



Metals Weekly

A Weekly Report on Base Metals

PERFORMANCE SNAPSHOT

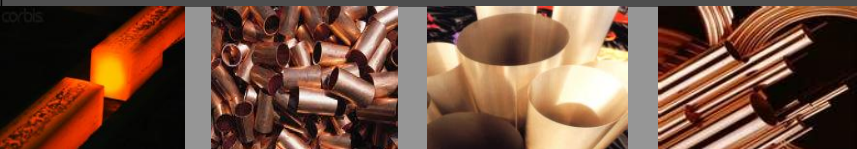
Exchange	Commodity	Open	High	Low	Close	Close % Change	Volume	Volume % Change	Open Interest	Open Interest % Change
LME 3-mth Forward (USD/tonne)	Copper	7749.75	7851	7610.25	7750	-0.13	156,999	10.34	2,645	0.76
	Zinc	2425.25	2484	2334	2405	-0.74	68,019	-5.29	2,450	30.32
	Lead	2240	2366.75	2185	2300	1.72	36,153	-1.47	1,282	16.76
	Nickel	26640	27590	25801	27050	1.29	36,190	10.79	605	-31.72
	Aluminium	2435.25	2435.25	2290	2334	-4.15	198,788	90.08	3,427	4.42
MCX Futures (Rs./Kg)	Copper	347.15	350.65	342.6	345.95	-0.69	52,086	64.36	6,583	53.81
	Zinc	106.2	109.1	104.05	106.85	-0.42	15,884	57.81	1,187	34.12
	Lead	100.25	105.15	98.5	102.45	1.39	18,825	141.32	1,513	52.21
	Nickel	1185.1	1226.4	1158.9	1195.9	0.82	67,366	54.76	6,093	18.40
	Aluminium	107.05	107.1	102.2	103.65	-3.81	5,164	228.71	808	70.82

MARKET RECAP

- **In the previous week metal prices tried to consolidate with mixed data releases and a lot of global news that kept the market on front foot. The escalating Greece debt crisis could threaten global recovery and could turn out to be a big blow for the financial markets**
- **In the G20 meet, Washington**, the EU raised estimates for Greece deficit and Moody's investors Service cut the nation's debt rating. **This meet also aimed at pressurizing China to revalue Yuan** stating it as an "avenue for advancing US interests on Chinese Currency"
- **The Chinese measure of curbing the property loans, to cool down its real estate prices** that shot up by 11.7% in March month also turned the market low, expecting less demand from the major consuming nation
- **A sharp jump in China's March refined copper imports** may have more to do with demand for financing than for the metal, adding that this could lead to strong imports for the rest of the first half. Lower availability of Yuan loans as China tightens monetary policy has boosted demand for foreign-currency loans in the form of letters of credit to importers
- **The U.S. Commerce Department raised concerns** over some Chinese aluminum products are getting unfair government subsidies and being sold at below- market rates in the U.S, and thus plans to investigate the same

ECONOMIC INDICATORS

- **The overall PPI** rebounded 0.7% after declining 0.6% in February. The boost in March was considerably above Bloomberg's expectation for a 0.4% increase
- **Initial jobless claims** came at 456,000 compares with 445,000 in the March 20 period. **Continuing claims for the April 10 week** fell 40,000 to 4.646 million with the four-week average down slightly to 4.644 million
- **The Existing home sales** rose 6.8% to an annual rate of 5.35 million with February revised slightly downward to 5.01 million
- **The Leading Indicators for the March month** beat the expectations of 1.00%, coming at 1.40% as compares to the prior of 0.10%
- **New orders for manufactured durable goods** in March 2010 decreased 1.3% from February, to \$176.7 billion. Excluding transportation, new orders increased 2.8% from the prior month, to \$136.5 billion
- **Sales of new single-family homes** were 411,000 in March 2010 (seasonally adjusted), 26.9% above the previous month, 23.8% above the level in March 2009



