

Metals Weekly

A Weekly Report on Base Metals

PERFORMANCE SNAPSHOT

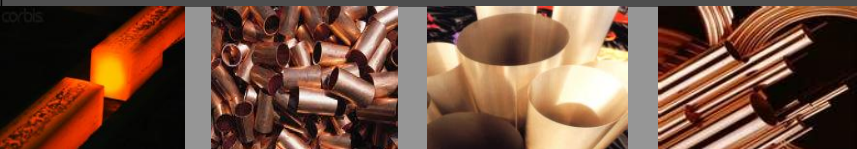
Exchange	Commodity	Open	High	Low	Close	Close Change	%	Volume	Volume % Change	Open Interest	Open Interest % Change
LME 3-mth Forward (USD/tonne)	Copper	6525.25	6775	6310	6435	-0.68		139,561	-31.27	2,236	-37.89
	Zinc	1732	1876	1722	1730	-0.57		66,895	-25.66	1,782	-24.04
	Lead	1690	1785.5	1685	1745	4.49		25,928	-4.77	911	-23.70
	Nickel	19550	20550	19250	19590	0.23		26,699	-29.85	369	-66.27
	Aluminium	1951	2043	1933	1944	-0.05		108,499	-10.89	3,612	5.28
MCX Futures (Rs./Kg)	Copper	307.9	315.35	294.7	297.5	-3.24		44,169	6.32	7,989	45.23
	Zinc	82.75	86.85	80.15	80.5	-2.19		7,981	14.23	1,736	73.95
	Lead	80	83.25	79.6	80.7	1.13		6,559	-8.76	1,555	33.94
	Nickel	923.6	956.3	898.6	907.7	-1.49		23,688	-7.43	2,357	-0.80
	Aluminium	91.75	94.8	89.3	89.65	-2.34		1,811	61.26	428	30.09

MARKET RECAP

- In the previous week, metal prices try to continue the recovery phase earned in penultimate week, while turned down hopes in later part of the week due to off-putting data releases. Moreover, losses on MCX front were higher due to rupee appreciation of more than 1% during the week. Prices are still vulnerable to the short term shakes, and could loose on any trigger from China, Euro or the US—being the major consumers
- The optimistic statements by Fed officials and ECB president suggested that the downfall is overdone and prices tend to recover after falling heavily since the start of 2010
- Moreover, the euro has rebounded from the lowest level in four years; rally started in the previous week as the demand auction yield good results. The auctions in Spain, Ireland and Belgium managed to ease debt concerns in the Euro-zone, overrunning the blows of junk or non-investment grade ratings of Greece bonds by Moody Investors Services
- On the demand supply arena, as per the World Bureau of Metal Statistics --the global copper market recorded a surplus of 177,000 tonnes from January to April 2010, versus a surplus of 59,900 in the same period last year. World mine production of copper was 5.09 million tonnes, 1.3% higher than in the same months of 2009

ECONOMIC INDICATORS

- The U.S. current account deficit increased to \$109.0 billion, or 3.0% of GDP in the first quarter of 2010, up from \$100.9 billion in the fourth quarter of 2009, or 2.8% of GDP
- Building Permits in May 2010 were 574,000, a decrease of 5.9% from April, but 4.4% above the May 2009 estimate. Housing Starts declined 10.0% from the prior month, to 593,000-- 7.8% above the May 2009 level. The fall came after the expiration of a government tax credit, due June 2010
- The U.S. current account deficit increased to \$109.0 billion, or 3.0% of GDP in the first quarter of 2010, up from \$100.9 billion in the fourth quarter of 2009, or 2.8% of GDP
- The Initial Jobless Claims for the week ending June-12 are expected rose by 12,000 to 472,000 versus fall of 6,000, while the continuing claims for week ending June-5 are rising by 109,000 against the expected rise of 38,000
- Overall industrial production in May surged 1.2%, following a 0.7% boost the month before. The latest number was stronger than the consensus forecast for 1.0%
- Sovereign debt troubles in Europe have tripped a very significant inflow into long-term U.S. securities, at \$83.0 billion in April on top of March's enormous inflow of \$140.5 billion. Total flow, including short-term securities, rose \$15.0 billion in April vs. March's inflow of \$26.0 billion



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INDUSTRIAL UPDATES

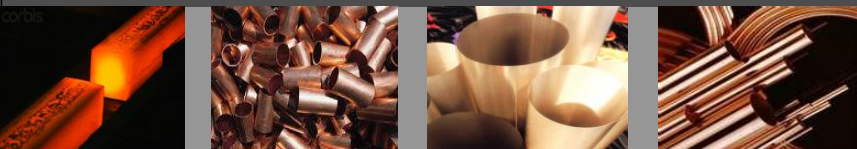
- Alcoa continues to assess the damage to its Aviles aluminum smelter in Spain, hit late last week by a severe flood to the region and was working to reduce the impact on customer shipments from the plant
- Australia's Miitel nickel mine could be bigger than previously estimated, citing new exploration data revealing a possible second nickel deposit. The west Australian mine site is now being reactivated after it was mothballed in December 2008 due to depressed metals prices—and set to return to previous annual production of 4,500 -5,000 tonnes of nickel to meet demand from stainless steel makers
- Workers at metals producer Doe Run Peru began a protest demanding the company resume production at its La Oroya smelter, which has been offline for a year due to financial troubles. The Peruvian government said Doe Run Peru must restart the plant by July 24 or it will shut down the smelter for good
- The Lisbon-based ILZSG's monthly bulletin stated global zinc and lead market were in surplus by 180,000 and 46,000 tonnes respectively in January-April 2010. Global zinc use was 3.941 million tonnes compared with 3.197 million in January-April 2009, while global lead use was 2.795 million tonnes compared with 2.701 million

