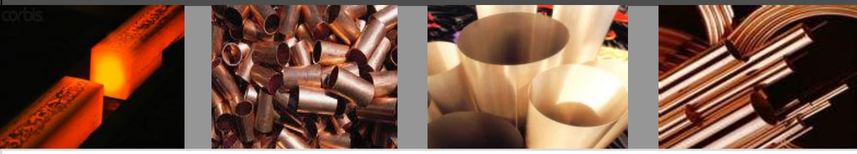
KARVY COMTRADE LIMITED



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	6880.5	6895	6415	6845	-1.17	270,071	34.73	3,106	21.33
	Zinc	2055	2063	1823.75	1891	-7.98	107,024	17.56	2,145	1.32
	Lead	1940	1945	1721.25	1811	-6.65	44,117	20.86	834	-47.08
	Nickel	21600	22151	20460	21350	-0.95	33,561	-5.87	584	-50.34
	Aluminium	2084	2094	1950	2055	-2.19	180,536	5.77	4,130	-22.86
MCX Futures (Rs./Kg)	Copper	312	322.55	296.05	322.3	3.04	674,232	31.33	23,221	-2.69
	Zinc	91.35	92.15	84.75	89.9	-2.39	13,736	22.53	1,332	25.78
	Lead	87	87.5	80.3	84.9	-2.86	16,605	56.44	2,457	69.80
	Nickel	970	1019.7	940	1010.1	3.32	35,124	24.21	2,625	15.03
	Aluminium	94.1	96	90.85	96	1.37	3,417	92.40	630	101.92

MARKET RECAP

- In the previous week, metal prices continued to suffer from the frail economic sentiments and ticked low –pressurized by strong dollar index and wane equity markets
- ***ECB President Jean-Claude Trichet*** called for a "quantum leap" in the way euro-area nations set their budgets. The European Central Bank revealed details of their plans to absorb excess liquidity from bond purchases, reducing investor concern that it would engage in a policy of quantitative easing
- ***Germany temporarily banned naked short selling and naked credit-default swaps*** of euro-area government bonds heading for a start on day, to curb the "exceptional volatility" in Euro-area bonds, probable to endanger the entire financial system
- ***The European Union finance ministers pledged to impose*** tougher measures to prevent member states running large deficits and ruled out setting up a mechanism to manage state defaults

ECONOMIC INDICATORS

- ***Building permits*** in April 2010 were 606,000, a decrease of 11.5% from March, but 15.9% above the April 2009 estimate. ***Housing starts*** rose 5.8% from the prior month, to 672,000-- 40.9% above the April 2009 level
- ***The Net Long-Term TIC flows*** reached $140.5 billion in March, widely outdoing the previous month's reading of $47.1 billion and surpassing the analysts' expectations of a slight rise to $50 billion
- ***The Consumer Prices Index for April month*** dipped 0.1% after edging up to 0.1% the month before. However Inflation is hardly a problem for Fed Reserve as of now with interest rates close to historical lows
- ***The minutes of Fed Meeting of April 27-28*** upgraded the GDP forecast for 2010 while nudging down unemployment and inflation. The GDP is now 3.2- 3.7%, up from 2.8-3.5% in January projection. The forecasted inflation is 1.2- 1.5%, down from a range of 1.4- 1.7% while unemployment rate coming in range of 9.1- 9.5% versus April's forecast for 9.5 -9.7%. The improvement in numbers helps to portray a growing image of US economy and thus support higher demand to follow
- ***The initial jobless claims*** jumped 25,000 in the May 15 week to 471,000-- includes a 2,000 upward revision to the prior week, while ***the Continuing claims*** also show improvement, down 40,000 in the May 8 week to 4.625 million
- ***The Conference Board's index of leading economic indicators*** posted its first decline in a more than a year, down 0.1 percent in April and reflecting a decline in building permits and shortening delivery times
- Manufacturing activity shows steady growth as per ***the Philadelphia Fed's general business conditions index***--came at 21.4, a reading above 0 indicate significant M/M growth and a reading near April's 20.2 indicate a similar pace of growth

INDUSTRIAL UPDATES

- ***KME Group, one of the world's leading makers of copper*** and copper alloy products, Q1-2010 output rose 10.5% as output rose to 126,000 tonnes from 114,000 tonnes in the same period of 2009
- ***As per the Battery Council International***, North American shipments of replacement automotive batteries surged 27.14% in March and was up 6.35% from 2009 levels. March shipments advanced to 8,563,414 units from 6,735,650 units in February
- ***Chile's giant Collahuasi copper mine*** will likely resume normal operations amid a subcontractor strike in its ninth day, as the mine was not yet extracting mineral. Juan Antonio Barraza, a leader of the union that represents full-time staff at the mine, stated that the workers would gradually bring machinery back online soon ending the week and half long strike
- As per the Lisbon-based International Lead and Zinc Study Group's monthly bulletin, ***the global lead market*** was in surplus by 42,000 tonnes in Q1-2010. Global refined use was 2.079 million tonnes compared with 1.971 million in January-March 2009
- As per the Lisbon-based International Lead and Zinc Study Group's monthly bulletin, ***the global zinc market*** was in surplus by 157,000 tonnes in Q1-2010. Global refined use was 2.892 million tonnes compared with 2.333 million in January-March 2009