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INDUSTRIAL UPDATES

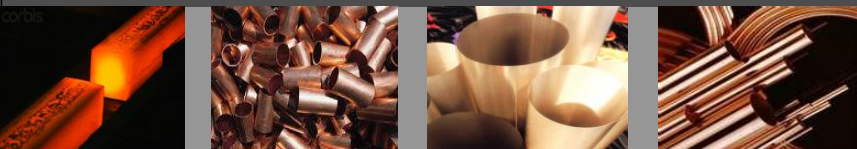
- **BHP Billiton reported lower quarterly production across metals**, with copper particularly hard hit. Copper output slumped 19% annually and 15% from the Q3-2009. At Escondido, BHP Billiton's 57.5% share of copper concentrate output rose 17% to 101,500 tonnes, though cathode production dropped 20% to 36,200 tonnes
- **Nickel may stay in surplus in 2010 as China's output climbs**. 2010 surplus may be 21,000 tonnes, compared with 37,000 tonnes in 2009. China's nickel output may rise to 313,000 tonnes this year from 278,000 tonnes, driven by a rebound in nickel pig iron production
- **The Chinese imports of refined copper** surged nearly 53%, as imported 337,125 tonnes of refined copper in March, up from February's 220,530 tonnes. The early arrivals of contracted shipments that benefitted from financing inflows from abroad caused a surge in imports
- As per the International Aluminium Institute, **Daily average primary aluminium output** rose to 66,000 tonnes in March from a revised 64,900 tonnes in February
- **The concentrator at BHP Billiton's Nickel West Leinster operation in Western Australia** resumed production after fatal accident on April 11, causing mine operation to go for a temporary halt. However, full production could be resumed only after a couple of weeks

OUTLOOK

- ➔ **China tries to control economic growth** by asking banks to conduct stress test for property loans and ensure risks attached to these lending are strictly controlled. This might dampen demand from the world's major consuming nation
- ➔ **With global lead demand yet to show signs of picking up to any great extent**, output rising and exchange inventories stubbornly high, prices for the battery material may move lower near term. The demand for replacement batteries is seasonally weakest and production is on the rise, keeping prices on correction
- **The data release from the US, include**, Consumer confidence, Personal consumption, GDP, Initial Jobless Claims, and Continuing Claims. As per the Bloomberg expectations, data suggest improvement from the prior levels and thus would help to boost metals. However, **the economy not being able to sustain the 5.60% growth of Q4-2009** in Q1-2010 (expected at 3.40%), could prove detrimental in later part of the week
- **Dollar index** is expected to nudge higher due to better-than-expected data releases and safe haven demand for dollar to subdue the appeal for currency denominated commodities
- **Next week, we expect base metals to follow the important data releases. The FOMC meet discussion would highlight the reasons for slowdown of growth in Q1-2010 along with measures to sustain economy in the near future. Dollar index hovering above 82 is a distress factor for metals to rise higher. We expect prices to gain in the initial part of week, while lately slower GDP growth might pare gains. Overall we expect metal prices to consolidate next week**

Indices	Last Week	This Week	% Change
Dow Jones Ind. Avg.	11018.66	11204.28	1.68%
S&P 500 Index	1192.13	1217.28	2.11%
FTSE 100 Index	5743.96	5723.65	-0.35%
Nikkie 225	11102.18	10914.46	-1.69%
Shanghai Composite	3130.30	3130.30	0.00%
Sensex	17591.18	17694.20	0.59%

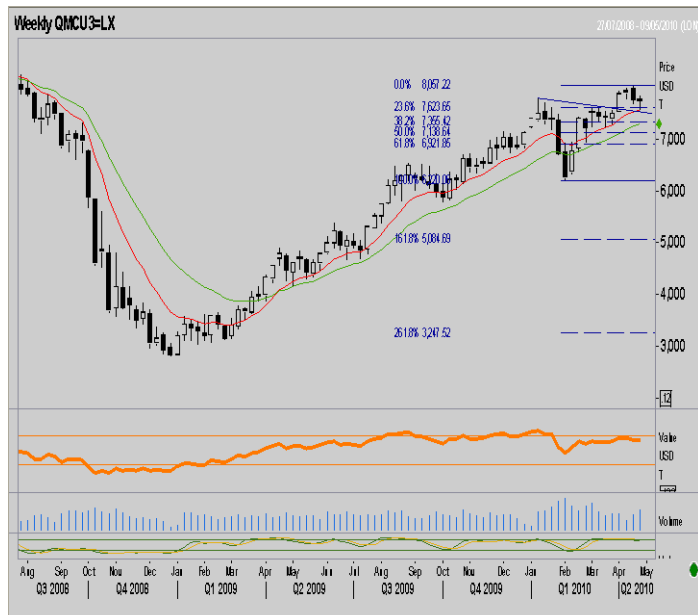
Currency	Last Week	This Week	% Change
Dollar Index	80.824	81.347	0.65%
EUR/USD	1.3503	1.3384	-0.88%
GBP/USD	1.5363	1.5377	0.09%
USD/INR	44.33	44.4363	0.24%



