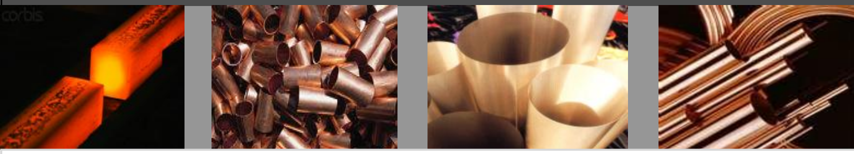
KARVY COMTRADE LIMITED



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	6479	7090	6470	7029	8.39	151,752	-0.59	3,087	17.33
	Zinc	1790	1962	1785	1906	6.10	80,990	-1.71	2,022	-32.64
	Lead	1770	1983.75	1755.5	1979	11.81	33,012	46.71	1,264	-2.02
	Nickel	19200	20631	18700	20355	7.41	23,787	-3.59	697	-20.07
	Aluminium	1975	2070	1947.5	2030	2.63	121,194	11.92	2,060	-52.15
MCX Futures (Rs./Kg)	Copper	306.7	332.9	306.7	330.65	7.98	763,825	18.09	36,213	14.31
	Zinc	85.3	92.2	85.3	90.7	6.77	11,599	101.69	1,988	89.88
	Lead	85.05	92.55	84	92.35	9.55	9,397	70.02	1,674	102.91
	Nickel	905.5	971.6	895	964.3	6.92	28,825	94.68	2,463	12.83
	Aluminium	94.35	96.9	92.9	95.9	2.13	3,857	85.08	789	145.79

MARKET RECAP

- In terms of price movement, base metal complex witnessed one of the best weeks of 2010. Lead was the top performer registering gains of 11.81 percent on LME; however the gains on MCX were capped to 9.55 percent. Aluminium continued to be laggard ending with a modest gains of 2.13 percent on MCX
- Most of the economic data, especially from the housing sector, came in better than expected and thus gave a boost to base metal prices. The continuing decline in inventory levels also added to the positive sentiment
- Equity markets were also strong with Shanghai gaining more than 6 percent for the week on expectation of stable economic policies by the government for the rest of the year. This fared well for the base metals as China continues to be the largest consumer of metals

ECONOMIC INDICATORS

- From US, the housing starts data came in lower than expectation and the prior number, however the building permits data was positive. Increase in permits indicates the confidence of increase in future demand for materials. This augurs well for the base metal demand and thereby their prices
- US initial jobless claims increased by 35,000 as against fall being witnessed in the past few weeks. But on the same day, Existing home sales data came in better than expected
- From the Euro-Zone the PMI data for manufacturing, services and composite came in higher than the street expectation and even the prior numbers. This indicated that the fears of economic slowdown in the Euro-Zone were overdone and the situation is not as bad as anticipated. The consumer confidence also fell less than it did in the month of June

FUNDAMENTAL UPDATES:

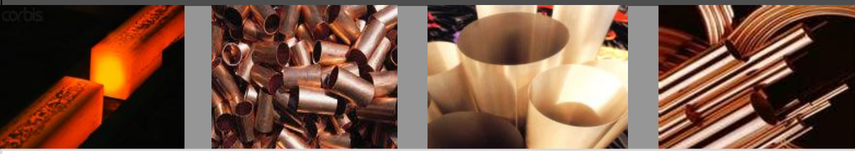
- UC Rusal, the World's largest aluminium producer, has restarted it closed plant given the improving aluminium market. The plant will be opened with improved cost efficiency
- Mincor Resources, an Australian Nickel producer, plans to increase it production between 15,000 to 16,000 tonnes by June 2012
- The M&A activity got a boost after Nyrstar NV, the World's largest Zinc producer, bought two mines in Peru for about $39 million. This shows the expectation of strong demand for the metal over a long term. It also plans to triple their annual output to 40,000 MT by 2012