OUTLOOK

- Some of the world's biggest zinc mines are line up to close in the long run, accelerating fears of acute shortages of supplies to zinc smelters in coming years. But industry experts say there will be enough new mine projects, restarts, expansions and stocks to do the needful
- The European Union leaders have come on to consensus to disclose the banks performance on the stress tests—a move to show the investors that the economies financial system has the potential to withstand financial turmoil
- The data release from the US includes Existing Home Sales, New Home Sales, Housing Prices Index, Durable Goods Orders, Personal Consumption, Initial Jobless Claims, and Continuing Claims. As per the Bloomberg expectations, most of the data releases are disconcerting in the market as thus would pressurize prices to wade low
- The FOMC Rate Decision for the meeting held on June 23rd, would be a crucial event to watch for. Although the government is aimed to keep the policy rates unchanged at 0.25%, the discussions by Fed Officials and outlook for the economic recovery would help to set the tone for demand of metals in the second largest consumer in world
- Next week, the base metal complex is expecting some downside correction. The prior week data releases on weaker housing starts and building permits would weigh on the existing and new home sales as the Government tax credit program is due to expire this month end. Moreover, the heavy rise in first and existing jobless claims will apprehend investors for a similar rise in these weeks' claims as well. Decelerating data releases from Euro-zone would weaken Euro and in turn provide strength to dollar—another factor to weigh on currency denominated commodities. *Overall the trend would remain bearish*

Indices	Last Week	This Week	% Change
Dow Jones Ind. Avg.	10211.07	10450.64	2.35%
S&P 500 Index	1091.60	1117.51	2.37%
FTSE 100 Index	5163.68	5250.84	1.69%
Nikkei 225	9705.25	9995.02	2.99%
Shanghai Composite	2569.94	2513.22	-2.21%
Sensex	17064.95	17570.00	2.96%

Currency	Last Week	This Week	% Change
Dollar Index	87.507	85.699	-2.07%
EUR/USD	1.2112	1.2388	2.28%
GBP/USD	1.4552	1.4824	1.87%
USD/INR	46.845	46.1744	-1.43%



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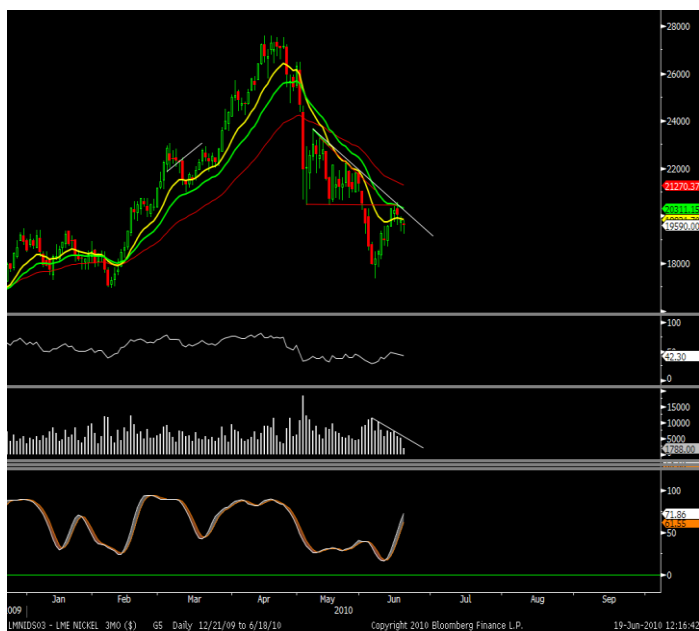
TECHNICAL PREFACE



LME 3-Forward	S	\$1573	R	\$1873
MCX- June	S	72	R	83.30

LME ZINC

● **Zinc – 3M Forward LME:** Zinc prices traded higher for the first half of the week and resume the downtrend in second half by posting a marginal drop of 0.5%. Last week, market witnessed a high of \$1876 and finally closed at \$1730. Prices have closed near the open price (\$1732) suggesting indecisiveness in the market. Market is trading below 13, 22 & 45 EMA suggesting bearish view for the week. As per Fibonacci principles, market is witnessing resistance at 23.6% retracement (\$2550-\$1575 moves) at \$1805 levels sustain below the same expected to trade lower for the week. Market is witnessing a trend line support at \$1708-\$1700 range sustain above the same likely to witness choppy trading sessions. The momentum indicator, RSI (14) is trading sideways at 0.38 implying market may witness sideways movement for the week. Overall, above analysis implies that market is expected to trade sideways for the week