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TECHNICAL PREFACE



LME 3-Forward	S	\$7227	R	\$8051
MCX- Apr.	S	336	R	352



LME 3-Forward	S	\$2007	R	\$2515
MCX- Apr.	S	98	R	105

LME COPPER

- 3- Month Forward LME Copper prices traded sideways and settled at 7761. Prices are witnessing a crucial support at 7535 level sustain above which prices are likely to extend to 7861 then 7985. On weekly charts; prices are trading above 10 & 20 EMA (7579 & 7303) suggesting further upside movement in prices. The momentum indicator RSI (14) is trading at 0.61 signifying prices to move higher. As per Fibonacci principles, market is witnessing support at 7623 level which is 23.6% retracement of total move (6225-8043) sustain above the same is likely to continue bullish sentiment. On the whole above analysis implies that market is expected to trade sideways to higher above 7535

● Recommendation:

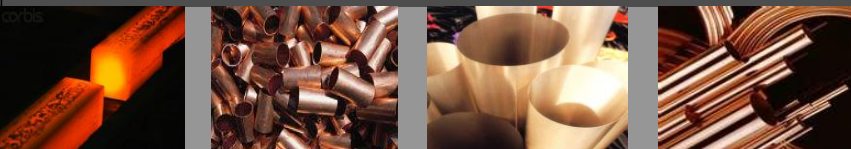
Copper 3 month LME- Buy above 7851 targeting 7998 then 8050 with stop loss below 7775.

Copper April MCX: Buy above 348.5 targeting 357 with stop loss below 342.5.

LME LEAD

- 3 month Forward LME Lead prices traded sideways to higher, gaining 2.35% from low \$2185 while finally settled at \$2308. On weekly chart market is moving in a sideways trend channel suggesting a significant upward movement can be witnessed if it breaks above \$2400 of upper trend line. Moreover, weekly chart shows prices are trading above 10 & 20 EMA (\$2247 & \$2231) suggesting further upside movement. The momentum indicator RSI (14) is trading at 0.54 implying potential for prices to trade higher in near term. Overall above analysis implies that market is expected to trade sideways to higher for coming trading sessions