OUTLOOK

- On Friday, the stress test results from Euro-Zone showed that 7 out of the 91 banks failed the stress test i.e., they will have Tier-1 capital ratio of less than 6 percent following an adverse economic situation. Of this 5 are Spanish banks, one is German and the other is a Greece bank. The total losses under the adverse scenario of all the 91 banks taken together is estimated to be €566 billion by the Committee of European Banking Supervisors
- From the economic data front, the New Home Sales data from US is expected to improve and thus will be positive for the base metal prices. Other data like the initial jobless claims, continuing claims and confidence index are expected to give a mixed picture. US second quarter GDP data is also due for release which is expected to show a slightly slower growth than in the first quarter. Overall the data impact is expected to be mixed
- From the Euro-Zone, economic confidence is expected to improve and the unemployment rate is anticipated to remain at the prior levels. The CPI data is expected to come in higher. All this bodes well for the Euro. So the Euro may continue to show strength and the Dollar index might head lower
- Overall, given the improving economic conditions, a general move towards risky assets and declining inventory levels, base metal prices are expected to continue their run upwards. However, a small bout of profit booking cannot be ruled out, given the gains that traders are sitting on, but that should be used as a buying opportunity

Indices	Last Week	This Week	% Change
Dow Jones Ind. Avg.	10097.90	10424.62	3.24%
S&P 500 Index	1064.88	1102.66	3.55%
FTSE 100 Index	5158.85	5312.62	2.98%
Nikkie 225	9408.36	9430.96	0.24%
Shanghai Composite	2424.27	2572.03	6.09%
Sensex	17955.82	18130.98	0.98%

Currency	Last Week	This Week	% Change
Dollar Index	82.486	82.464	-0.03%
EUR/USD	1.293	1.2909	-0.16%
GBP/USD	1.5301	1.5425	0.81%
USD/INR	46.7725	46.945	0.37%



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TECHNICAL PREFACE

LME Copper

LME 3-Forward	S	$6870	R	$7240
MCX- August.	S	322	R	336

Copper Aug MCX: Buy at 322.40-320.20 TP 336 then 340 SL below 314

- **Copper 3M forward** LME prices gains higher by 5.8% in last week by reversing the previous weeks trend. A symmetrical triangle break out has been given in the last week. Where, prices are expecting to resume at higher in coming weeks with a targeting 7720 levels. After making a high of 7090 it settled at 7031 levels. However, trading higher the long term EMA's and short term EMA's (45 and 9, 18 days) suggests prices to remain higher. The momentum indicator RSI (14) weekly is treading at 0.45 levels and with raising volumes indicating a higher potential upper side. The immediate resistance is at $7240 then followed by $7300 levels. Likewise, on the lower side supports are at $6870 then $6760 levels. We expect prices to trade higher side and advise buying.

- **Recommendation**: Copper 3 month LME- Buy at $6870 TP $7556 and 7720 with stop loss at $6760

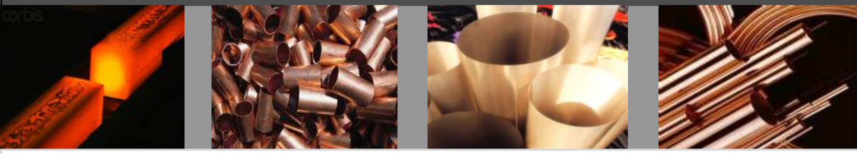
LME Nickel

LME 3-Forward	S	$19980	R	$21025
MCX- July.	S	945	R	980

Nickel July MCX: Buy at 945 -946 TP 980 SL 930

- **Nickel 3M forward** LME prices gains 7.84% higher in last week compared to previous week's close. Market opened at 19200 levels and witnessed a high of 20631 levels. Due to buying pressure at lower levels prices moved higher. Closing of the previous week's candle renders sideways to higher price in upcoming weeks. The momentum indicator RSI (14) weekly is treading at 0.41 levels and showing a higher potential. Fibonacci retracements principle states that prices to remain higher. The immediate resistance is seen at $21025 only breach and sustained trade above 21296 levels may test 22514, and 23733 levels. Likewise, on the lower side supports are at $19980 then $19700 levels. We expect prices to trade higher side and recommend buying.