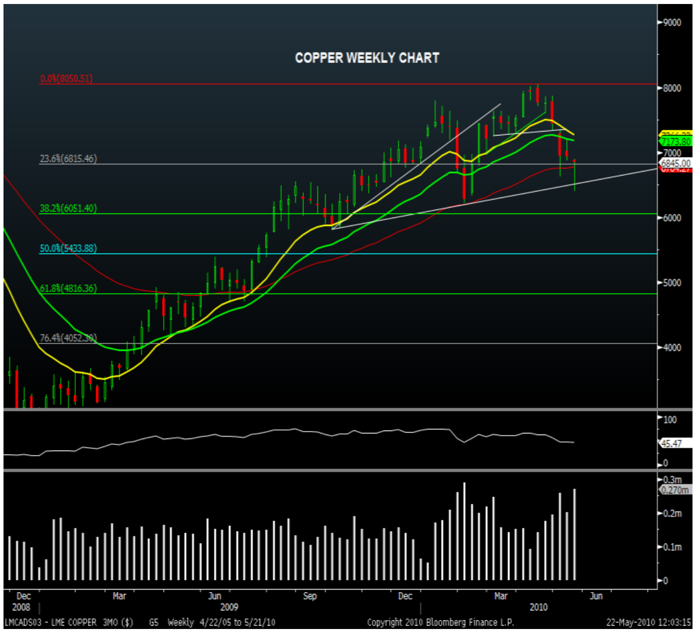
OUTLOOK

- ***China's aluminium output this year may climb to more than 15 million tonnes*** and smelting capacity grow between 2 to 3 million tonnes. The aluminium smelting capacity increase this year would be against 20.6 million tonnes in 2009
- ***Rio Tinto expects mined copper production*** to fall about 15% this year, mainly due to lower grades. The mined copper output would fall to about 680,000 tonnes in 2010 from 804,700 tonnes as compares to last year
- ***Global demand for refined lead*** is forecast to rise by 7.3% to 9.31 million tonnes, driven by 9.1% increase in usage in China where strong growth in the industrial battery sector and further rises in automotive and e-bike sales are anticipated
- ***CRU Group expected global zinc consumption*** to rise by 13%--as galvanized sheet output run ahead of demand while other end including brass were relatively soft. Further, if the price doesn't fall, market could be in 1.5 million tonnes surplus
- ***The data release from the US, include***, Existing Home Sales, Durable Goods Orders, New Home Sales, Personal Income and Spending, GDP, Personal Consumption, Initial Jobless Claims, and Continuing Claims. As per the Bloomberg expectations, most data suggest improvement from the prior levels and thus would help to boost metals
- Next week, we expect base metals to recover from the fall registered in the past two weeks. Prices have downgraded by more than 10%, wading below the expected fundamental supported levels. Thus demand seems to retort and overtake the disconcerting economic sentiments dragging prices lower. Moreover, the host of economic data from the US instills good support for prices. However, the Euro-zone concerns would continue to wane sentiments along with property issues from China and any sudden statements from the government officials would shake the market. Overall we anticipate market to be quite volatile and investors should keep a caution while taking positions

Indices	Last Week	This Week	% Change
Dow Jones Ind. Avg.	10620.16	10193.39	-4.02%
S&P 500 Index	1135.68	1087.69	-4.23%
FTSE 100 Index	5262.85	5062.93	-3.80%
Nikkie 225	10462.51	9784.54	-6.48%
Shanghai Composite	2696.63	2583.52	-4.19%
Sensex	16994.60	16445.61	-3.23%

Currency	Last Week	This Week	% Change
Dollar Index	86.095	85.371	-0.84%
EUR/USD	1.2358	1.257	1.72%
GBP/USD	1.4536	1.446	-0.52%
USD/INR	45.205	46.9244	3.80%