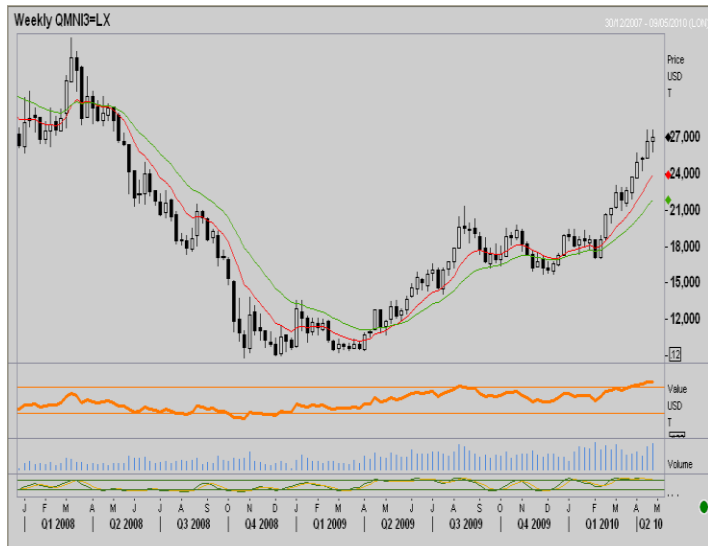
● Recommendation: Sideways



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TECHNICAL PREFACE



LME 3-Forward	S	\$25690	R	\$27590
MCX- Apr.	S	1155	R	1225



LME 3-Forward	S	\$2315	R	\$2560
MCX- Apr.	S	103	R	109

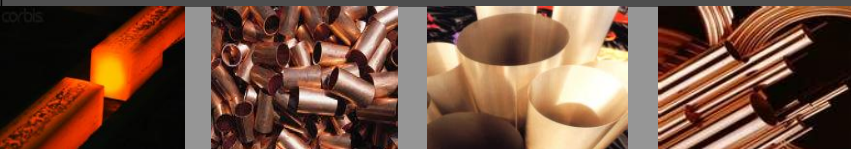
NICKEL



LME 3-Forward	S	\$2290	R	\$2435
MCX- Apr.	S	101	R	105.5

ZINC

ALUMINIUM

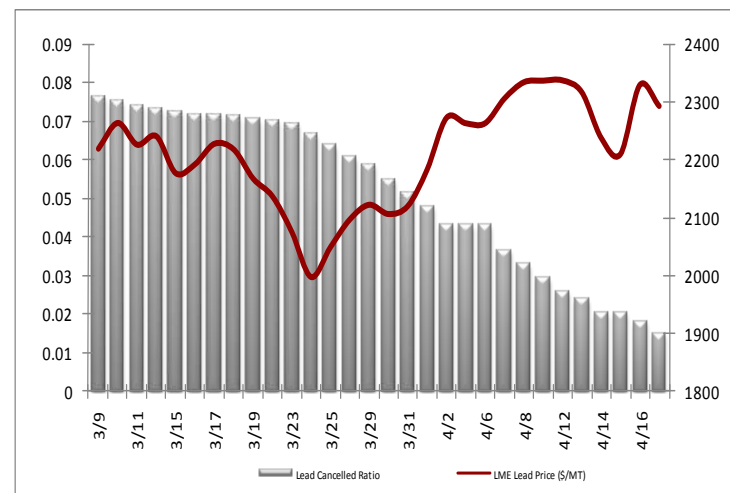
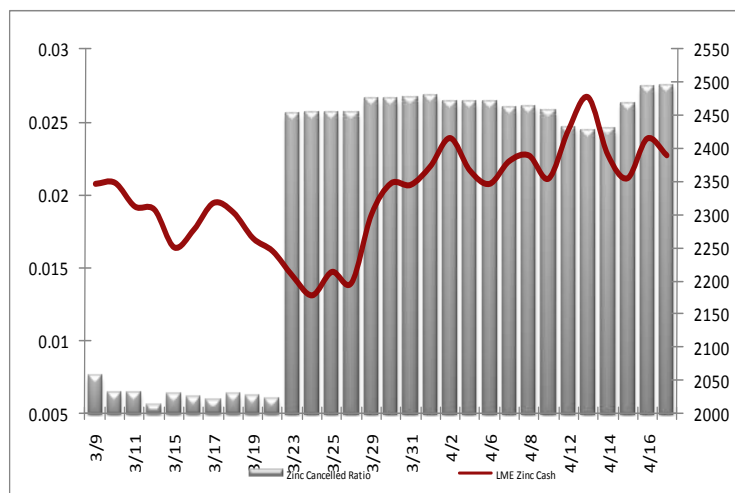
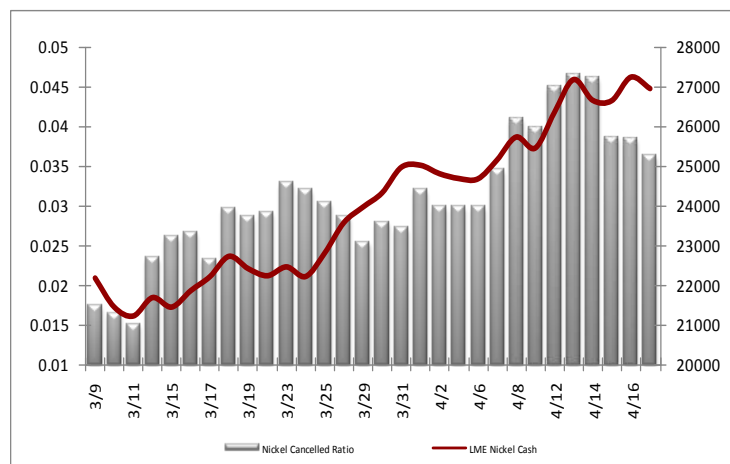
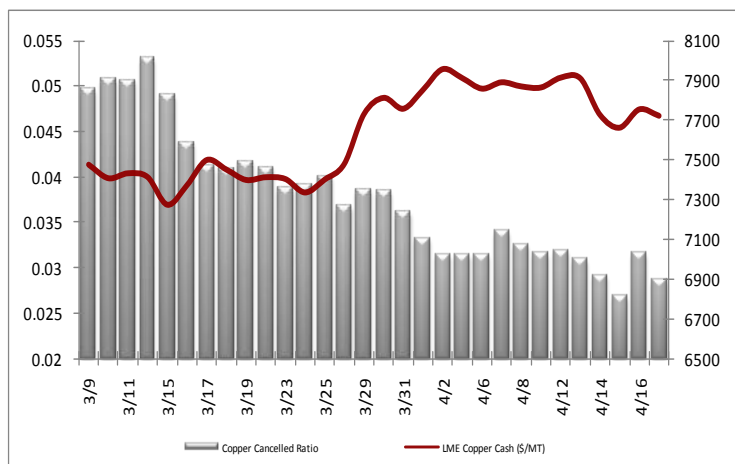