- **Recommendation:** Nickel LME: Buy at $19980 TP $21200 then 22500 with stop loss below $ 19700



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TECHNICAL PREFACE

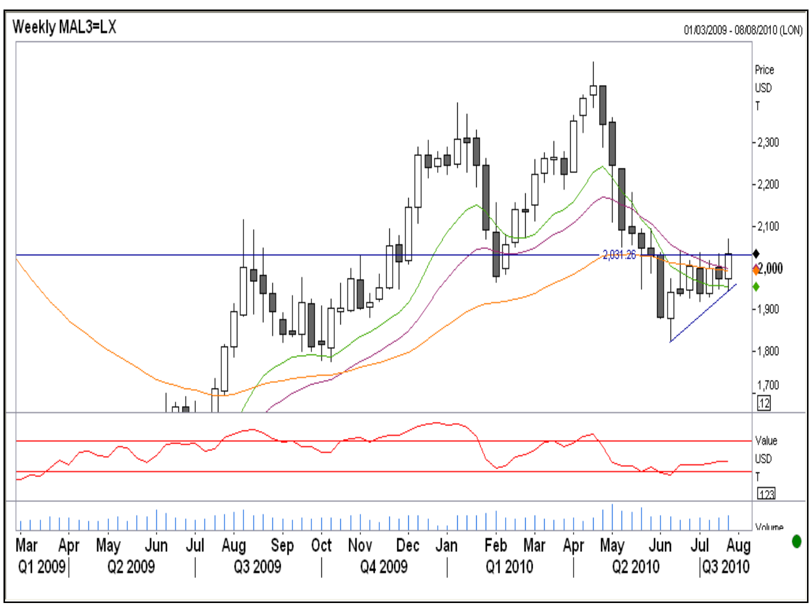
LEAD

LME 3-Forward	S	$1870	R	$2080
MCX- July.	S	88	R	95

ZINC

LME 3-Forward	S	$1990	R	$2085
