



# Metals Weekly

A Weekly Report on Base Metals

## PERFORMANCE SNAPSHOT

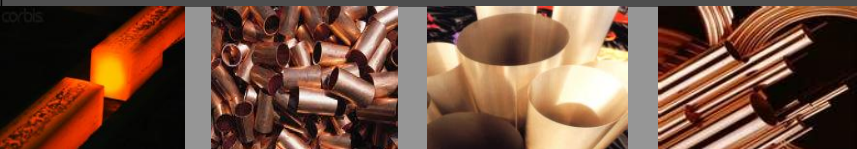
Exchange	Commodity	Open	High	Low	Close	Close Change	%	Volume	Volume % Change	Open Interest	Open Interest % Change
LME 3-mth Forward (USD/tonne)	Copper	6820	7043	6661.5	6939		1.37	160,111	-49.25	2,121	-42.29
	Zinc	1891	1966.75	1846	1936		2.38	81,120	-30.82	1,866	-36.03
	Lead	1809	1874.75	1738	1850		2.15	23,264	-52.10	958	-40.01
	Nickel	21400	22300	20756	21350		0.00	21,957	-40.08	619	-31.98
	Aluminium	2047	2095	1988	2043		-0.58	128,312	-39.23	4,107	-37.69
MCX Futures (Rs./Kg)	Copper	321.7	326.9	317.3	321.4		-0.23	463,659	-31.68	21,775	-7.85
	Zinc	90.1	91.3	88.1	89.65		-0.17	33,181	135.33	5,098	246.80
	Lead	85	87.15	82.4	85.65		0.82	33,358	96.22	6,139	132.98
	Nickel	1017.9	1041.5	987	990.8		-2.31	83,935	136.36	11,848	348.79
	Aluminium	97.55	97.55	93.95	94.55		-2.02	7,253	108.60	1,588	149.29

## MARKET RECAP

- In the previous week, metal prices took a respite from more than 10% fall in the penultimate weeks as supported by gains in equity markets and improving data releases. Moreover, some optimistic developments on part of Euro-zone crisis also helped market to recover. However, the performance on MCX was bit varied on account of strong rupee appreciation in the later half of the week--de-pairing the gains of international front
- **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
- **Shanghai Government plans to introduce a property tax policy** on a trial basis next month, while a more detailed policy may be announced at a later date. In its earlier measures, China has already raised minimum mortgage rates, restricted pre-sales by developers and tightened controls on purchases of subsequent properties—all as efforts to cool the speculative growth
- China re-affirmed the market that it wouldn't manipulate its holding in Europe and would rather stay committed to its investing in the nation. **China's State Administration of Foreign Exchange (SAFE)** denied that it is reviewing its holdings of euro-zone debt and stated that the European economy will remain a key investment market for China's massive foreign reserves

## ECONOMIC INDICATORS

- **Existing home sales for April month** improved to 5.77 million surpassing expectations of 0.30 million increment from the prior of 5.35 million. Moreover, in the % growth --the M/M rise was 7.60% as compares 6.80% growth in the previous month
- The Conference Board's measure of **the US consumer confidence** rose by 6.6 points to 63.3 for May (April revised 2 tenths lower to 57.7)
- **New orders for manufactured durable goods** in April 2010 increased 2.9% from March, to \$193.9 billion. Excluding transportation, new orders decreased 1.0% from the prior month, to \$143.2 billion
- **Sales of new single-family houses** were 504,000 at a seasonally adjusted annual rate in April, 2010, a 14.8% increase over the revised March rate and a 47.8% increase over the rate in April, 2009
- **Gross domestic product (GDP)** grew at an annual rate of 3.0% in the Q1-2010, following an increase of 5.6% in Q4-2009
- **Initial jobless claims** fell in the May 22 week but not by much. Claims were down 14,000 to a higher-than-expected level of 460,000. **Continuing claims** are going in the right direction, at least for the latest two weeks of data-- as fell 49,000 to 4.607 million in the May 15 week to bring down the four-week average by 12,000 to 4.637 million
- **Personal income** in April increased 0.4% in line with the expectations and above the 0.30% in March. Moreover, the **Personal spending** for the same month fall to 0.20% as compares to the expectations of 0.30% and prior of 0.60%



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## INDUSTRIAL UPDATES

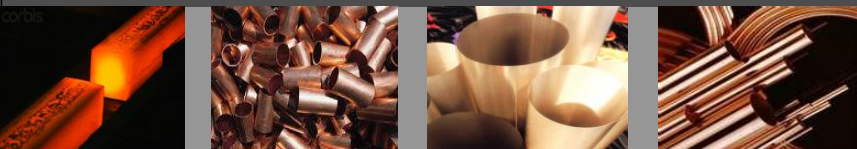
- **The Lisbon-based International Copper Study Group** stated World refined copper production exceeded consumption by 148,000 tonnes in the first two months of the year, compared with a surplus of 144,000 tonnes in the same year-ago period. World refined output was 3.062 million tonnes, while consumption amounted to 2.914 million tonnes
- **China's exports of primary aluminium** may fall in May and June, after a 16-month high in April that made the country a net exporter for the first time since 2008. China exported 48,546 tonnes- up more than 20 times from March's 2,212 tonnes
- **China's imports of refined copper** fell 8.1% in April after a 52.9% rise in the previous month, due to Beijing's moves to tighten lending and reduced arrivals of contracted shipments
- **The World Bureau of Metal Statistics stated nickel market** was in a surplus of 11,000 tons in January to March-- World production was 339,400 tons, and consumption was 328,800 tons, up 22% compared with the same period a year ago
- **Australia's second largest nickel producer Minara Resources** is forced to look at overseas investment opportunities due to governments proposed resources super profits tax of 40%--which would see the total effective tax rate to increase to around 57%-meaning Minara would be subject to highest resources tax regime in the world