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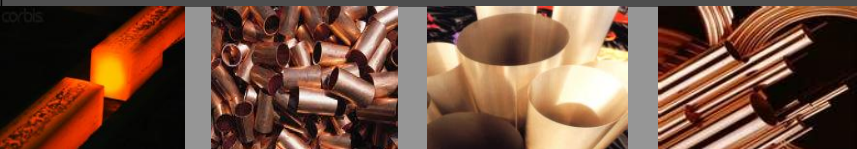
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INVENTORY UPDATE

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	509400	507150	-2250	-0.44%
Zinc	547000	543000	-4000	-0.73%
Aluminium	4565000	4567000	2000	0.04%
Lead	180125	179625	-500	-0.28%
Nickel	151242	146592	-4650	-3.07%

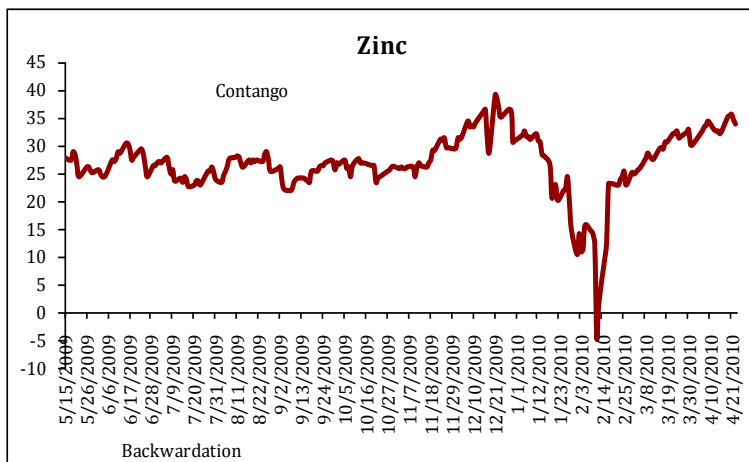
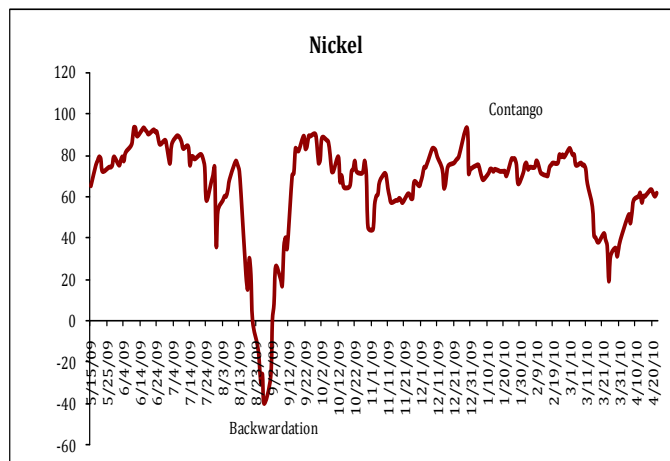
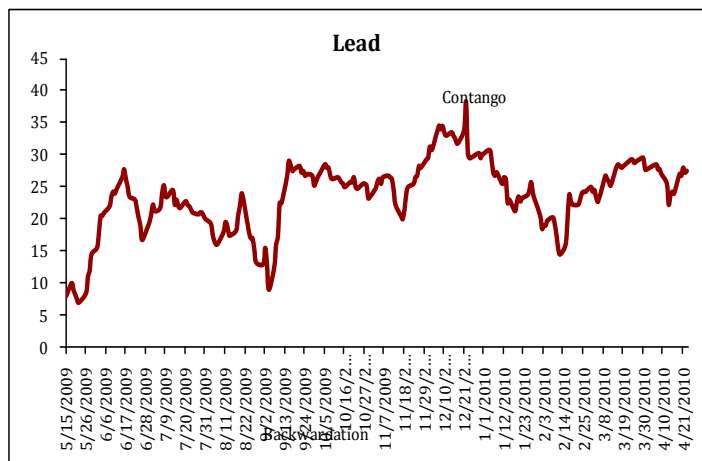
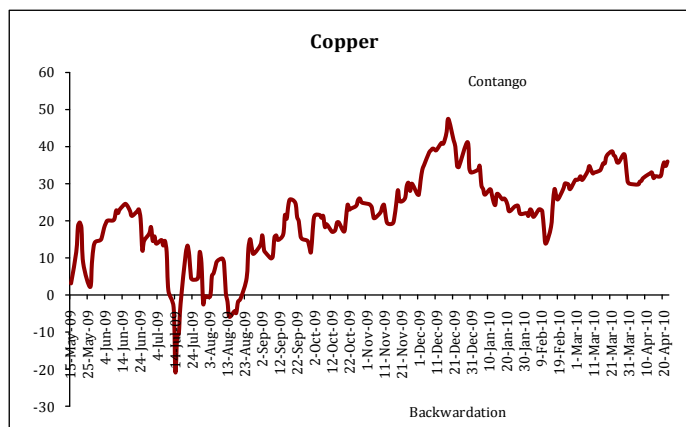
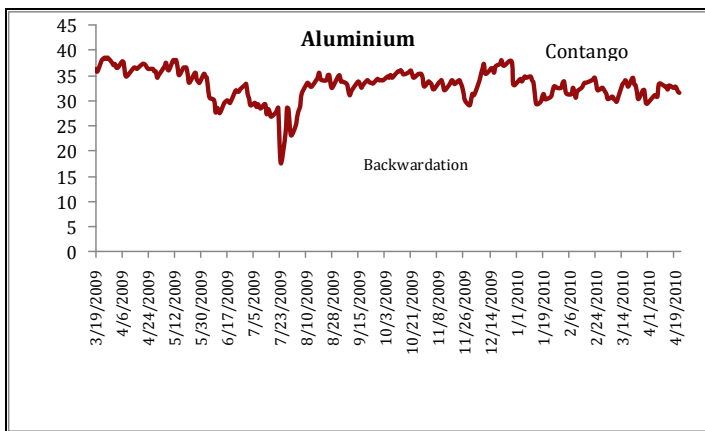


