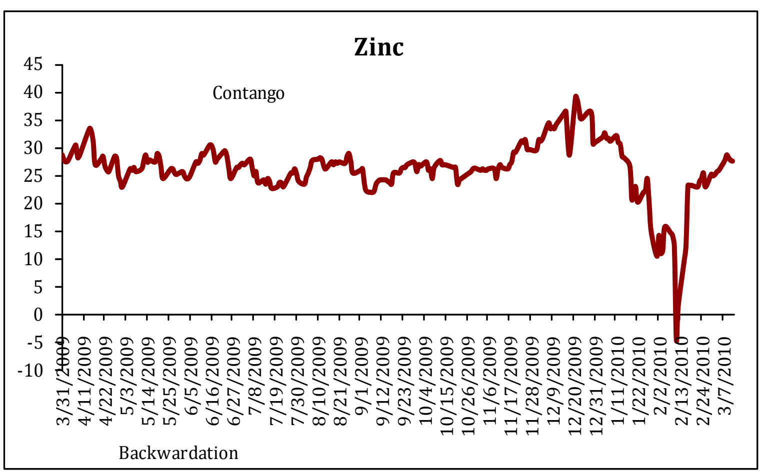
Backwardation is a market where spot prices exceed future prices while ***Contango*** is the opposite, where future prices exceed spot prices. We have, here, considered ***LME Cash prices*** and **LME 3-month forward** contract. Contango seems to be an obvious condition in the market as future prices tend to be higher because of cost-of-carry involved. The scale is: $/tonne.











COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	341	337.25	-3.75	-1.10%

WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	102192	102138	-54	-0.05%

Commodity Futures Trading Commission (CFTC) Report- Copper

According to the US Commodity Futures Trading Commission data, the market's movement was higher last week, while we saw a modest rise in the long and short positions in Non-commercials sector. The overall spread in non-commercial sector rose by 4.97% to 15,085 positions from the prior 14,371. However, in the commercial sector, long positions fell by 1.06% while short positions increased by 4.63%. Among the total group, the long positions rose by 2.73% while the short positions by 4.28%. The market is expecting more upside, suggested by the rise in long positions over short ones, inclining investor's interest towards rising prices in future.

CFTC Report - Copper (In contracts)				
Non-Commercial	3/2/2010	3/9/2010	Change	% Change
Long	38872	41913	3041	7.82%
Short	23005	23635	630	2.74%
Spreading	14371	15085	714	4.97%
Commercial				
Long	60663	60020	-643	-1.06%
Short	73576	76984	3408	4.63%
Total				
Long	113906	117018	3112	2.73%
Short	110952	115704	4752	4.28%