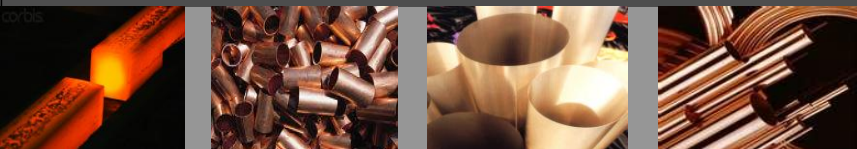
LME 3-Forward	S	\$18000	R	\$20550
MCX- June	S	848	R	952

LME NICKEL

● **Nickel- 3 month Forward LME:** Nickel prices traded higher for the first half of the week and resume the downtrend in second half by posting a marginal gain of 0.23%. Last week, market made a high of #20550 and finally closed at \$19590. Prices have closed near open price (\$19550) suggesting indecisiveness in market for the week. Market is witnessing trend line resistance at \$20550 sustain below the same likely to trade lower for the week. The momentum indicator, RSI (14) daily is trading sideways at 0.42 suggesting market may witness choppy trading sessions for the week. On daily chart, prices are still trading below 13, 22 & 45 EMA suggesting bearish sentiments may persist for the week. Last week, market has traded with gradual decreasing volume suggesting sideways movement with choppy trading sessions. Overall, above analysis implies that market is expected to trade sideways for the week

● **Recommendation-Nickel- 3M Forward LME -Sell** at 20062 targeting 18820 then 17948 with stop loss at 20900.

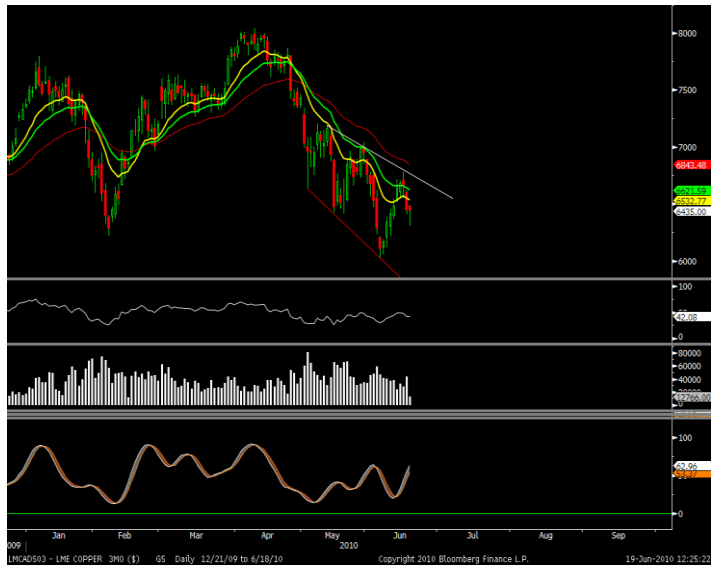
Nickel- June MCX: Sell in the range of 934-937 targeting 889 then 848 with stop loss at 970



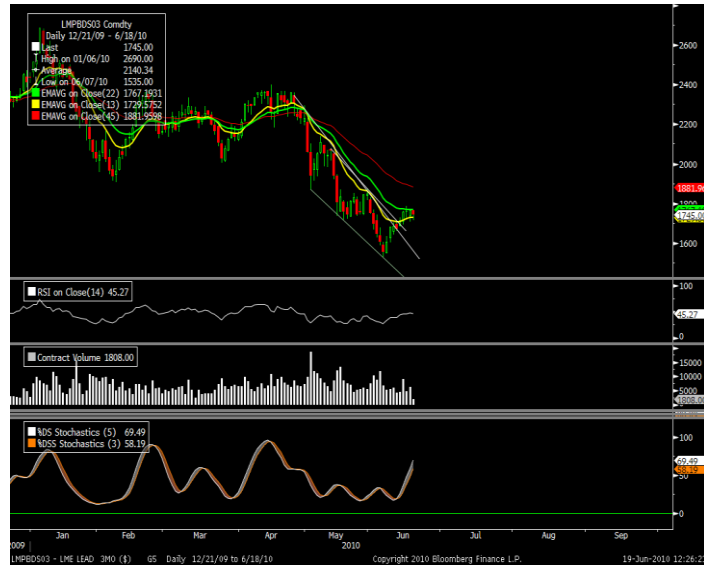
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TECHNICAL PREFACE