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BASIS CHARTS

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	351.45	351.3	-0.15	-0.04%

WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	101128	101128	0	0.00%

Commodity Futures Trading Commission (CFTC) Report- Copper

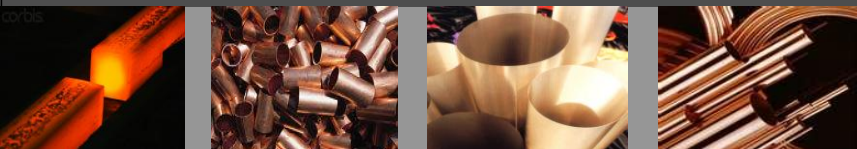
According to the US CFTC data, the market's movement was higher last week, while we saw modest fall in the long and short positions in Non-commercials sector. The overall spread in non-commercial sector rose by 8.65% to 22,265 positions from the prior 20,492. However, in the commercial sector, long positions rise by 3.97% while short positions fell by 0.03%. Among the total group, the long positions rose by 0.96% while the short positions by 0.94%. The market is expecting high volatility as the change in long and short is almost equated. This suggests that investors enter the market and they exist in the same week, not carrying forward for next week.

CFTC Report - Copper (In contracts)				
Non-Commercial	4/13/2010	4/20/2010	Change	% Change
Long	53458	50461	-2997	-5.61%
Short	29990	29547	-443	-1.48%
Spreading	20492	22265	1773	8.65%
Commercial				
Long	64259	66810	2551	3.97%
Short	88040	88011	-29	-0.03%
Total				
Long	138209	139536	1327	0.96%
Short	138522	139823	1301	0.94%

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	61680	56210	-5470	-8.87%
Zinc	19155	17995	-1160	-6.06%
Aluminum	16645	16515	-130	-0.78%

WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	185895	187907	2012	1.08%
Zinc	251371	256334	4963	1.97%
Aluminium	425572	425322	-250	-0.06%