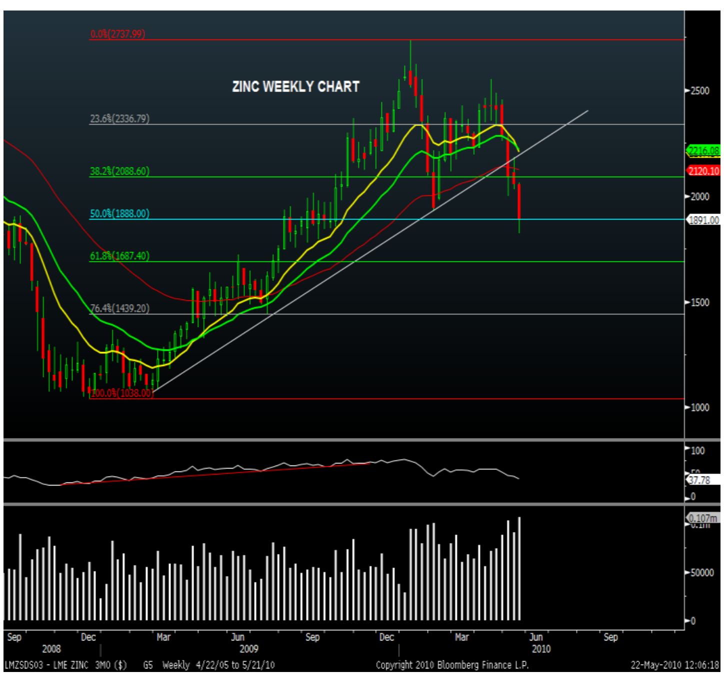
TECHNICAL PREFACE



LME 3-Forward	S	$6415	R	$7222
MCX- June	S	301	R	326

LME COPPER

- Copper 3 month LME prices initially traded lower and after making a low of 6415 it closed the session at 6845 levels. Market has taken crucial trend line support at 6415 sustain above the same prices may push sideways to higher for the week ahead. Moreover, the prices closed above the Fibonacci retracement support at 6815 (23.6% of 8050-2817) levels also holding the above view. Further, the prices are trading above (45) weekly EMA suggesting further downward correction may negate for the week. On the higher side, resistances are at 7222 then 7423 levels. Likewise, on the lower side supports are at 6815 then 6543 levels. Overall, from above analysis, we expect prices to trade sideways to higher for the week
- **Recommendation**: Sideways to higher



LME 3-Forward	S	$1823	R	$2088
MCX- May	S	80	R	91

LME ZINC

- Zinc 3 month LME prices plunged in the last week losing as much as 7.87% from high of $ 2063 and settled the week at $ 1891 levels. Market will likely to witness a higher correction before resuming the downtrend for the week. Fibonacci retracement shows a crucial support at $ 1888 levels (50 % of 2737 to 1038) breaches and sustain the same prices may test lower for the week. Moreover, the Momentum indicator RSI (14) weekly have descended from 0.42 to 037 suggesting bearish outlook. Furthermore, the volume has increased (from 91041 to 107024 contracts) suggesting a bearish view may continue in the near term. The prices are trading below the (13, 22, 45) EMA also supporting above view. On lower side, supports are at $ 1823 then $ 1748 levels. On the other hand, the resistances are at $ 1992 then $ 2124 levels. Overall, from above analysis market may trade lower and recommends selling on pullbacks for the week ahead
- **Recommendation**: Sideways to lower