## OUTLOOK

- **The OECD forecast that the global economy will expand 4.6% in 2010** while 4.5% in 2011, compared with an average of 3.7% in the last 10 years through 2006. They further stated that the emerging economies would outperform the debt-burdened developed countries
- **Rio Tinto, the world's third-biggest mining company**, expects commodity demand in China, the soul of the global recovery, to increase in the next 15 years. These statements helped to stabilize the disconcerting investors sentiments
- **Lead demand will catch up closer to supply later this year** because of gains in consumption from the Organization for Economic Co-Operation and Development. Lead supply will still exceed demand by 52,000 metric tonnes this year
- **Teck Resources will expand its Red Dog zinc mine in Alaska**, avoiding a closure that would cut 5% of global production in 2010. The decision to develop mine will double the life of mine and ensure production after the current pit runs dry--comes despite uncertainty remain over water discharge permits that were appealed by environmental groups earlier this year
- **The data release from the US, include**, ISM Manufacturing, Pending Home Sales, Vehicle Sales, Factory Orders, Non-Farm Payrolls, Unemployment Rate, 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 recoup on account of increase in non-farm payrolls, falling unemployment rate and rising home and vehicle sales. The various mining group are of the view that despite all monetary tightening and property issues, China would stand upright in its demand structure for base metals. Moreover the gains in crude oil—the accompanied industrial metal is expected to keep the momentum high. However, on the domestic front-- rupee appreciation should be taken as a word of caution, reducing the equivalent gains of international front

Indices	Last Week	This Week	% Change
<b>Dow Jones Ind. Avg.</b>	10193.39	10136.63	-0.56%
<b>S&amp;P 500 Index</b>	1087.69	1089.41	0.16%
<b>FTSE 100 Index</b>	5062.93	5188.43	2.48%
<b>Nikkie 225</b>	9784.54	9762.98	-0.22%
<b>Shanghai Composite</b>	2583.52	2655.77	2.80%
<b>Sensex</b>	16445.61	16863.06	2.54%

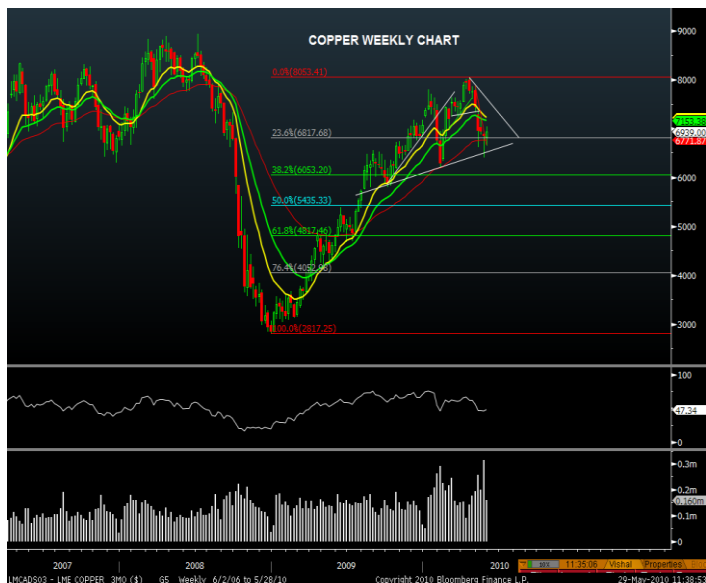
Currency	Last Week	This Week	% Change
<b>Dollar Index</b>	85.371	86.781	1.65%
<b>EUR/USD</b>	1.257	1.2273	-2.36%
<b>GBP/USD</b>	1.446	1.4458	-0.01%
<b>USD/INR</b>	46.9244	46.355	-1.21%