MCX- July.	S	87.40	R	94

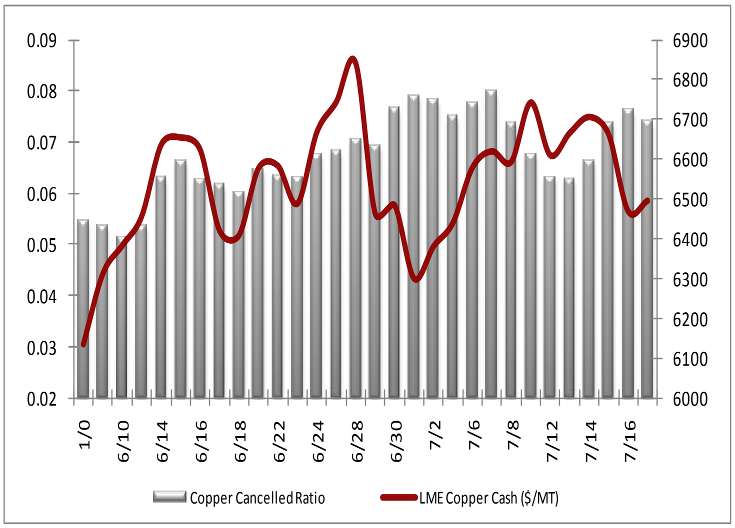
ALUMINIUM

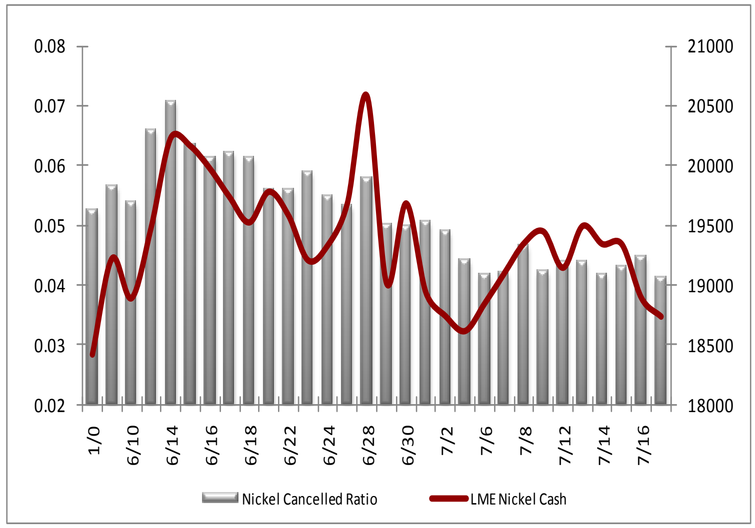


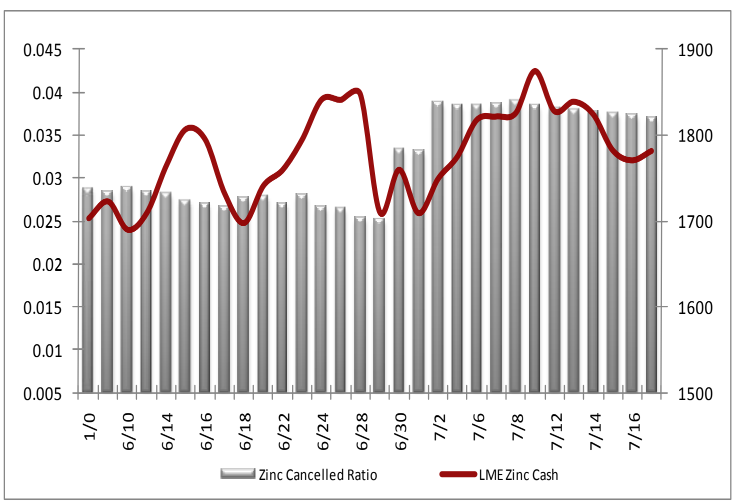
LME 3-Forward	S	$1880	R	$2040
MCX- July.	S	88	R	96

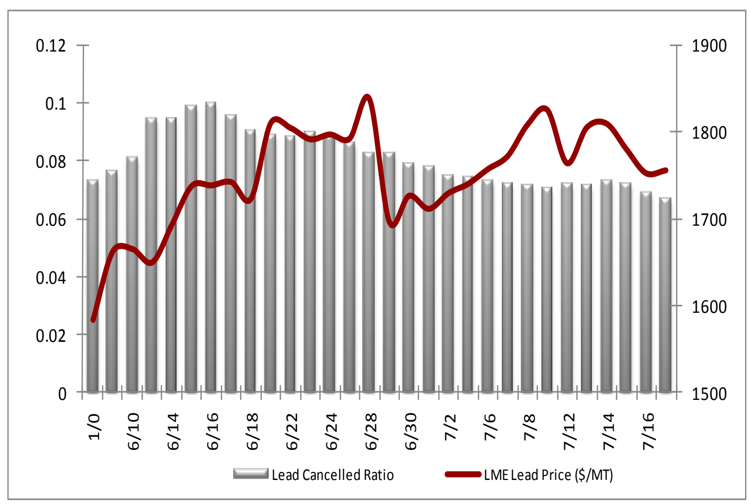
INVENTORY UPDATE

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.