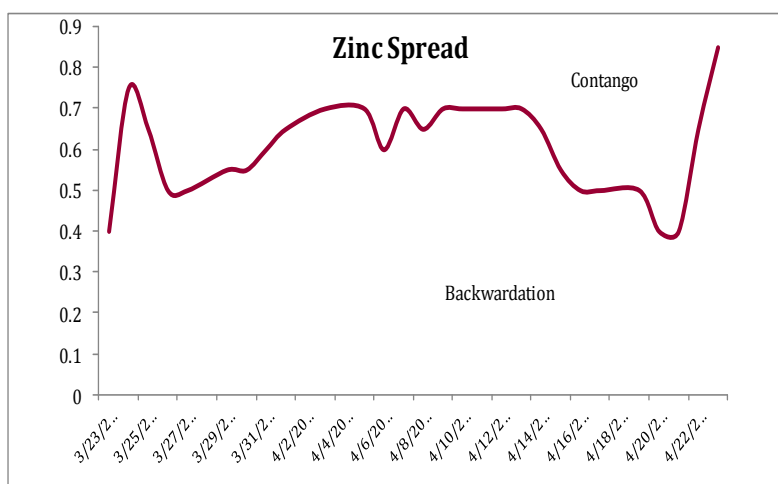
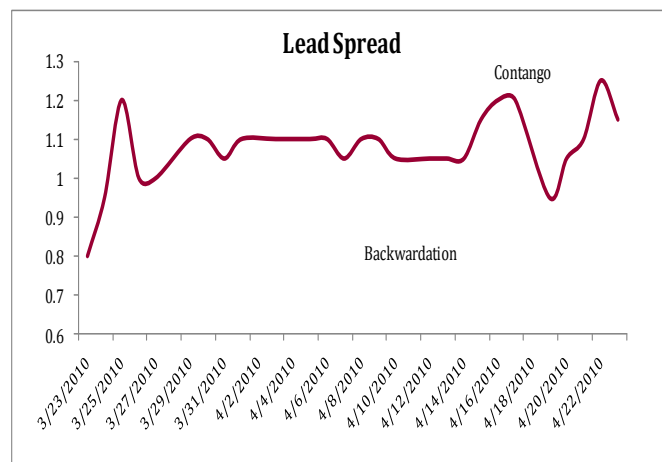
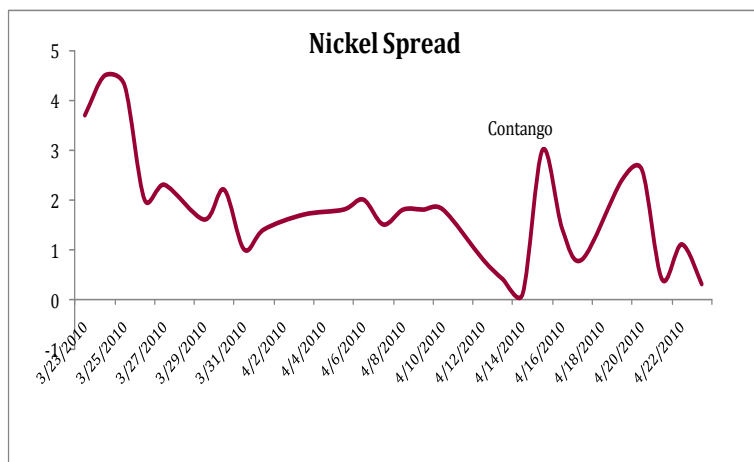
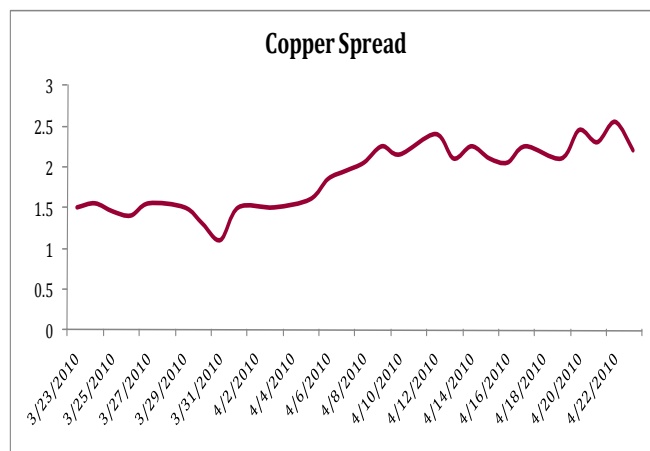
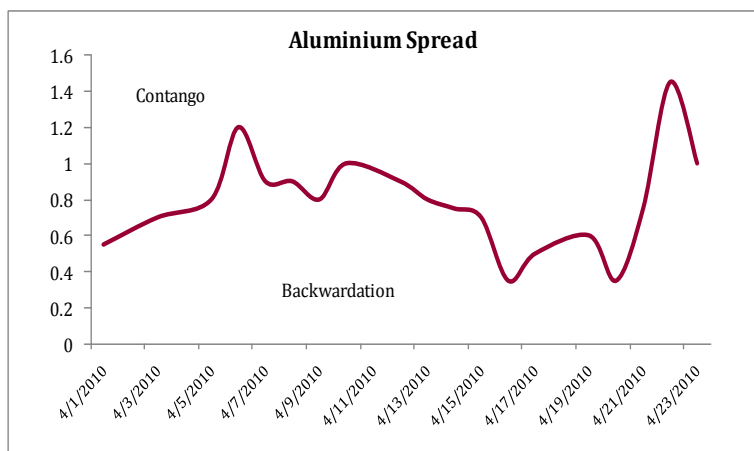