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## TECHNICAL PREFACE



LME 3-Forward	S	\$6415	R	\$7429
MCX- June	S	315	R	330

**Copper June MCX: Buy above 327 targeting 331 then 334 stop loss below 322**



LME 3-Forward	S	\$1820	R	\$2088
MCX- June	S	84	R	92

**Zinc mini June MCX: Buy at 91 targeting 97 then 100 stop loss below 85.50**

### LME COPPER

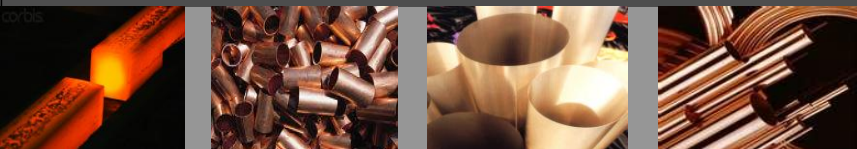
Copper 3 month LME prices traded marginally higher in the last week and after making a high of \$7043 it settled at \$6939 level. Market is holding a crucial trend line support at \$ 6415 sustain above the same; prices may move sideways to higher for the week ahead. The market closed above the previous week's candle's high gives hope prices to trade higher. Moreover, the market is trading above the Fibonacci retracement support at \$6815 (23.6% of 8050-2817) levels carrying the same view. On the higher side, resistances are at \$7170 then \$7429 levels. Likewise, on the lower side supports are at \$6632 then \$6368 levels. Overall, from above analysis we expect prices to trade sideways to higher for the week

**Recommendation: COPPER-3month LME: Buy in the range of 6950-6970 targeting 7050 then 7160 stop loss below 6790**

### LME ZINC

Zinc 3 month LME prices reversed the previous weeks trend and after making a high of \$1966.75 it closed the session at \$1919.50 levels. Market is holding a crucial support at \$1824 sustain above the same; prices may trade higher for the week. Moreover, the Fibonacci retracement is projecting a crucial support at \$1893 level (50% of 2742-1044 moves) implying bullish view for the week. The momentum indicator RSI (14) weekly ascended from 0.25 to 0.31 suggesting higher potential. On the lower side, the supports are at \$1820 then \$1638 levels. Likewise, on the higher side, the resistances are at \$1996 then \$2114 levels. We expect market to trade higher and recommend buying at dips for the week

**Recommendation: ZINC-3month LME: Buy at 1930 targeting 2000 then 2040 stop loss below 1840**



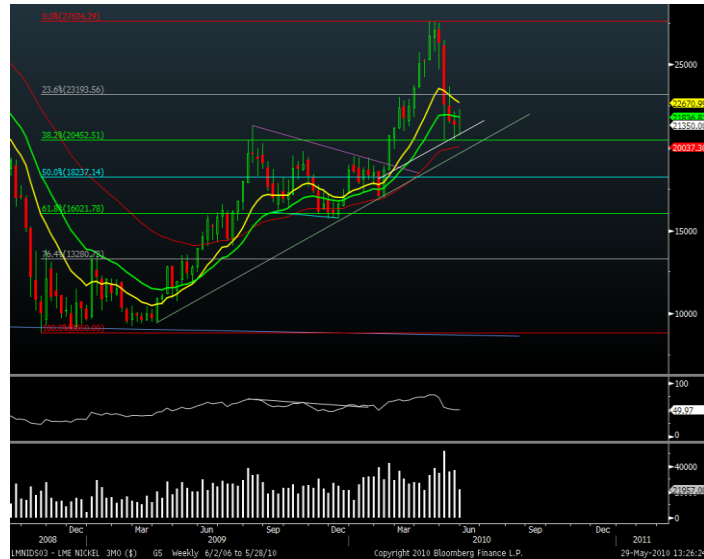
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## TECHNICAL PREFACE