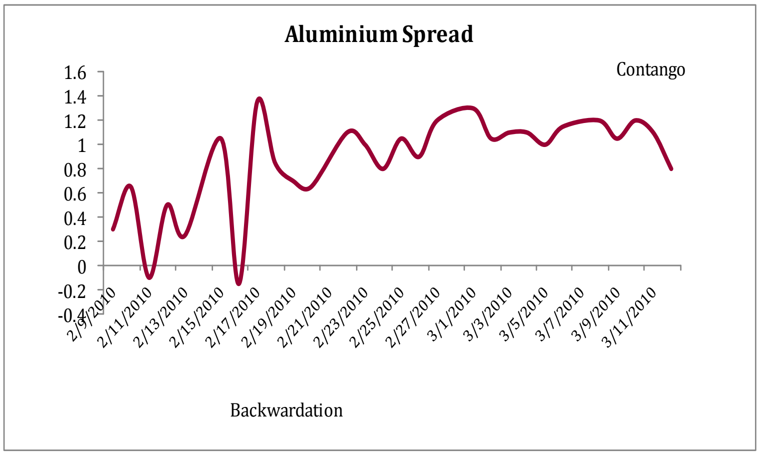
SHANGHAI MARKET PERFORMANCE

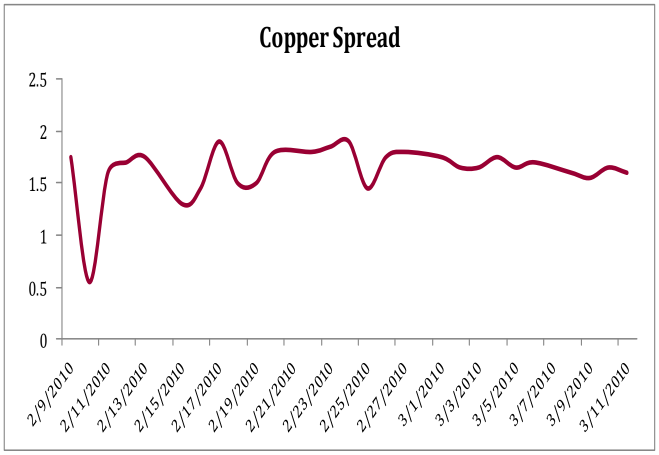
PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	59110	56210	-2900	-4.91%
Zinc	18580	17995	-585	-3.15%
Aluminum	16580	16515	-65	-0.39%

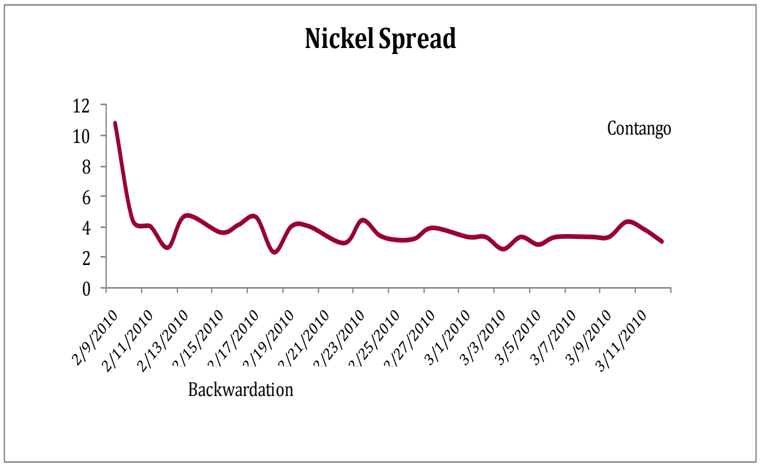
WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	148620	155469	6849	4.61%
Zinc	223400	223433	33	0.01%
Aluminium	376233	387549	11316	3.01%