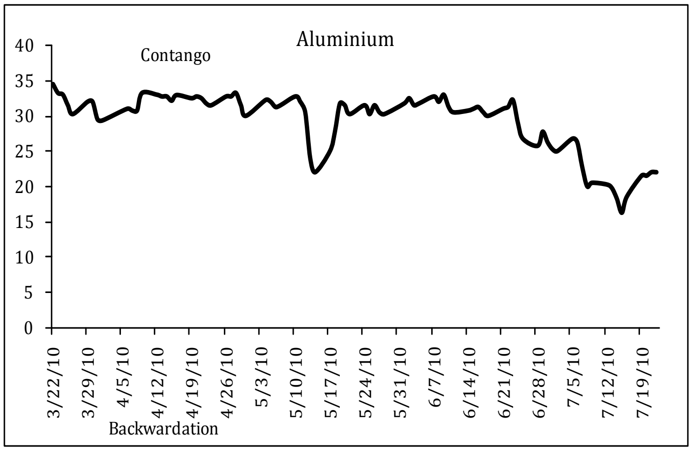


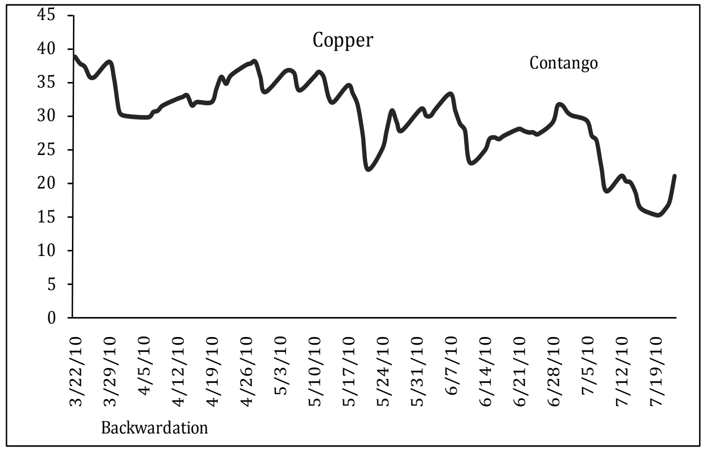


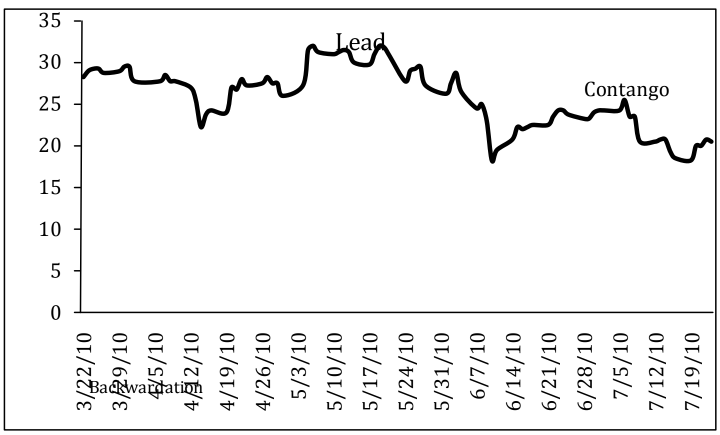
LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	426425	419650	-6775	-1.59%
Zinc	617725	620775	3050	0.49%
Aluminium	4375150	4409975	34825	0.80%
Lead	186975	183225	-3750	-2.01%
Nickel	119070	116814	-2256	-1.89%