TECHNICAL PREFACE

LME 3-Forward	S	$1723	R	$2020
MCX- May	S	79	R	93

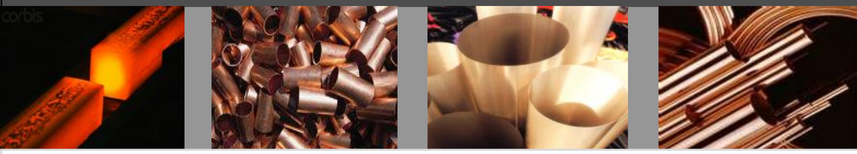
LEAD

LME 3-Forward	S	$ 20450	R	$23190
MCX- May	S	940	R	1020

NICKEL

LME 3-Forward	S	$1887	R	$2165
MCX- May	S	89	R	97

ALUMINIUM



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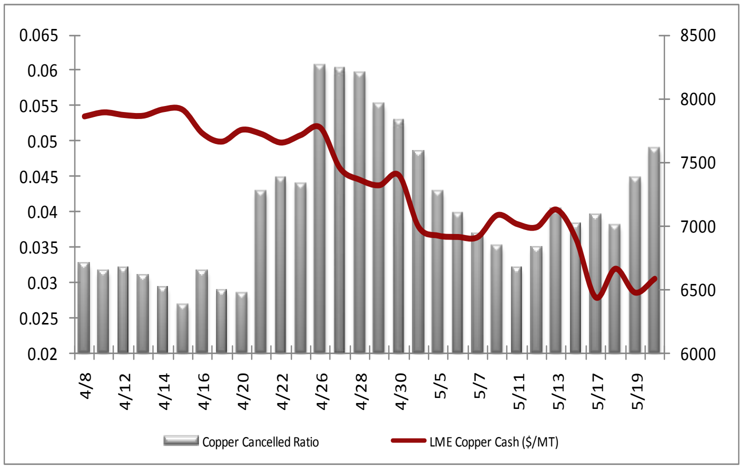
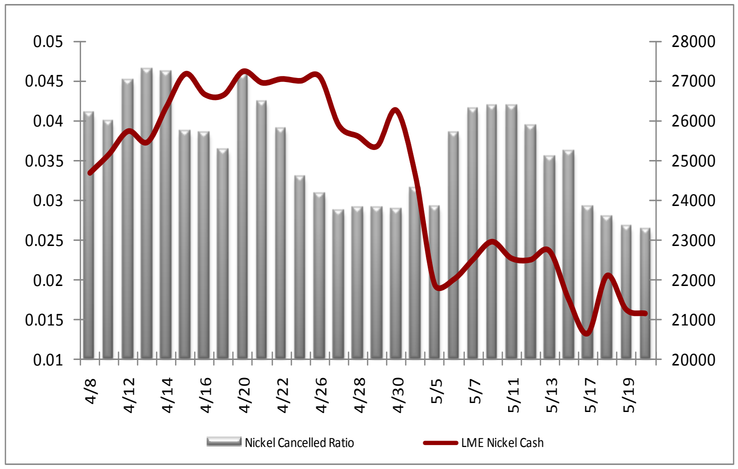
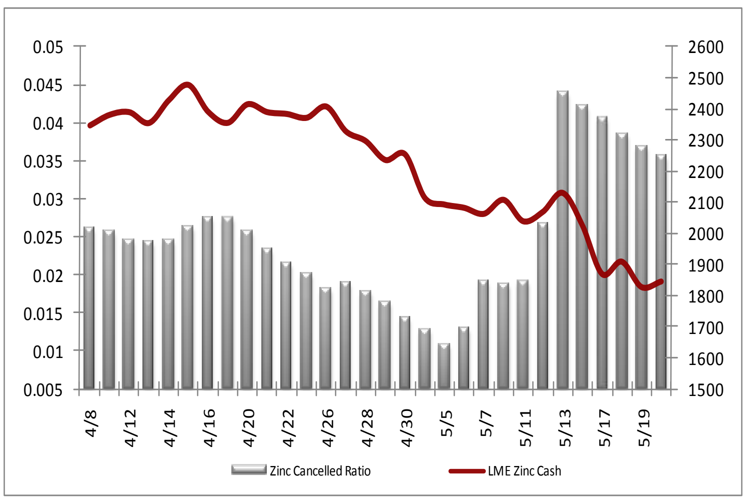
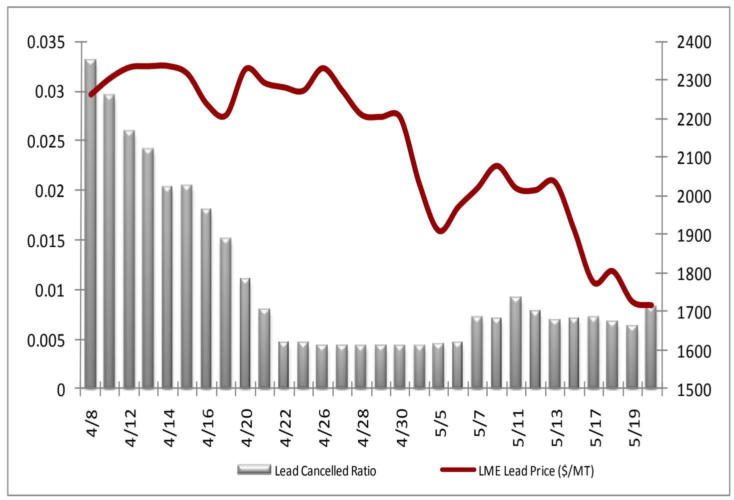
INVENTORY UPDATE

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	484075	479825	-4250	-0.88%
Zinc	569300	567025	-2275	-0.40%
Aluminium	4478750	4583975	105225	2.35%
Lead	185050	186650	1600	0.86%
Nickel	142080	139518	-2562	-1.80%