LME 3-Forward	S	\$6100	R	\$ 6782
MCX- June	S	284	R	311



LME 3-Forward	S	\$1600	R	\$1876
MCX- June	S	72.55	R	85.25

COPPER

LEAD

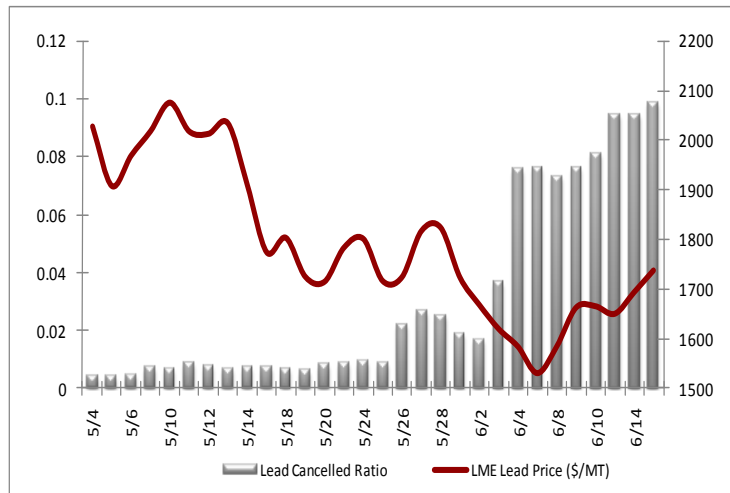
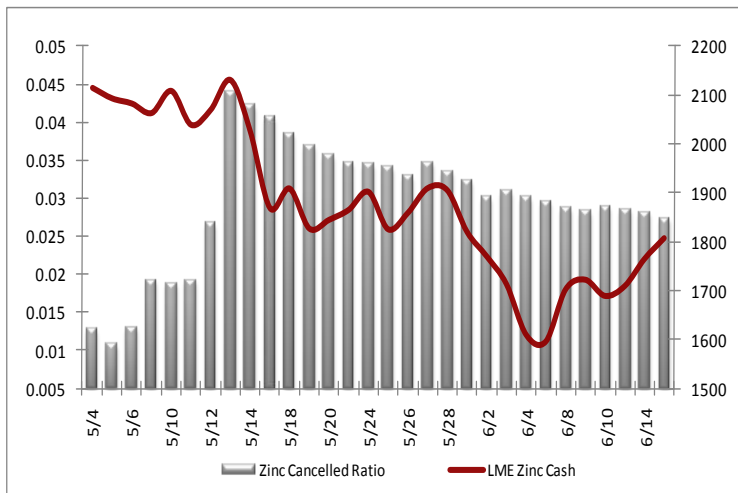
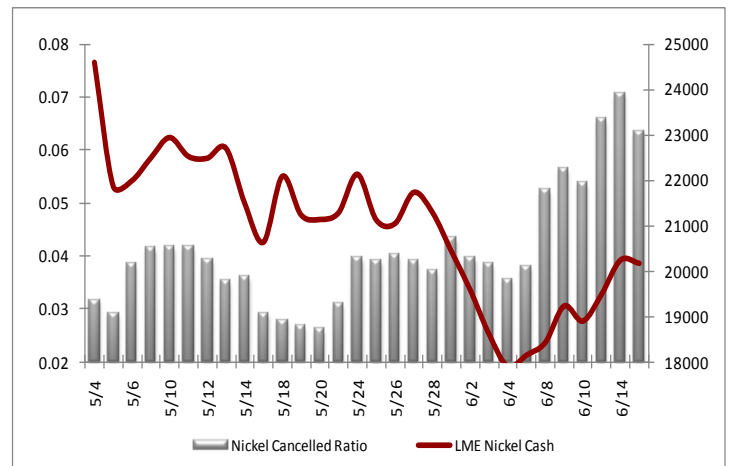
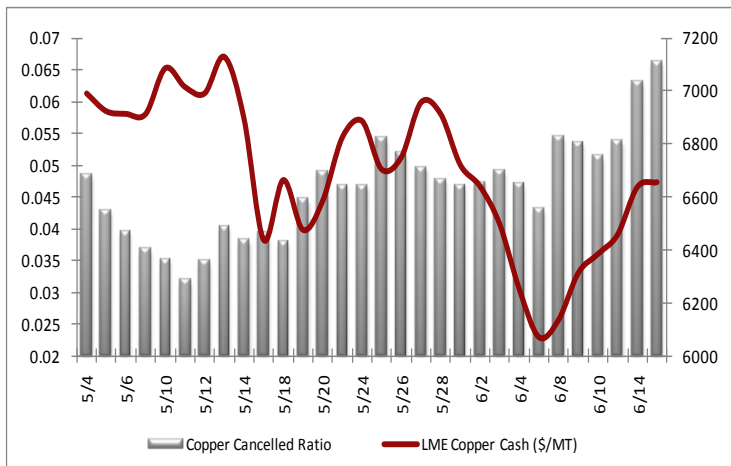


LME 3-Forward	S	\$1858	R	\$2044
MCX- June	S	85	R	94

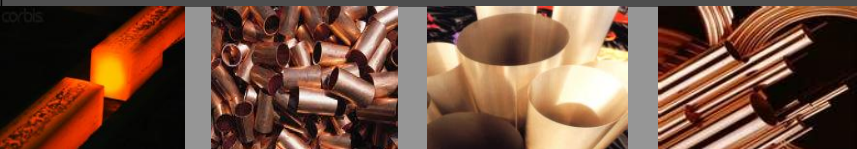
ALUMINIUM

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	465000	457425	-7575	-1.63%
Zinc	617125	618025	900	0.15%
Aluminium	4496725	4474175	-22550	-0.50%
Lead	192825	189800	-3025	-1.57%
Nickel	133794	129798	-3996	-2.99%