LME 3-Forward	S	\$1720	R	\$2066
MCX- June	S	80	R	88



LME 3-Forward	S	\$19870	R	\$22797
MCX- June	S	940	R	1041

## LEAD

## NICKEL



LME 3-Forward	S	\$1942	R	\$2170
MCX- June	S	92	R	98

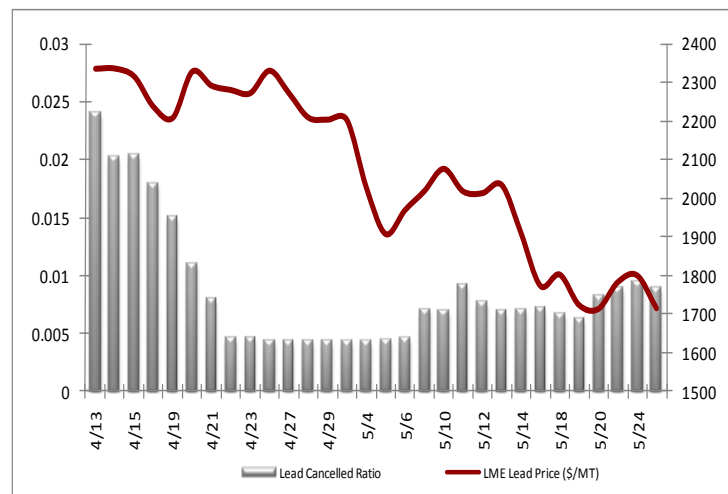
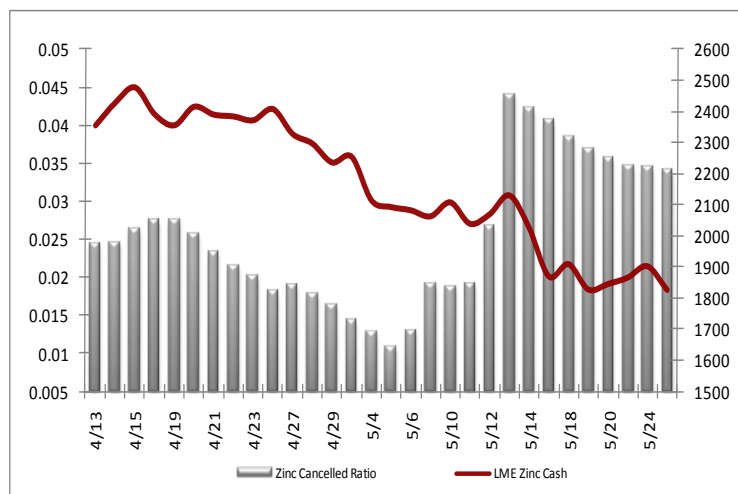
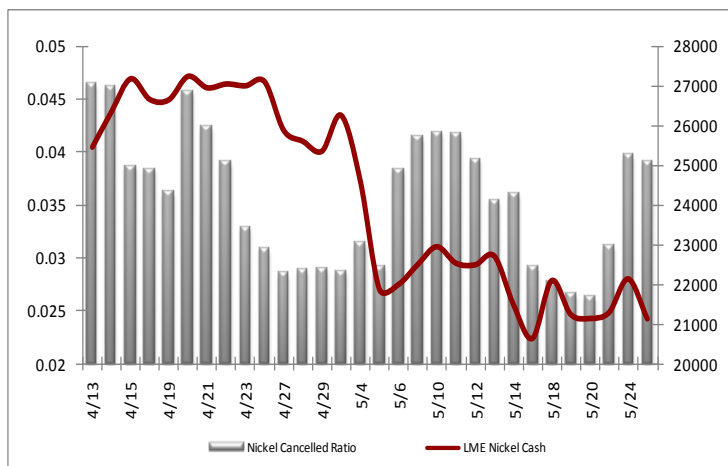
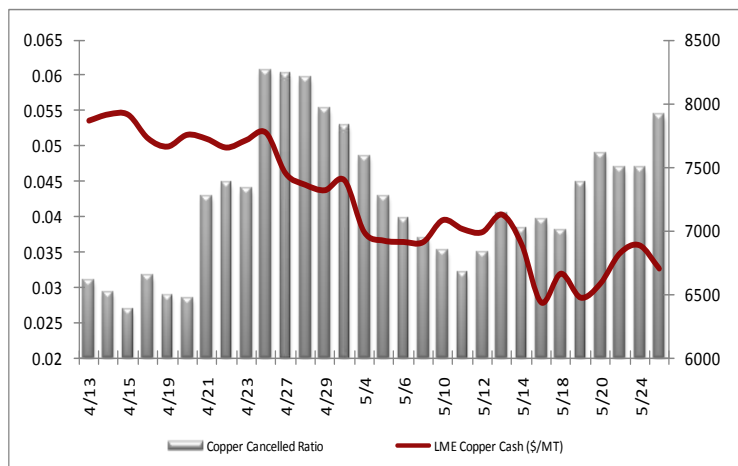
## ALUMINIUM

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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.