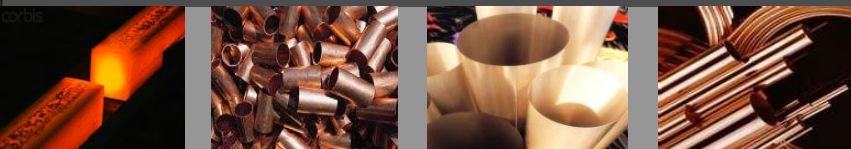
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CALENDAR SPREAD

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, April '10 and May '10 contracts at MCX have been taken into account for calculating calendar spreads.



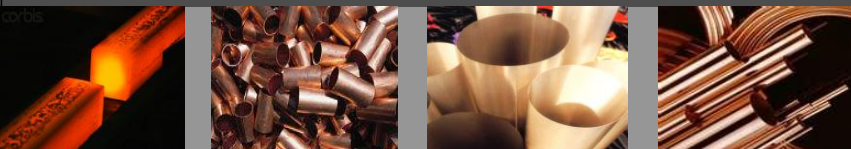


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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
04/26/2010	20:00	US	Dallas Fed Manf. Activity	APR	9.50%	7.20%
04/27/2010	11:30	GE	Import Price Index (YoY)	MAR	4.20%	2.60%
04/27/2010	11:30	GE	Import Price Index (MoM)	MAR	1.10%	1.00%
04/27/2010	19:30	US	Richmond Fed Manufact. Index	APR	9	6
04/27/2010	19:30	US	Consumer Confidence	APR	53.5	52.5
04/28/2010	02:30	US	ABC Consumer Confidence	25-Apr	-48	-50
04/28/2010		GE	Consumer Price Index (MoM)	APR P	0.20%	0.50%
04/28/2010		GE	Consumer Price Index (YoY)	APR P	1.20%	1.10%
04/28/2010	23:45	US	FOMC Rate Decision	28-Apr	0.25%	0.25%
04/29/2010	12:00	IN	Primary Articles WPI YoY	17-Apr	--	14.14%
04/29/2010	12:00	IN	Fuel Power Light WPI YoY	17-Apr	--	12.45%
04/29/2010	13:25	GE	Unemployment Change (000's)	APR	-10K	-31K
04/29/2010	13:25	GE	Unemployment Rate (s.a)	APR	8.00%	8.00%
04/29/2010	14:30	EC	Business Climate Indicator	APR	-0.12	-0.32
04/29/2010	14:30	EC	Euro-Zone Indust. Confidence	APR	-8	-10
04/29/2010	14:30	EC	Euro-Zone Consumer Confidence	APR F	-15	-15
04/29/2010	14:30	EC	Euro-Zone Economic Confidence	APR	99.4	97.7
04/29/2010	14:30	EC	Euro-zone Services Confidence	APR	3	1
04/29/2010	18:00	US	Chicago Fed Nat Activity Index	MAR	-0.2	-0.64
04/29/2010	18:00	US	Initial Jobless Claims	24-Apr	445K	456K
04/29/2010	18:00	US	Continuing Claims	17-Apr	4613K	4646K
04/30/2010	14:30	EC	Euro-Zone CPI Estimate (YoY)	APR	1.50%	1.40%
04/30/2010	14:30	EC	Euro-Zone Unemployment Rate	MAR	10.00%	10.00%
04/30/2010	18:00	US	GDP QoQ (Annualized)	1Q A	3.40%	5.60%
04/30/2010	18:00	US	Personal Consumption	1Q A	3.10%	1.60%
04/30/2010	18:00	US	GDP Price Index	1Q A	0.90%	0.50%
04/30/2010	18:00	US	Core PCE QoQ	1Q A	0.50%	1.80%
04/30/2010	18:00	US	Employment Cost Index	1Q	0.50%	0.50%
04/30/2010	19:15	US	Chicago Purchasing Manager	APR	60	58.8
04/30/2010	19:25	US	U. of Michigan Confidence	APR F	71	69.5
05/01/2010	06:30	CH	PMI Manufacturing	APR	55.6	55.1



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