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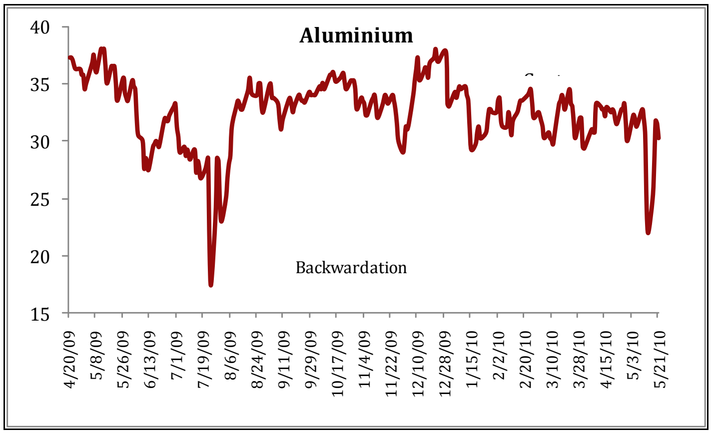
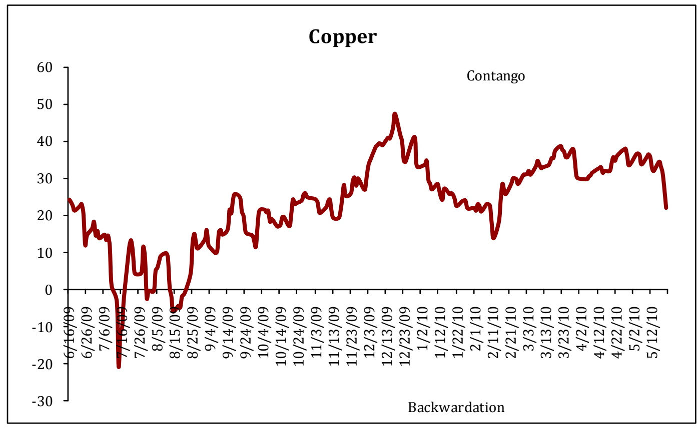
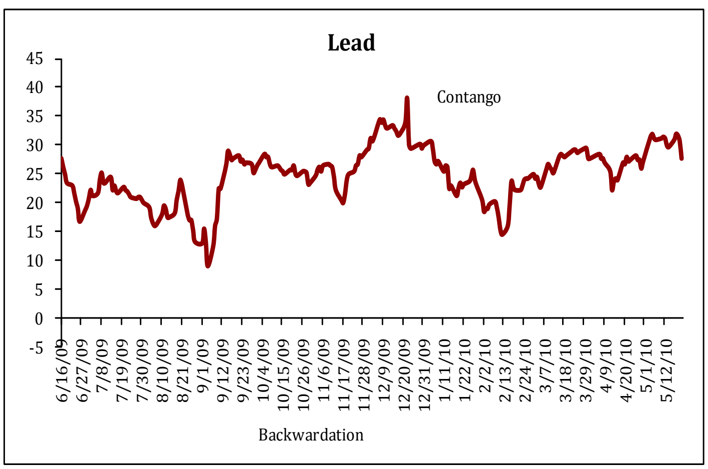
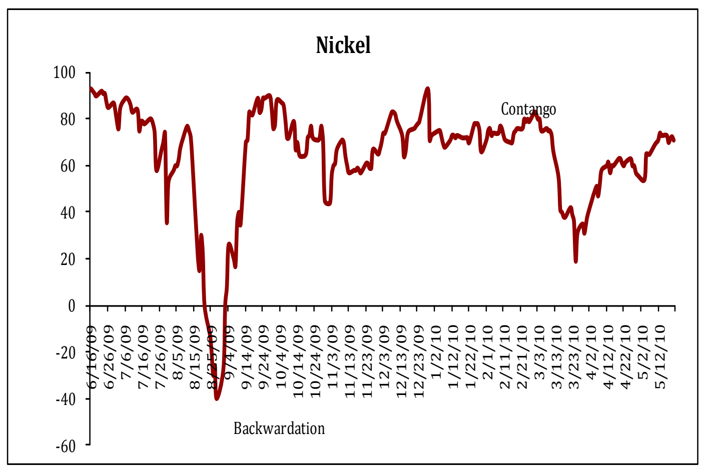
BASIS CHARTS

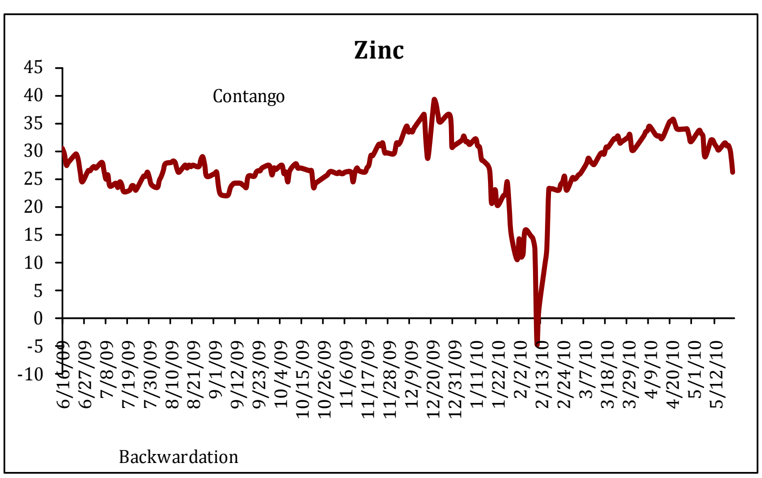
Backwardation is a market where spot prices exceed future prices while ***Contango*** is the opposite, where future prices exceed spot prices. We have, here, considered ***LME Cash prices*** and **LME 3-month forward** contract. Contango seems to be an obvious condition in the market as future prices 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	312.7	305.55	-7.15	-2.29%

WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	101242	101242	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 heavy fall in the long and short positions in Non-commercials sector. The overall spread in non-commercial sector fell by 1.73% to 19,658 positions from the prior 20,005. However, in the commercial sector, long positions rise by minuscule 0.24% while short positions fell by 6.04%. Among the total group, the long positions fell by 0.87% while the short positions by 1.80%. The market is expecting high volatility as the change in long and short is almost equated. This suggests that investors try to buy and hold for very short duration owing to high volatility in the market.