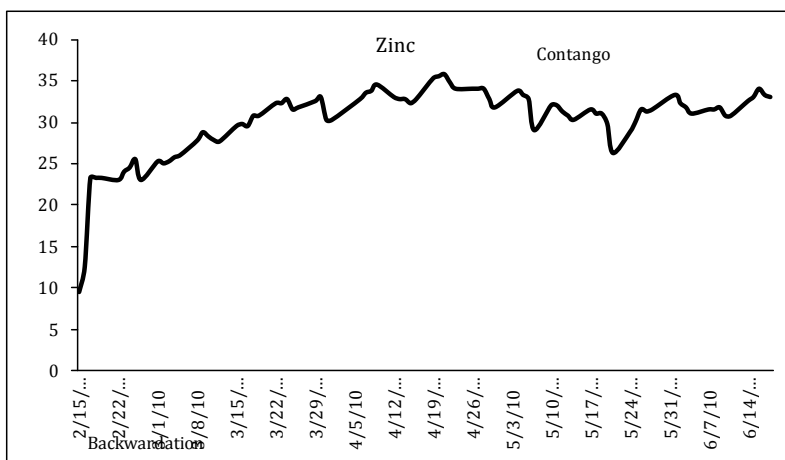
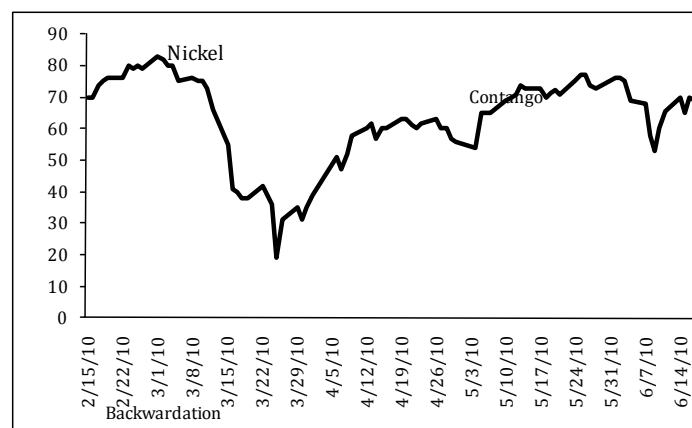
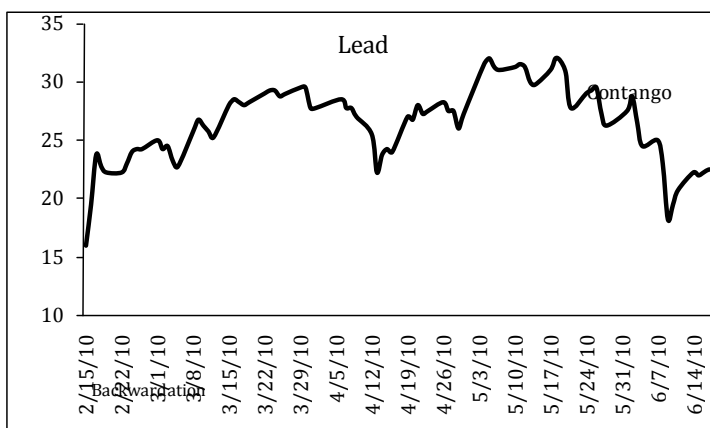
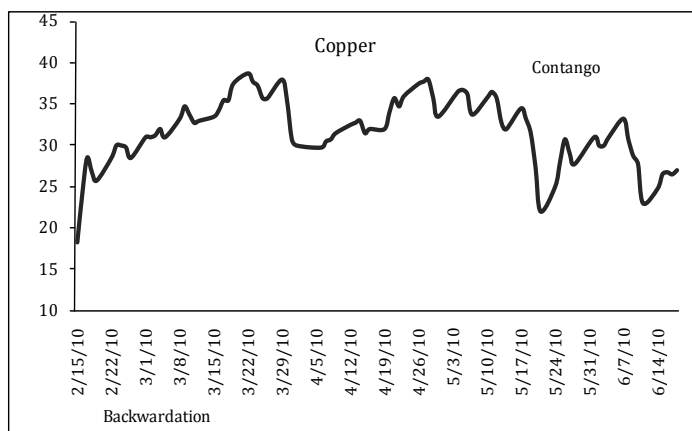
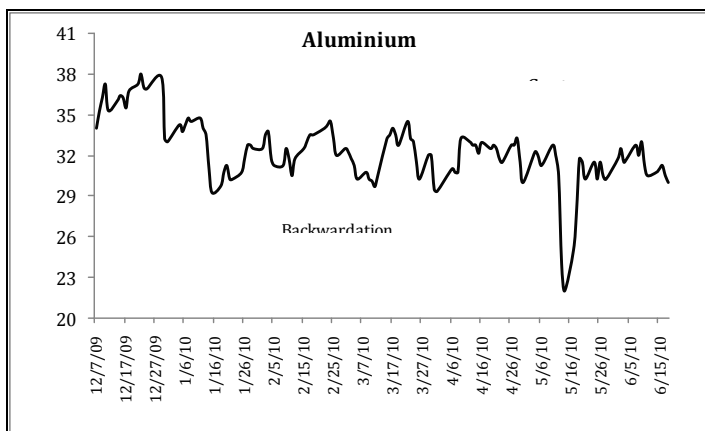