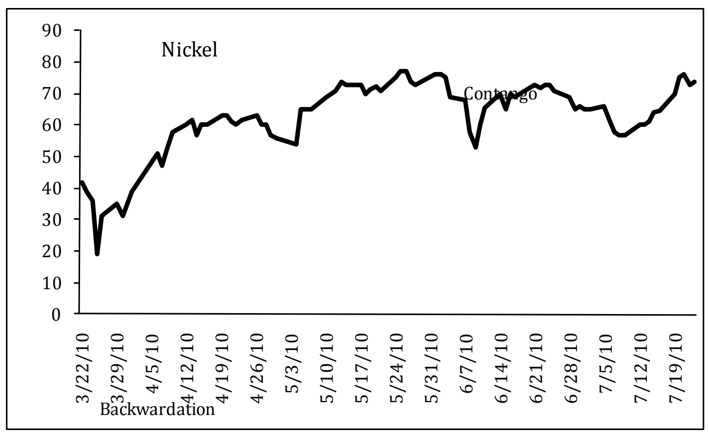
BASIS CHARTS

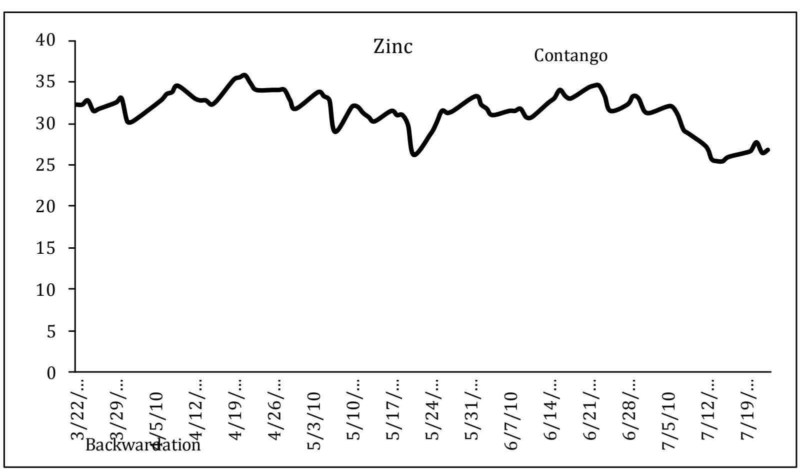
Backwardation is a market where spot prices exceed future prices while ***Contango*** is the opposite, where future prices exceed spot prices. We have, here, considered ***LME Cash prices*** and **LME 3-month forward** contract. Contango seems to be an obvious condition in the market as future prices 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	292.6	318.3	25.7	8.78%

WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	101210	101185	-25	-0.02%

Commodity Futures Trading Commission (CFTC) Report- Copper

According to the US CFTC data of copper, the Non-commercial side witnessed an increase in short positions by 4.42 percent but the commercial side saw squaring of short positions by 1.96 percent. The spreading contracts witnessed an increase of 7.18 percent. Overall, total long positions advanced by 1.8 percent while total short positions grew by 1.08 percent.

CFTC Report - Copper (In contracts)				
Non-Commercial	7/13/2010	7/20/2010	Change	% Change
Long	31820	32592	772	2.43%
Short	27462	28677	1215	4.42%
Spreading	19246	20627	1381	7.18%
Commercial				
Long	68137	68037	-100	-0.15%
Short	68641	67295	-1346	-1.96%
Total				
Long	119203	121256	2053	1.72%
Short	115349	116599	1250	1.08%