CFTC Report - Copper (In contracts)				
Non-Commercial	5/11/2010	5/18/2010	Change	% Change
Long	36092	35258	-834	-2.31%
Short	25494	28033	2539	9.96%
Spreading	20005	19658	-347	-1.73%
Commercial				
Long	62451	62602	151	0.24%
Short	70969	66681	-4288	-6.04%
Total				
Long	118548	117518	-1030	-0.87%
Short	116468	114372	-2096	-1.80%

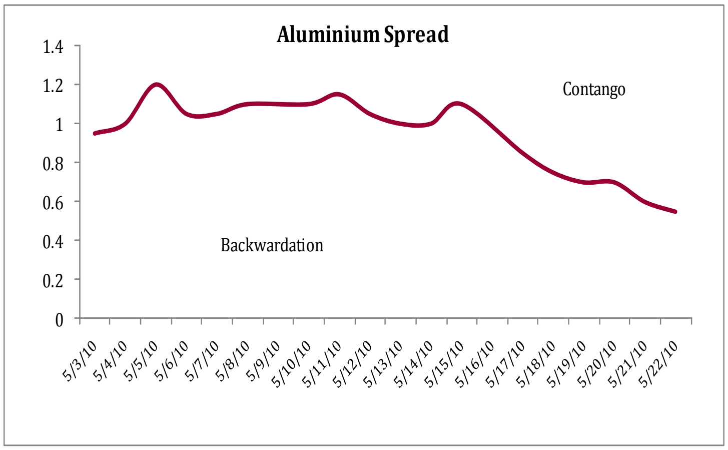
SHANGHAI MARKET PERFORMANCE

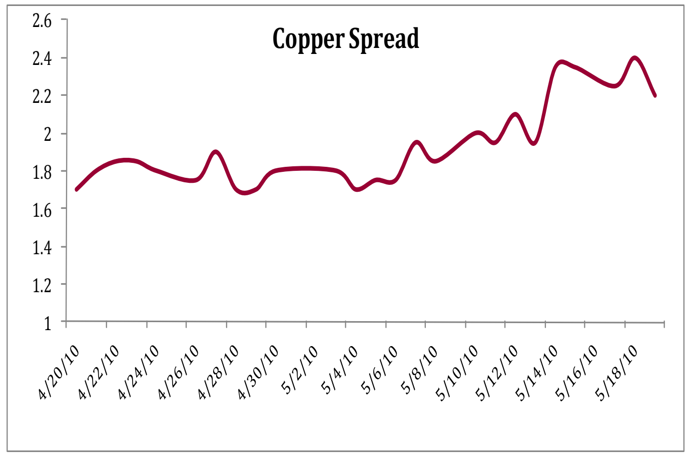
PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	56350	56210	-140	-0.25%
Zinc	16630	17995	1365	8.21%
Aluminum	15510	16515	1005	6.48%

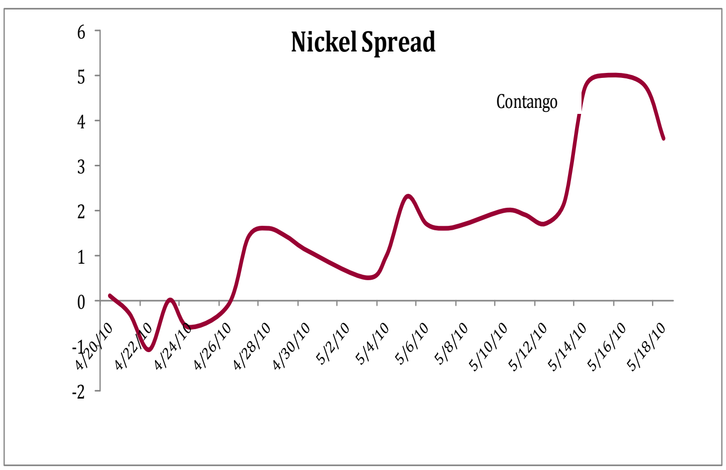
WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	173095	167789	-5306	-3.07%
Zinc	286420	288438	2018	0.70%
Aluminium	478294	489495	11201	2.34%