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BASIS CHARTS

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	290.4	288.4	-2	-0.69%

WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	102110	101925	-185	-0.18%

Commodity Futures Trading Commission (CFTC) Report- Copper

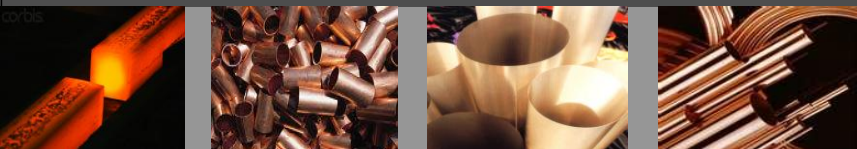
According to the US CFTC data, the market's movement was higher last week, as the prices tried to recover after a spate of long fall. The overall spread in non-commercial sector rose to 8.23% to 20,044 positions from the prior 18,520. However, in the commercial sector, long positions rose by 11.90% while short positions by 9.11%. Among the total group, the long positions rose modest by 6.96% while the short positions rose by 5.38%. 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	6/8/2010	6/15/2010	Change	% Change
Long	34347	33306	-1041	-3.03%
Short	33065	31870	-1195	-3.61%
Spreading	18520	20044	1524	8.23%
Commercial				
Long	64794	72502	7708	11.90%
Short	65497	71463	5966	9.11%
Total				
Long	117661	125852	8191	6.96%
Short	117082	123377	6295	5.38%

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	51500	56210	4710	9.15%
Zinc	14175	17995	3820	26.95%
Aluminum	14420	16515	2095	14.53%

WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	139332	135944	-3388	-2.43%
Zinc	290926	267740	-23186	-7.97%
Aluminium	498068	498008	-60	-0.01%

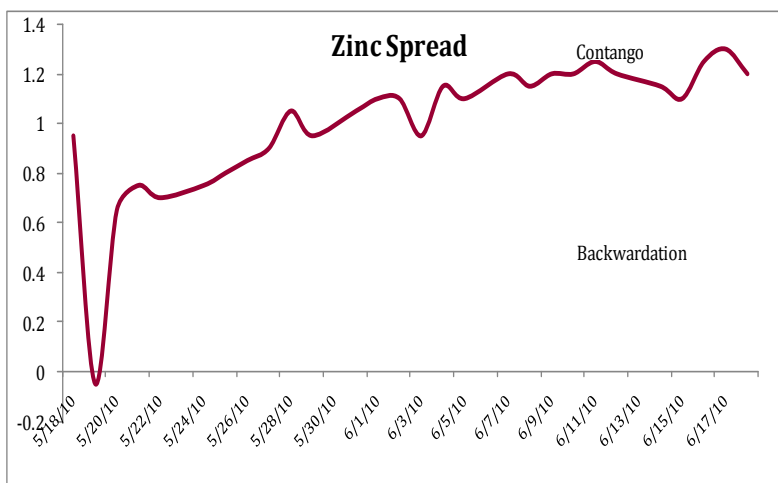
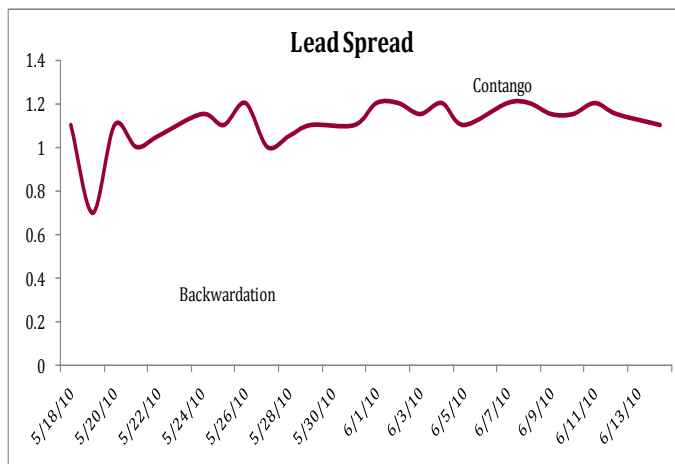
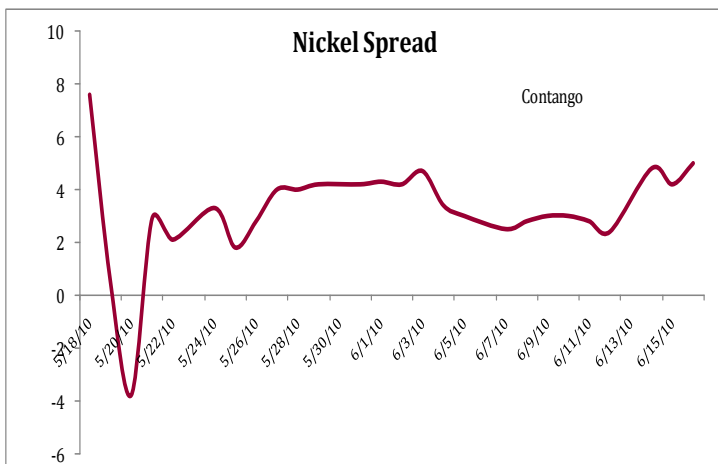
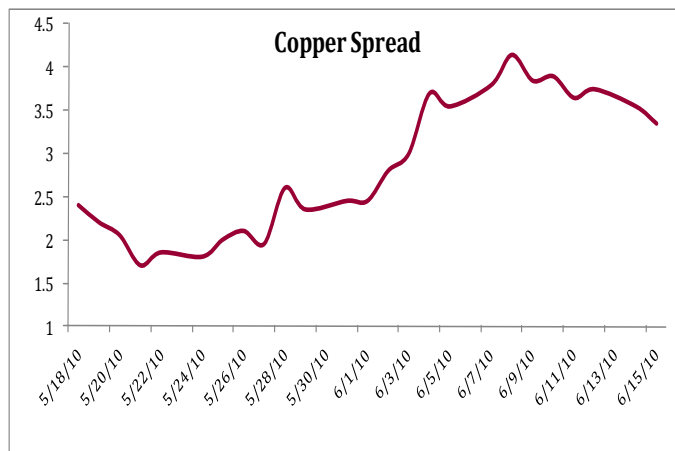
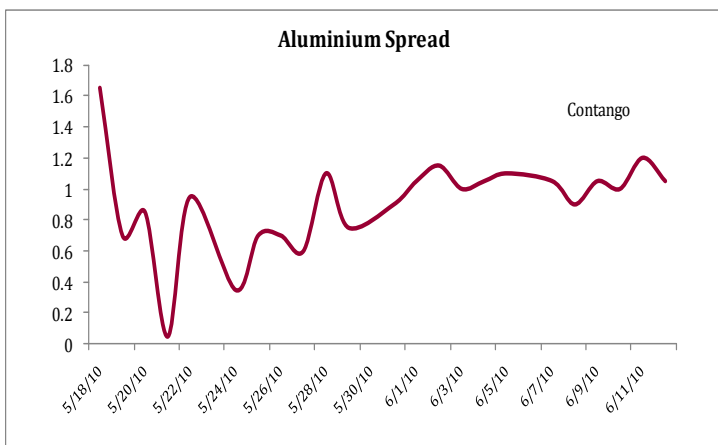