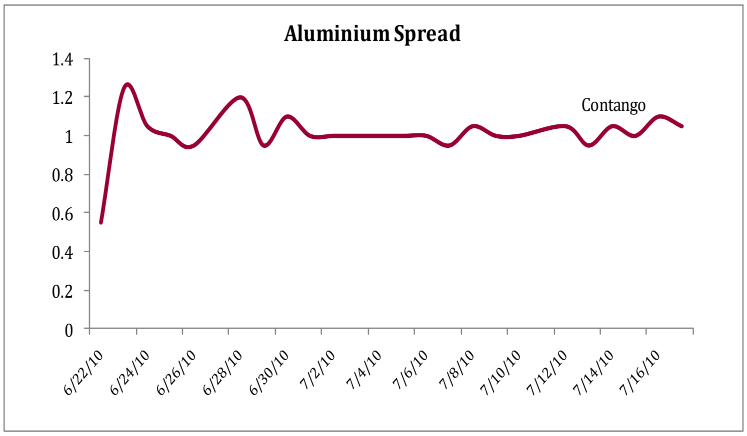
SHANGHAI MARKET PERFORMANCE

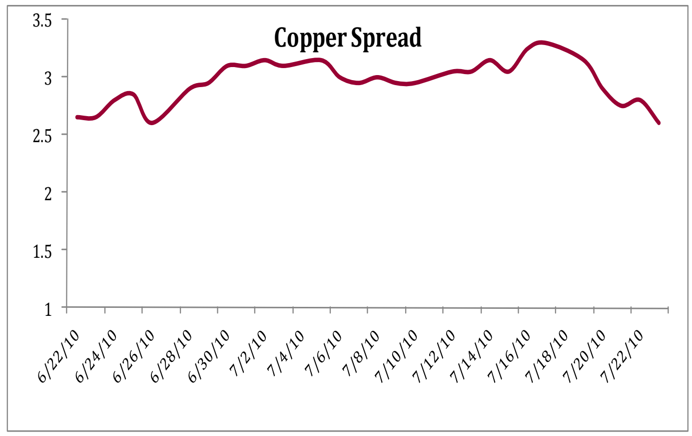
PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	53430	56210	2780	5.20%
Zinc	15070	17995	2925	19.41%
Aluminum	14770	16515	1745	11.81%

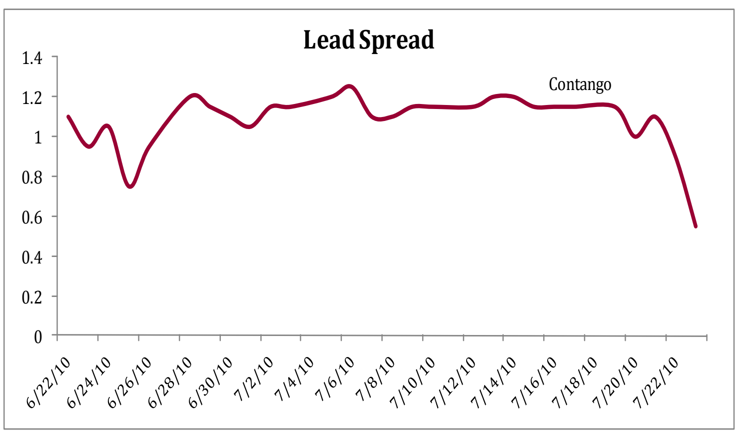
WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	120238	113922	-6316	-5.25%
Zinc	248158	243940	-4218	-1.70%
Aluminium	494540	493190	-1350	-0.27%