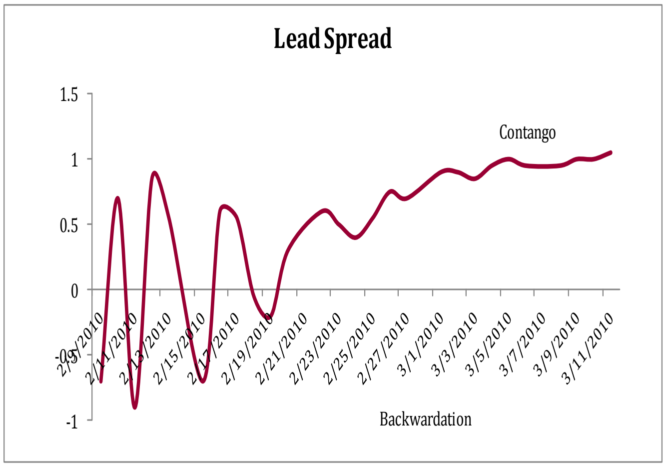
CALENDAR SPREAD

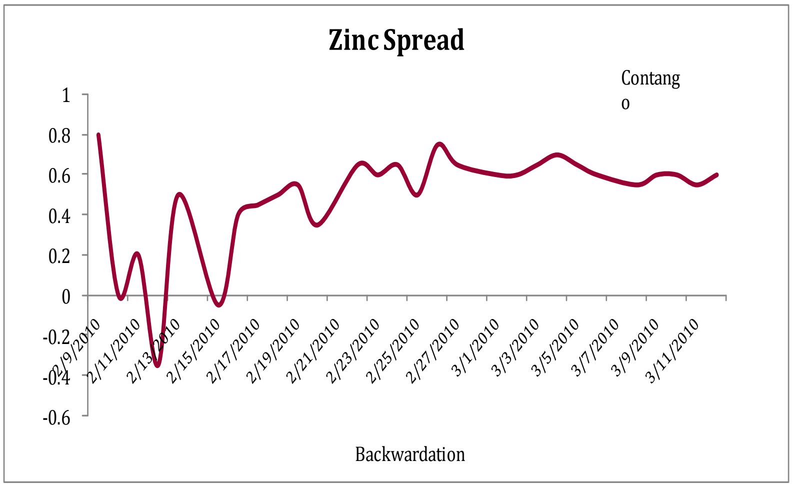
Calendar Spreads is the difference between the two futures contracts, far-month-contract and near-month-contract. For Copper, we have considered April '10 and June '10 at MCX while for other 3 metals, March '10 and April '10 contracts at MCX have been taken into account for calculating calendar spreads.











DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date Time	Region	Event	Period	Survey	Prior
03/15/2010 12:00	IN	Monthly Wholesale Prices YoY%	FEB	9.65%	8.56%
03/15/2010 15:30	EC	Eurozone Employment (QoQ)	4Q	- -	-0.50%
03/15/2010 18:00	US	Empire Manufacturing	MAR	22	24.91
03/15/2010 18:30	US	Net Long-term TIC Flows	JAN	$47.5B	$63.3B
03/15/2010 18:30	US	Total Net TIC Flows	JAN	- -	$60.9B
03/15/2010 18:45	US	Industrial Production	FEB	0.00%	0.90%
03/15/2010 18:45	US	Capacity Utilization	FEB	72.50%	72.60%
03/16/2010 15:30	EC	Euro-Zone CPI (MoM)	FEB	0.30%	-0.80%
03/16/2010 15:30	EC	ZEW Survey (Econ. Sentiment)	MAR	38.5	40.2
03/16/2010 18:00	US	Import Price Index (MoM)	FEB	-0.20%	1.40%
03/16/2010 18:00	US	Import Price Index (YoY)	FEB	11.30%	11.50%
03/16/2010 18:00	US	Housing Starts	FEB	570K	591K
03/16/2010 18:00	US	Housing Starts MOM%	FEB	-3.60%	2.80%
03/16/2010 18:00	US	Building Permits	FEB	601K	621K
03/16/2010 18:00	US	Building Permits MOM%	FEB	-3.40%	-4.90%
03/16/2010 23:45	US	FOMC Rate Decision	17-Mar	0.25%	0.25%
03/17/2010 02:30	US	ABC Consumer Confidence	15-Mar	- -	-49
03/17/2010 15:30	EC	Construction Output SA MoM	JAN	- -	0.50%
03/17/2010 18:00	US	Producer Price Index (MoM)	FEB	-0.20%	1.40%
03/18/2010 12:00	IN	Primary Articles WPI YoY	6-Mar	- -	15.08%
03/18/2010 12:00	IN	Fuel Power Light WPI YoY	6-Mar	- -	11.38%
03/18/2010 14:30	EC	ECB Euro-Zone Current Account SA	JAN	- -	1.9B
03/18/2010 14:30	EC	Euro-Zone Current Account nsa	JAN	- -	9.4B
03/18/2010 15:30	EC	Euro-Zone Trade Balance	JAN	-4.0B	4.4B
03/18/2010 18:00	US	Consumer Price Index (MoM)	FEB	0.10%	0.20%
03/18/2010 18:00	US	Initial Jobless Claims	14-Mar	455K	462K
03/18/2010 18:00	US	Current Account Balance	4Q	-$119.8B	-$108.0B
03/18/2010 18:00	US	Continuing Claims	7-Mar	4515K	4558K
03/18/2010 19:30	US	Philadelphia Fed.	MAR	18	17.6
03/18/2010 19:30	US	Leading Indicators	FEB	0.10%	0.30%

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