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CALENDAR SPREAD

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.



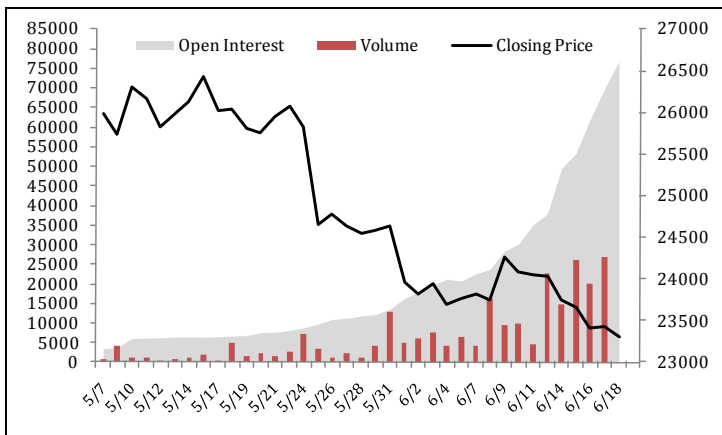
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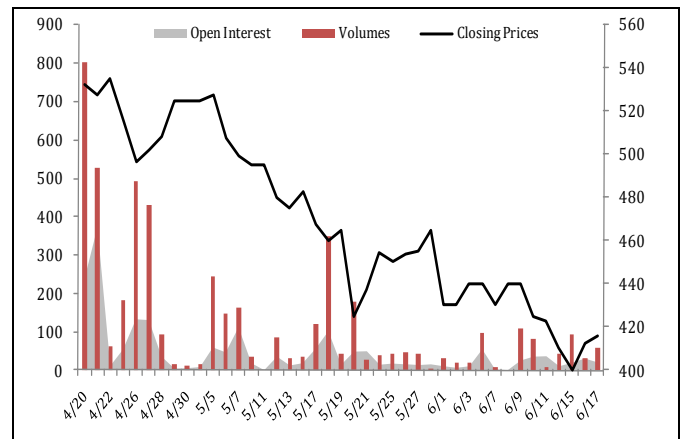
STEEL

Commodity	Contracts	Open	High	Low	Close	Close % Change	Volume	Volume % Change	Open Interest	Open Interest % Change
Steel NCDEX (Rs/tonnes)	July	24120	24150	23250	23310	-3.00%	110040	117.60%	76850	103.68%
	August	24410	24410	23670	23670	-2.75%	8970	127.66%	7510	139.94%
	September	24450	24550	24100	24140	-1.55%	320	-20.00%	430	65.38%

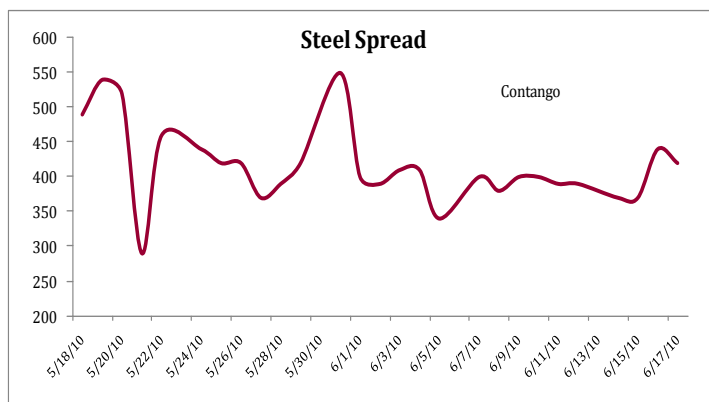
- The active steel June futures contract continue to wade low as the market remains unclear about the decisions of major steel makers over further price cuts. Prices lost 3.00% to settle at Rs.23,310/tonnes. Bleak demand of the finished products and huge stocks in many parts of the country are resisting the prices of Ingot to gain
- Market also witnessed heavy roll over in positions to July contract as the June contract near expiry. The markets are weighed down by the poor sales of finished steel products in India and abroad. Despite reduction in prices on a frequent basis, the sales of finished steel are dreary
- The industry experts quoted that the mounting of inventories and reduced off-take in the physical market kept weight on steel futures prices
- **Week ahead we expect Steel Long NCDEX prices to move in range of Rs. 22820-24280/tonnes bias is on downside**