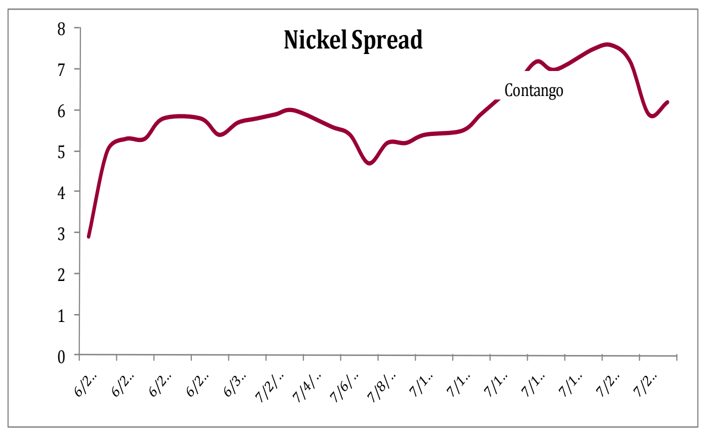
CALENDAR SPREAD

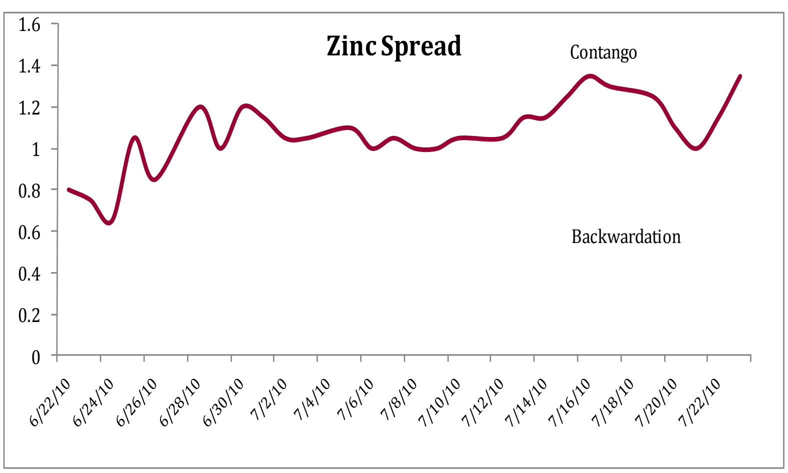
Calendar Spreads is the difference between the two futures contracts, far-month-contract and near-month-contract. For Copper, we have considered August '10 and November '10 at MCX while for other 4 metals, July '10 and August'10 contracts at MCX have been taken into account for calculating calendar spreads.











DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date Time	Region	Event	Period	Survey	Prior
07/26/2010 19:30	US	New Home Sales	JUN	311K	300K
07/26/2010 20:00	US	Dallas Fed Manf. Activity	JUL	-2.50%	-4.00%
07/27/2010 11:15	IN	India REPO Cutoff Yield	27-Jul	5.75%	5.50%
07/27/2010 11:15	IN	Reverse Repo Rate	27-Jul	4.25%	4.00%
07/27/2010 11:15	IN	Cash Reserve Ratio	27-Jul	6.00%	6.00%
07/27/2010 11:30	GE	Import Price Index (MoM)	JUN	0.60%	0.60%
07/27/2010 18:30	US	S&P/Case Shiller Home Price Index	MAY	- -	144.56
07/27/2010 19:30	US	Richmond Fed Manf. Index	JUL	11	23
07/27/2010 19:30	US	Consumer Confidence	JUL	51	52.9
07/28/2010 18:00	US	Durable Goods Orders	JUN	1.00%	-1.10%
07/28/2010	GE	Consumer Price Index (MoM)	JUL P	0.30%	0.10%
07/29/2010 13:25	GE	Unemployment Change (000's)	JUL	-20K	-21K
07/29/2010 13:25	GE	Unemployment Rate (sa)	JUL	7.60%	7.70%
07/29/2010 14:30	EC	Euro-Zone Industrial Confidence	JUL	-5	-6
07/29/2010 14:30	EC	Euro-Zone Consumer Confidence	JUL F	-14	-14
07/29/2010 14:30	EC	Euro-Zone Economic Confidence	JUL	99.1	98.7
07/29/2010 14:30	EC	Euro-zone Services Confidence	JUL	5	4
07/29/2010 18:00	US	Initial Jobless Claims	24-Jul	460K	464K
07/29/2010 18:00	US	Continuing Claims	17-Jul	4500K	4487K
07/30/2010 11:30	GE	Retail Sales (MoM)	JUN	-0.20%	0.40%
07/30/2010 14:30	EC	Euro-Zone Unemployment Rate	JUN	10.00%	10.00%
07/30/2010 14:30	EC	Euro-Zone CPI Estimate (YoY)	JUL	1.70%	1.40%
07/30/2010 18:00	US	GDP QoQ (Annualized)	2Q A	2.50%	2.70%
07/30/2010 18:00	US	Personal Consumption	2Q A	2.40%	3.00%
07/30/2010 19:15	US	Chicago Purchasing Manager	JUL	56	59.1
07/30/2010 19:25	US	U. of Michigan Confidence	JUL F	67	66.5

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