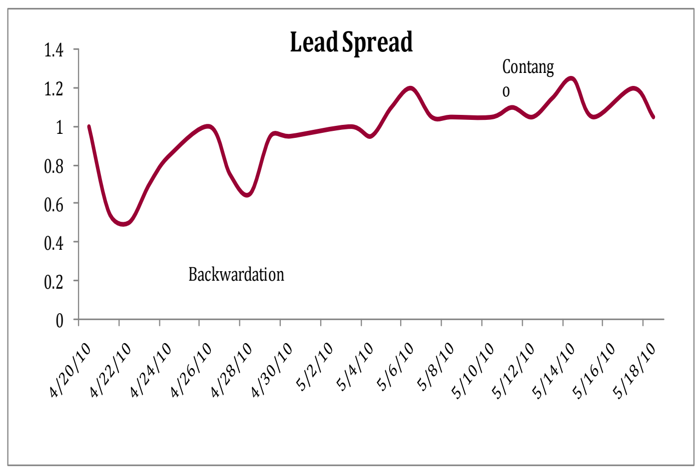
CALENDAR SPREAD

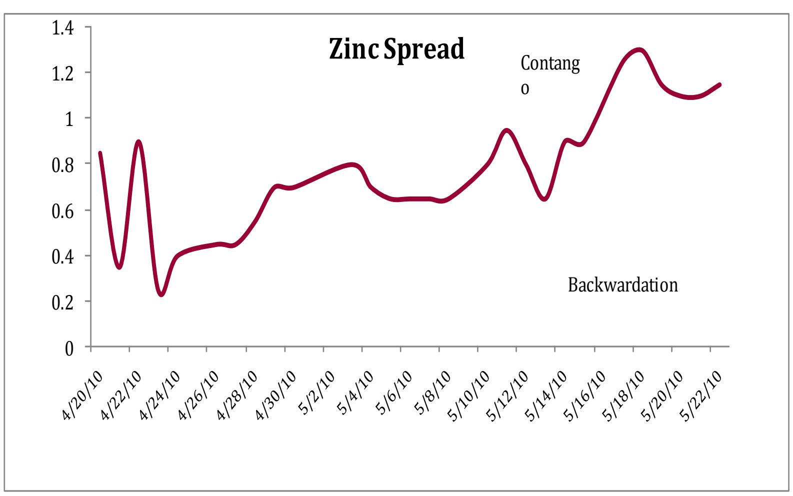
Calendar Spreads is the difference between the two futures contracts, far-month-contract and near-month-contract. For Copper, we have considered June '10 and August '10 at MCX while for other 4 metals, May'10 and June'10 contracts at MCX have been taken into account for calculating calendar spreads.

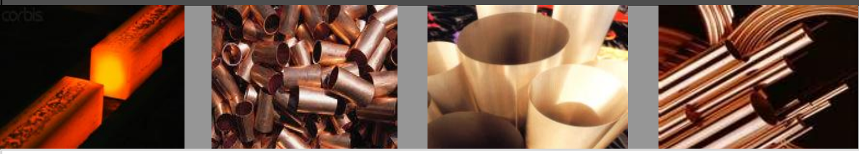












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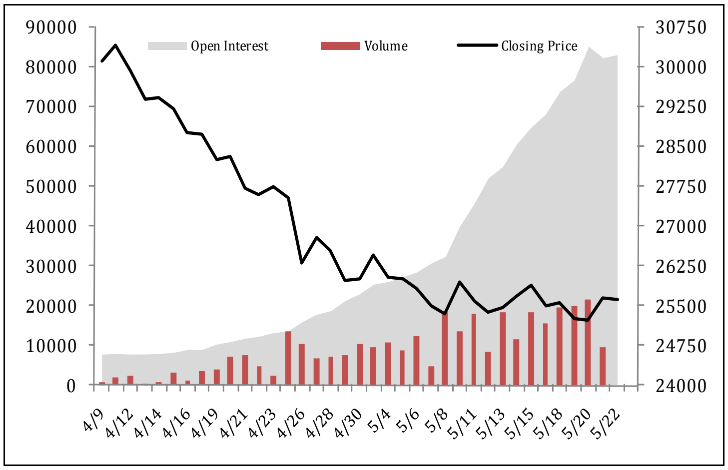
STEEL

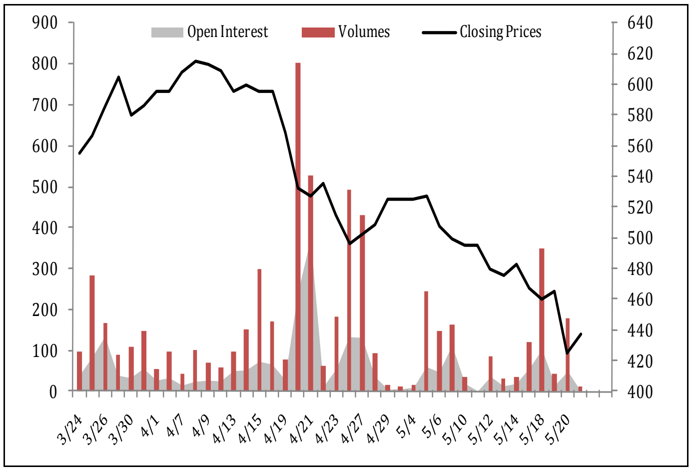
Commodity	Contracts	Open	High	Low	Close	Close % Change	Volume	Volume % Change	Open Interest	Open Interest % Change
Steel NCDEX (Rs/tonnes)	June	25810	25810	25160	25610	-1.08%	105040	18.97%	82980	28.00%
	July	25760	26960	25660	26070	-1.36%	12580	42.95%	7960	27.77%
	August	26630	26640	26160	26630	-1.30%	530	-61.87%	820	-18.00%

- The active steel June futures contract continued their sell-off for the previous week as prices ticked low by 1.08%. Moreover, investors re-entered the market anticipating the low prices as good buying opportunities
- As per the steel minister Virbhadra Singh, India may impose taxes and quotas on exports of iron ore from the country to increase availability of the raw material for the domestic steel industry. He further stated, "It is time for the Indian steel and mining companies, whether in the public or private sector, to look for opportunities overseas more seriously"
- On raw material front, Sponge prices are more or less constant and the prices of same are not fallen in same proportion as that of Ingot & Billets. Spot iron ore falls on the decrease in steel price. At present, 63.5% ore from India moderates to $160/ tonne. Iron ore transactions are very weak as many steel mills are consuming older stocks
- ***Week ahead we expect Steel Long June NCDEX prices to move in range of 25200 to 26400***