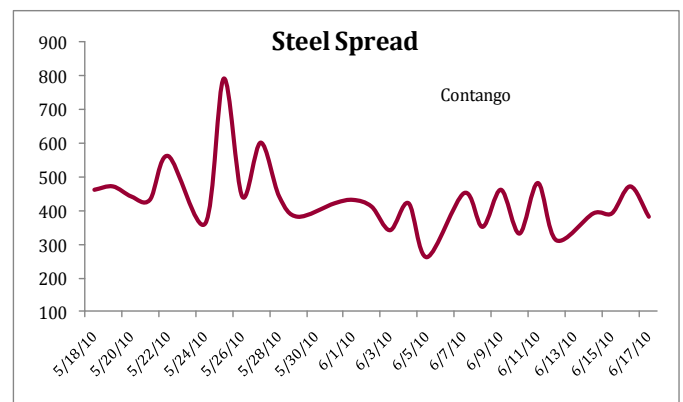
NCDEX- Steel Long PVO chart



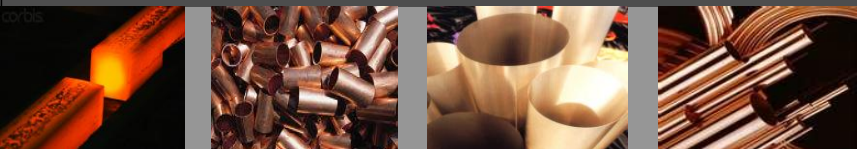
LME- 3-month Forwards Steel Billets



NCDEX Steel (July- June Calendar Spread)



NCDEX Steel (August- July Calendar Spread)

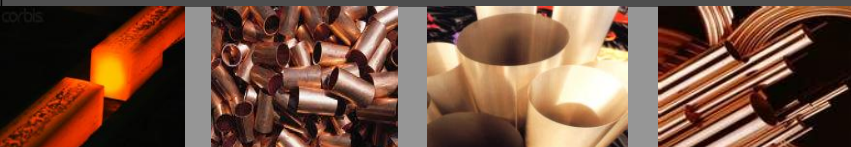


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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
06/22/2010	13:30	EC	ECB Euro-Zone Current Account SA	APR	--	1.7B
06/22/2010	13:30	EC	Euro-Zone Current Account nsa	APR	--	1.3B
06/22/2010	19:30	US	Existing Home Sales	MAY	6.15M	5.77M
06/22/2010	19:30	US	Existing Home Sales MoM	MAY	6.50%	7.60%
06/22/2010	19:30	US	House Price Index MoM	APR	0.30%	0.30%
06/22/2010	19:30	US	Richmond Fed Manufact. Index	JUN	20	26
06/22/2010	19:30	EC	Euro-Zone Consumer Confidence	JUN A	-19	-18
06/23/2010	02:30	US	ABC Consumer Confidence	20-Jun	--	-45
06/23/2010	13:00	GE	PMI Services	JUN A	54.7	54.8
06/23/2010	13:00	GE	PMI Manufacturing	JUN A	58	58.4
06/23/2010	13:30	EC	PMI Services	JUN A	55.9	56.2
06/23/2010	13:30	EC	PMI Manufacturing	JUN A	55.3	55.8
06/23/2010	13:30	EC	PMI Composite	JUN A	55.8	56.4
06/23/2010	19:30	US	New Home Sales	MAY	410K	504K
06/23/2010	19:30	US	New Home Sales MoM	MAY	-18.70%	14.80%
06/23/2010	23:45	US	FOMC Rate Decision	23-Jun	0.25%	0.25%
06/24/2010	14:30	EC	Industrial New Orders SA (MoM)	APR	1.60%	5.20%
06/24/2010	14:30	EC	Industrial New Orders SA (YoY)	APR	21.80%	19.80%
06/24/2010	18:00	US	Durable Goods Orders	MAY	-1.30%	2.90%
06/24/2010	18:00	US	Durables Ex Transportation	MAY	1.00%	-1.00%
06/24/2010	18:00	US	Initial Jobless Claims	19-Jun	460K	472K
06/24/2010	18:00	US	Continuing Claims	12-Jun	4560K	4571K
06/24/2010	18:30	US	RPX Composite 28dy Index	30-Apr	--	190.36
06/24/2010	18:30	US	RPX Composite 28dy YoY	APR	--	2.17%
06/25/2010	07:30	CH	Industrial Profits YTD YoY	MAY	--	119.70%
06/25/2010	11:30	GE	Import Price Index (MoM)	MAY	0.20%	2.00%
06/25/2010	18:00	US	GDP QoQ (Annualized)	1Q T	3.00%	3.00%
06/25/2010	18:00	US	Personal Consumption	1Q T	3.50%	3.50%
06/25/2010	19:25	US	U. of Michigan Confidence	JUN F	75.5	75.5



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