



Metals Weekly

A Weekly Report on Base Metals

PERFORMANCE SNAPSHOT

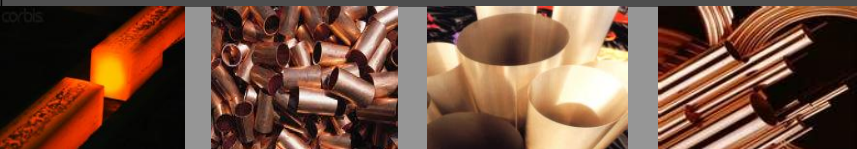
Exchange	Commodity	Open	High	Low	Close	Close % Change	Volume	Volume % Change	Open Interest	Open Interest % Change
LME 3-mth Forward (USD/tonne)	Copper	7290	7527	7281.5	7370	1.01	165,966	-12.67	2,997	-3.73
	Zinc	2005	2143	1990	2129	5.14	120,995	41.95	2,208	-22.03
	Lead	2070	2250	2070	2161	4.02	41,728	30.16	1,310	-6.89
	Nickel	21025	22280	21025	22100	4.49	24,767	-22.03	746	-32.49
	Aluminium	2165	2249	2156.25	2191	0.74	141,975	-6.50	5,134	-30.65
MCX Futures (Rs./Kg)	Copper	338.6	346.4	338.45	340.7	0.69	630,197	-13.84	39,197	-10.53
	Zinc	93.1	98.15	93.1	97.35	6.51	187,512	69.38	6,367	312.91
	Lead	95.8	102.8	95.8	99.55	4.30	167,821	67.73	6,847	357.99
	Nickel	981	1026.7	981	1018.9	6.88	314,305	7.97	11,771	425.02
	Aluminium	99.9	103.2	99.9	101.2	2.38	43,917	80.65	2,354	128.32

MARKET RECAP

- Base Metals continued strong run for a third consecutive week on the back of improving economic conditions in the Euro Zone and receding of fears about significant tightening in China. However, the disappointing economic data from US limited the gains
- Among the base metal pack Zinc was the top performer on the back of about three-fold increase in cancelled warrants (as indicated in Page 5 Chart 3), indicating strong physical demand. Aluminium and Copper continue to be remain underperformers
- On the LME inventory front, all the base metals witnessed draw-downs with the exception of Aluminium and Lead which witnessed build-up of stocks. In the Shanghai warehouse also, addition of inventory was witnessed
- Most of the Equity markets witnessed gains of anywhere between a percent and two. Dollar index continues to show weakness on the back of weak economic data. This has pushed Euro and most of the Asian currencies higher

ECONOMIC INDICATORS

- On the economic data front, both the personal spending and personal income in US remained flat. The initial jobless claims increased and the non-farm payrolls for the month of July decreased by a higher number than in the prior month. All this points towards deteriorating economic conditions in the US
- From the Euro-Zone, the German factory orders witnessed a growth in June after declining in the prior month, indicating pick-up in demand
- Both the ECB and BOE maintained status quo in their policy rates as the recovery is not going to be swift and thereby warrants loose monetary policy



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FUNDAMENTAL UPDATES:

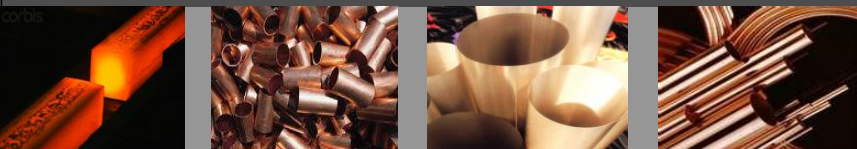
- On the fundamental front, Zambia, Africa's leading producer of copper, witnessed 16 percent growth in copper production in the first half of 2010 taking its total output to 393,089 tonnes. The country has set an annual target of 750,000 tonnes
- Chilean mine which is owned by Xstrata and Anglo-American is said to have witnessed increase in its copper reserves by 40% taking the total over seven billion tonnes
- In the industry news, Hindalco, India's top aluminum maker raised aluminium prices by Rs 7,500 per tonne with immediate effect owing to higher international prices. Also Nippon Light metal, Japanese fifth largest aluminum producer, will increase its aluminium output in China as it expects the demand growth to remain robust

OUTLOOK

- In the week ahead, economic data releases from Euro-zone and China will dominate the market. Chinese economic growth is slowing down and the same is expected to be indicated by the data
- From China, housing prices and bank credit data will be closely watched to get a sense of the property market. Both are expected to come in lower, indicating that the property market is witnessing a correction. External trade and industrial production are also expected to witness slower growth. Chinese PPI is expected to come in lower while the CPI is expected to increase. An increase in inflation will raise fears of monetary tightening
- From Euro-Zone, the trade balance is expected to indicate an increase in surplus, which is positive and the GDP data from German is also expected to indicate improving economic conditions
- From US, data from retail sales and jobless claims are expected to improve. However the Fed's decision on whether there will be further quantitative easing or not will decide the movement of Dollar. **Our assessment is that there will be measures to support the fragile economic recovery and the Fed will continue to support a quantitative easing policy which will lead to a weak dollar**
- Overall, we at KCTL, expect the base metal prices to correct from current levels. However bounce back by the end of the week cannot be ruled out. But the bias remains on the negative side