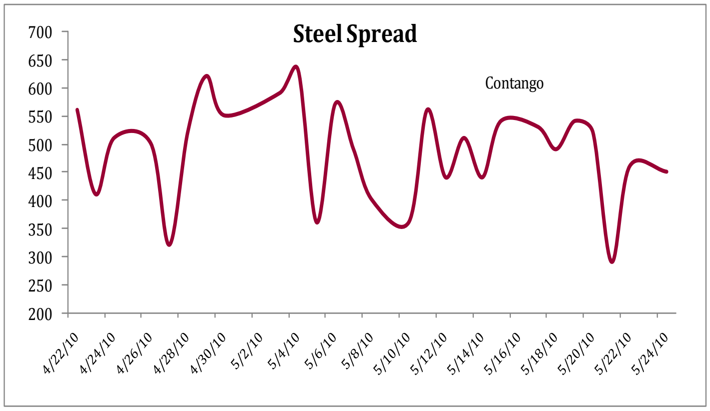
Support 2	Support 1	Resistance 1	Resistance 2
24370	25200	26100	26800



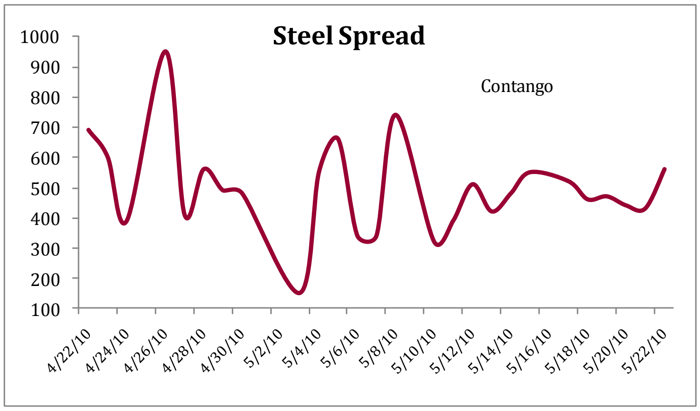
NCDEX- Steel Long PVO chart



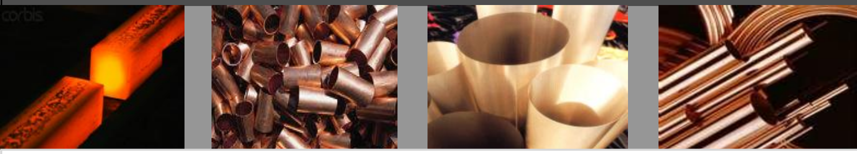
LME- 3-month Forwards Steel Billets



NCDEX Steel (July- June Calendar Spread)



NCDEX Steel (August- July Calendar Spread)



DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date Time	Region	Event	Period	Survey	Prior
23-27 MAY	CH	Leading Index	APR	- -	104.98
05/24/2010 19:30	US	Existing Home Sales	APR	5.65M	5.35M
05/24/2010 19:30	US	Existing Home Sales MoM	APR	5.60%	6.80%
05/25/2010 14:30	EC	Industrial New Orders SA (MoM)	MAR	2.50%	1.50%
05/25/2010 14:30	EC	Industrial New Orders SA (YoY)	MAR	15.00%	12.20%
05/25/2010 19:30	US	Richmond Fed Manufact. Index	MAY	25	30
05/25/2010 19:30	US	Consumer Confidence	MAY	59	57.9
05/25/2010 19:30	US	House Price Index MoM	MAR	0.00%	-0.20%
05/26/2010 18:00	US	Durable Goods Orders	APR	1.50%	-1.30%
05/26/2010 19:30	US	New Home Sales	APR	425K	411K
05/26/2010 19:30	US	New Home Sales MoM	APR	3.40%	26.90%
05/27/2010 12:00	IN	Primary Articles WPI YoY	15-May	- -	16.19%
05/27/2010 12:00	IN	Fuel Power Light WPI YoY	15-May	- -	12.33%
05/27/2010 18:00	US	GDP QoQ (Annualized)	1Q S	3.40%	3.20%
05/27/2010 18:00	US	Personal Consumption	1Q S	3.70%	3.60%
05/27/2010 18:00	US	Initial Jobless Claims	22-May	455K	471K
05/27/2010 18:00	US	Continuing Claims	15-May	4600K	4625K
05/27/2010	GE	Consumer Price Index (MoM)	MAY P	0.10%	-0.10%
05/27/2010	GE	Consumer Price Index (YoY)	MAY P	1.20%	1.00%
05/28/2010 00:30	EC	EC OECD June Economic Outlook	6-Jun		
05/28/2010 11:30	GE	Import Price Index (MoM)	APR	1.50%	1.70%
05/28/2010 11:30	GE	Import Price Index (YoY)	APR	7.10%	5.00%
05/28/2010 18:00	US	Personal Income	APR	0.40%	0.30%
05/28/2010 18:00	US	Personal Spending	APR	0.30%	0.60%
05/28/2010 19:25	US	U. of Michigan Confidence	MAY F	73.4	73.3

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Prepared By:

Vinita Goyal	Fundamental Analyst	vinita.goyal@karvy.com
Vinod	Technical Analyst	vinodtp@karvy.com

To unsubscribe please mail us at **commodity@karvy.coms**