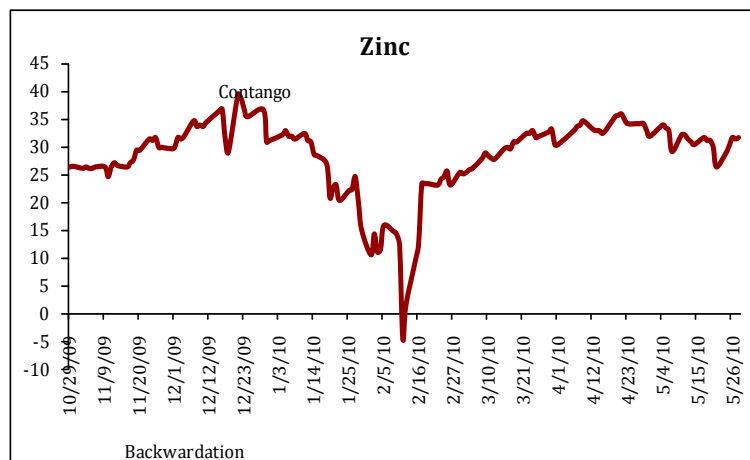
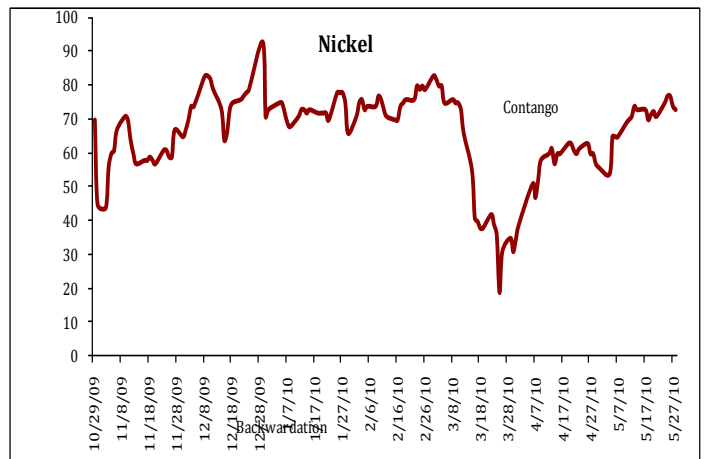
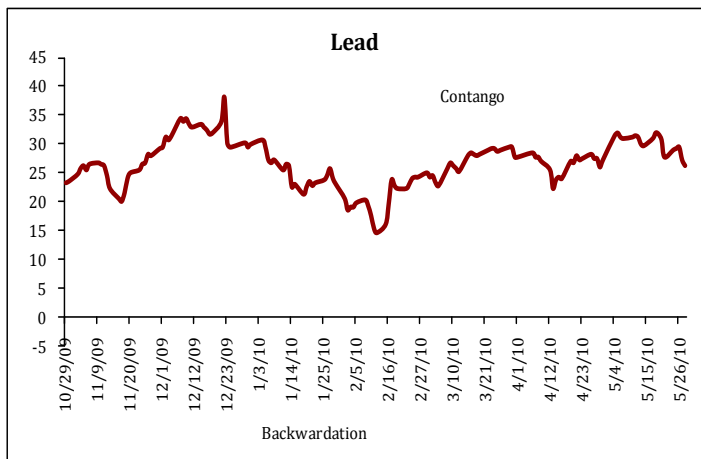
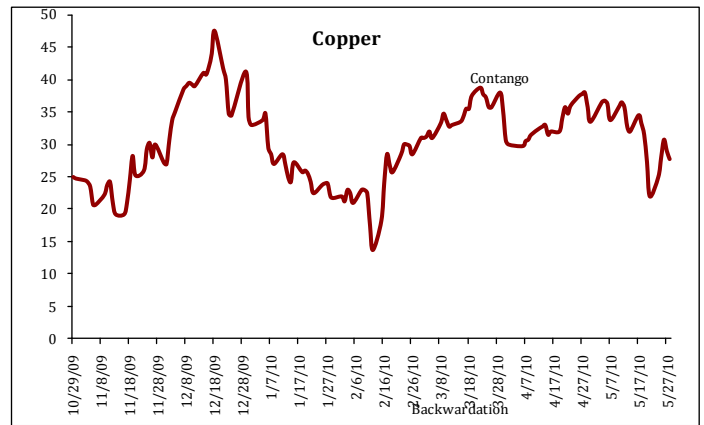
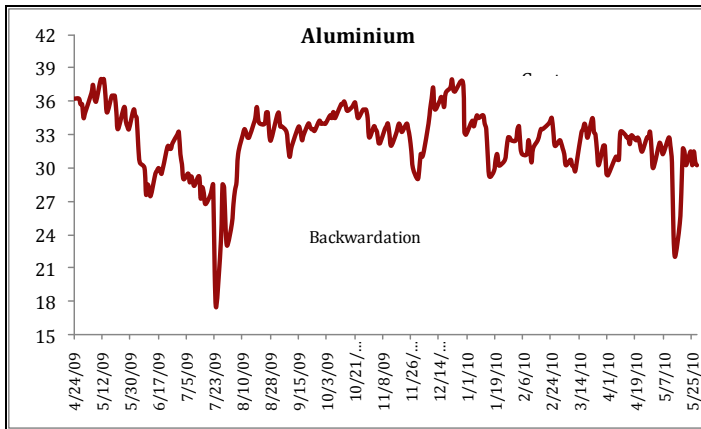
LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	479825	476725	-3100	-0.65%
Zinc	567025	619000	51975	9.17%
Aluminium	4583975	4561400	-22575	-0.49%
Lead	186650	190600	3950	2.12%
Nickel	139518	138504	-1014	-0.73%

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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	305.55	309.7	4.15	1.36%

WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	101242	101632	390	0.39%

## Commodity Futures Trading Commission (CFTC) Report- Copper

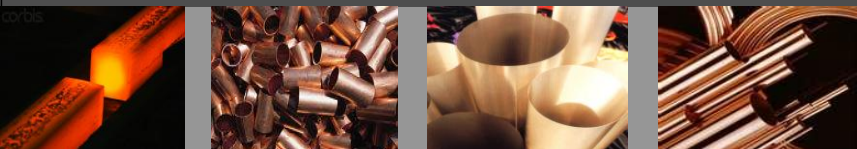
According to the US CFTC data, the market's movement was higher last week, while we saw heavy fall in the long and short positions in Non-commercials sector. The overall spread in non-commercial sector fell by 3.31% to 19,007 positions from the prior 19,658. However, in the commercial sector, long positions rise by 4.74% while short positions fell by 0.89%. Among the total group, the long positions fell by 0.30% while the short positions by 0.58%. 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	5/18/2010	5/25/2010	Change	% Change
Long	35258	32592	-2666	-7.56%
Short	28033	28609	576	2.05%
Spreading	19658	19007	-651	-3.31%
Commercial				
Long	62602	65569	2967	4.74%
Short	66681	66089	-592	-0.89%
Total				
Long	117518	117168	-350	-0.30%
Short	114372	113705	-667	-0.58%

## SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	53480	56210	2730	5.10%
Zinc	15060	17995	2935	19.49%
Aluminum	14750	16515	1765	11.97%

WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	167789	157698	-10091	-6.01%
Zinc	288438	295234	6796	2.36%
Aluminium	489495	494688	5193	1.06%

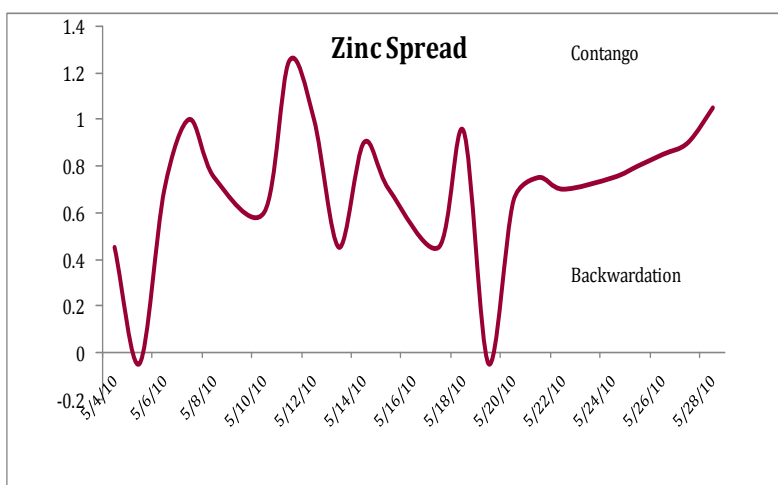
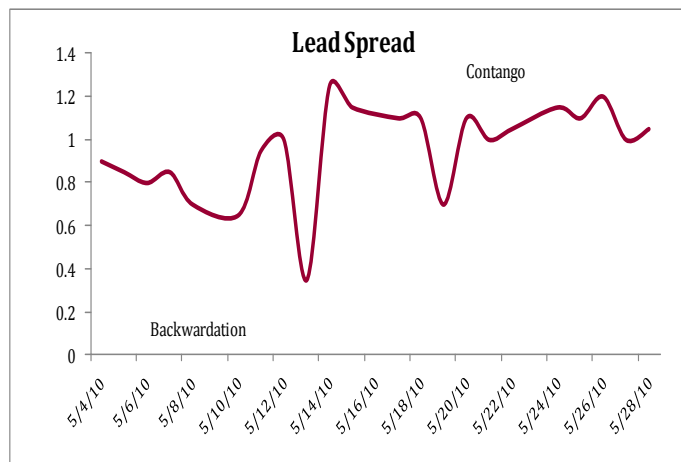
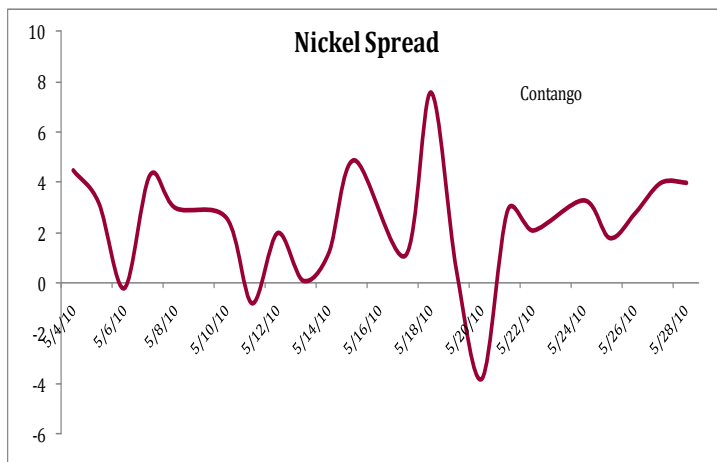
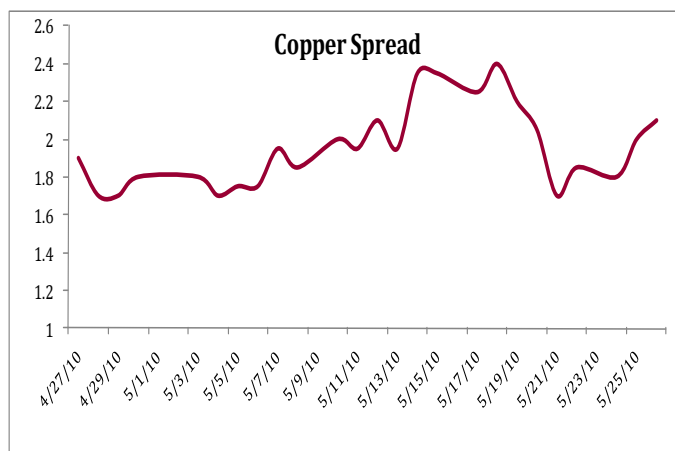
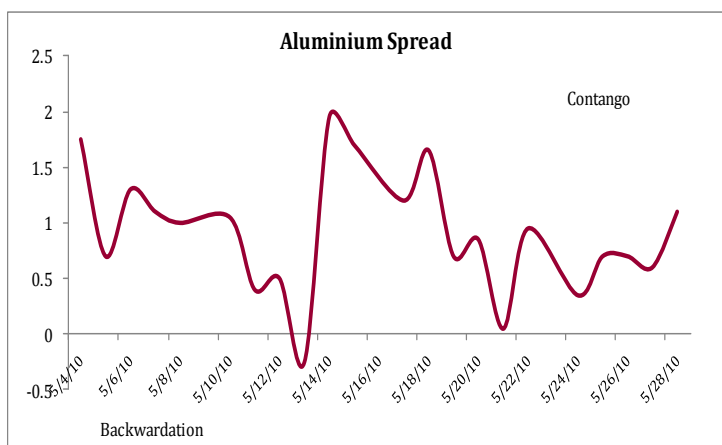


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## CALENDAR SPREAD

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



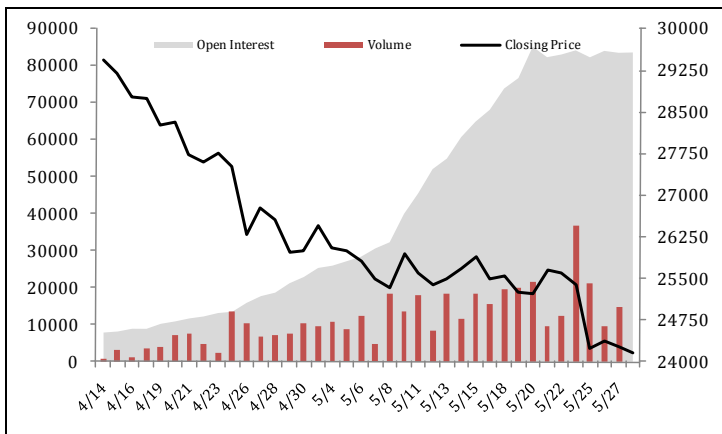
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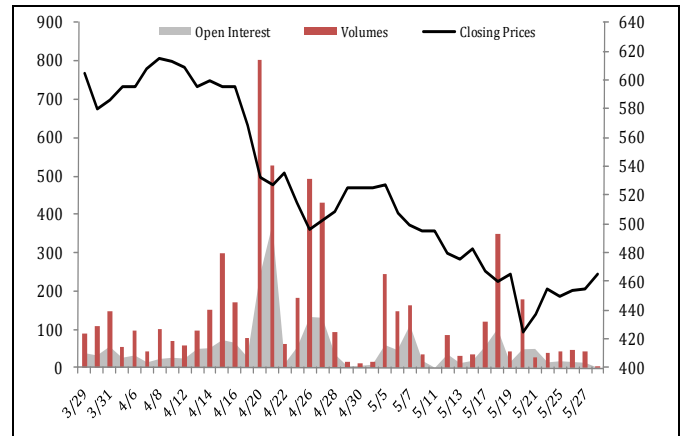
### STEEL

Commodity	Contracts	Open	High	Low	Close	Close % Change	Volume	Volume % Change	Open Interest	Open Interest % Change
Steel NCDEX (Rs/tonnes)	June	25520	25560	24010	24150	-5.70%	95370	-9.21%	83540	0.67%
	July	25910	25950	24410	24540	-5.87%	16920	34.50%	11600	45.73%
	August	26320	26320	24890	24980	-6.20%	2030	283.02%	980	19.51%

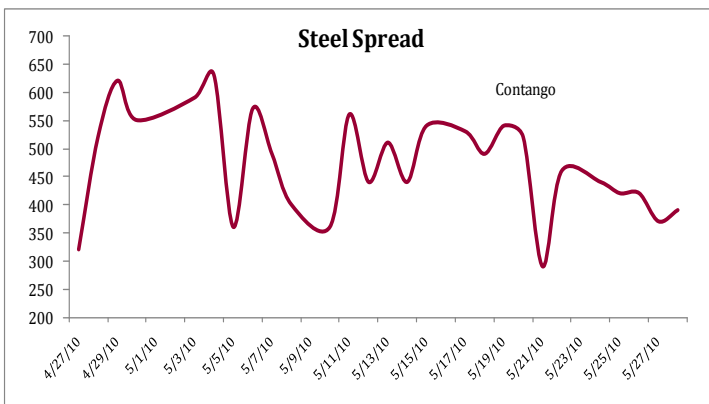
- The active steel June futures contract continued their sell-off for the previous week as prices ticked low by 5.70%. Investors increased the participation in mid months contract as the open interest and volumes rose as compared to the near month contract
- The steel long futures weaken on account of falling international prices, subdued demand for the alloy ahead of monsoon and falling prices of key input like iron ore
- Market reports stated that most of the main producers (SAIL, JSW, Ispat) have planned to reduce the prices of flat and long products by Rs 1,500 to 2,000/MT on reasons cited above
- The prices of iron ore are reported to have touched a recent low of under US \$150/MT for deliveries to China. This is on account of the lower Chinese buying due to comfortable iron ore stock position and the falling prices within China for all the finished steel products
- **Week ahead we expect Steel Long June NCDEX prices to move in range of 23,300 to 24,600, bias is on downside**



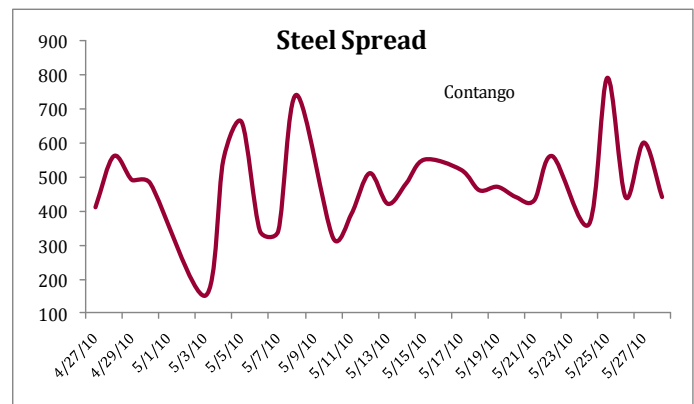
NCDEX- Steel Long PVO chart



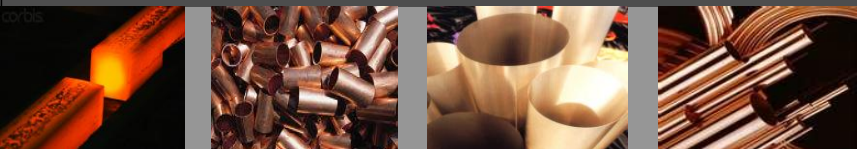
LME- 3-month Forwards Steel Billets



NCDEX Steel (July- June Calendar Spread)



NCDEX Steel (August- July Calendar Spread)

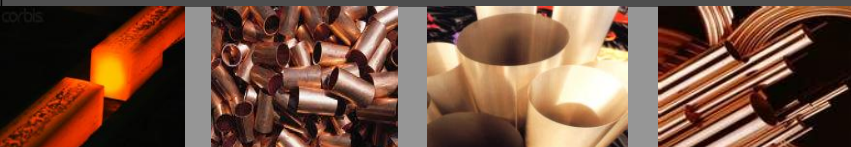


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## DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
05/31/2010	14:30	EC	Euro-Zone Indust. Confidence	MAY	-7	-7
05/31/2010	14:30	EC	Euro-Zone Consumer Confidence	MAY F	-18	-18
05/31/2010	14:30	EC	Euro-Zone Economic Confidence	MAY	100.6	100.6
05/31/2010	14:30	EC	Euro-Zone CPI Estimate (YoY)	MAY	1.70%	1.50%
05/31/2010	14:30	EC	Euro-zone Services Confidence	MAY	6	5
06/01/2010	11:30	GE	Retail Sales (MoM)	APR	1.00%	-2.40%
06/01/2010	13:25	GE	Unemployment Change (000's)	MAY	-18K	-68K
06/01/2010	13:25	GE	PMI Manufacturing	MAY F	58.3	58.3
06/01/2010	13:30	EC	PMI Manufacturing	MAY F	55.9	55.9
06/01/2010	14:30	EC	Euro-Zone Unemployment Rate	APR	10.00%	10.00%
06/01/2010	19:30	US	ISM Manufacturing	MAY	59	60.4
06/01/2010	19:30	US	ISM Prices Paid	MAY	72	78
06/01/2010	19:30	US	Construction Spending MoM	APR	0.10%	0.20%
06/01/2010	20:00	US	Dallas Fed Manf. Activity	MAY	18.60%	21.10%
06/02/2010	14:30	EC	Euro-Zone PPI (MoM)	APR	0.70%	0.60%
06/02/2010	19:30	US	Pending Home Sales MoM	APR	5.00%	5.30%
06/02/2010	19:30	US	Pending Home Sales YoY	APR	21.00%	23.50%
06/03/2010	02:30	US	Domestic Vehicle Sales	MAY	8.90M	8.78M
06/03/2010	02:30	US	Total Vehicle Sales	MAY	11.40M	11.21M
06/03/2010	13:25	GE	PMI Services	MAY F	53.7	53.7
06/03/2010	13:30	EC	PMI Services	MAY F	56	56
06/03/2010	13:30	EC	PMI Composite	MAY F	56.2	56.2
06/03/2010	14:30	EC	Euro-Zone Retail Sales (YoY)	APR	-0.10%	-0.10%
06/03/2010	18:00	US	Nonfarm Productivity	1Q F	3.40%	3.60%
06/03/2010	18:00	US	Unit Labor Costs	1Q F	-1.50%	-1.60%
06/03/2010	18:00	US	Initial Jobless Claims	29-May	453K	460K
06/03/2010	18:00	US	Continuing Claims	22-May	4610K	4607K
06/03/2010	19:30	US	Factory Orders	APR	1.70%	1.30%
06/03/2010	19:30	US	ISM Non-Manf. Composite	MAY	55.7	55.4
06/04/2010	14:30	EC	Euro-Zone GDP s.a. (QoQ)	1Q P	0.20%	0.20%
06/04/2010	18:00	US	Change in Nonfarm Payrolls	MAY	508K	290K
06/04/2010	18:00	US	Unemployment Rate	MAY	9.80%	9.90%



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