Indices	Last Week	This Week	% Change
Dow Jones	10465.94	10653.56	1.79%
S&P 500	1101.60	1121.64	1.82%
FTSE 100	5258.02	5332.39	1.41%
Nikkie 225	9537.30	9642.12	1.10%
Shanghai	2637.50	2658.39	0.79%
Sensex	17868.29	18143.99	1.54%

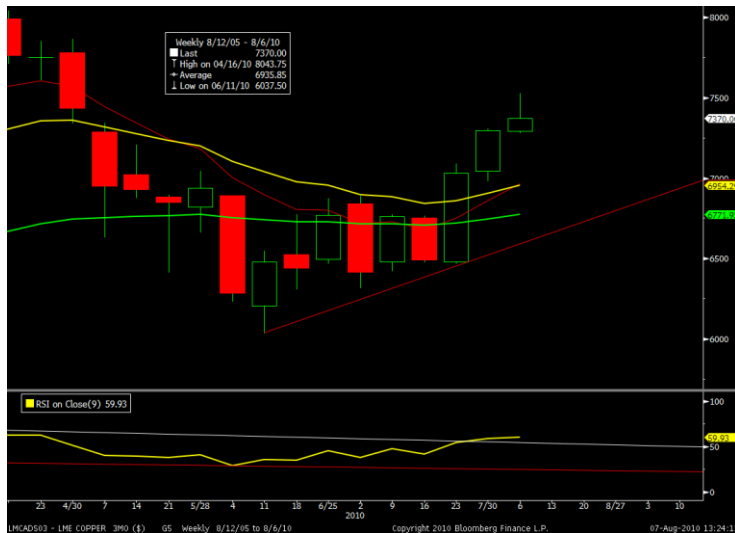
Currency	Last Week	This Week	% Change
Dollar Index	81.539	80.407	-1.39%
EUR/USD	1.3052	1.328	1.75%
GBP/USD	1.5689	1.5942	1.61%
USD/INR	46.4075	46.16	-0.53%



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TECHNICAL PREFACE



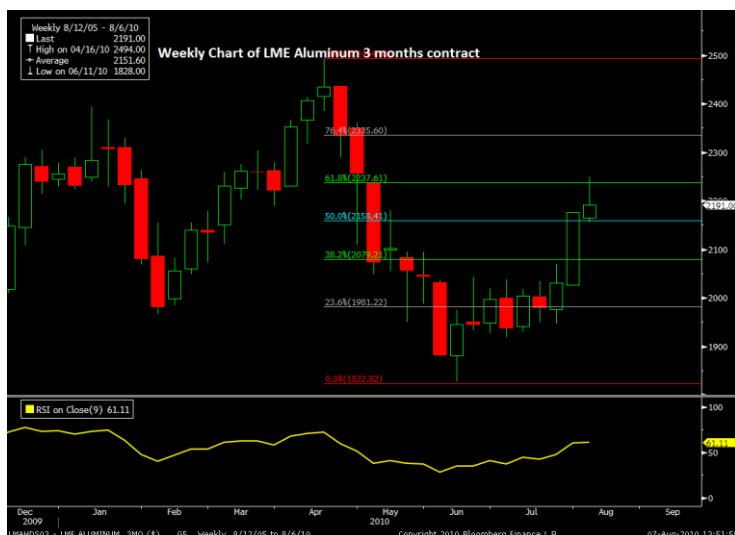
LME Copper

Last week copper touched the new weekly high at \$7527 levels and came down in the last sessions of the week. The Hammer candle stick formation suggesting that coming week session will remain bearish for copper. But as the long term trend is bullish the down side will remain limited. Daily RSI is at 0.64 levels coming down from the after touching the 0.78 over bought mode. We expect daily RSI to fall further till 0.50 level. For the coming week we suggest selling in copper.

- **Recommendation:** Sell LME Copper 3 Months Forward \$7450 – \$7500 targeting \$7280-\$7150 SL \$7570.

LME 3-Forward	S	\$7500	R	\$7120
MCX- August.	S	345	R	332

Copper Aug MCX: Sell at 343-344 targeting 335 -333 SL 347.



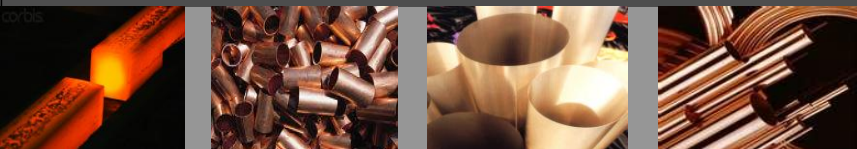
LME Aluminium

LME Aluminium made a new high and came down and closed at \$2191 levels. Weekly chart of Aluminium suggesting a small correction in the aluminum prices as it came down after retracing at 61.8% of the recent down fall. Daily RSI is at 0.69 which again signaling correction in the chart. We expect market to remain weak for the next week session and recommend selling.

- **Recommendation:** Sell LME Aluminium \$2200 – \$2220 targeting \$2080 with SL of \$2250

LME 3-Forward	S	\$ 2230	R	\$2050
MCX- Aug	S	102	R	104

Aluminium Aug MCX: Sell at 101 – 102 targeting 98 SL 103.70



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LEAD



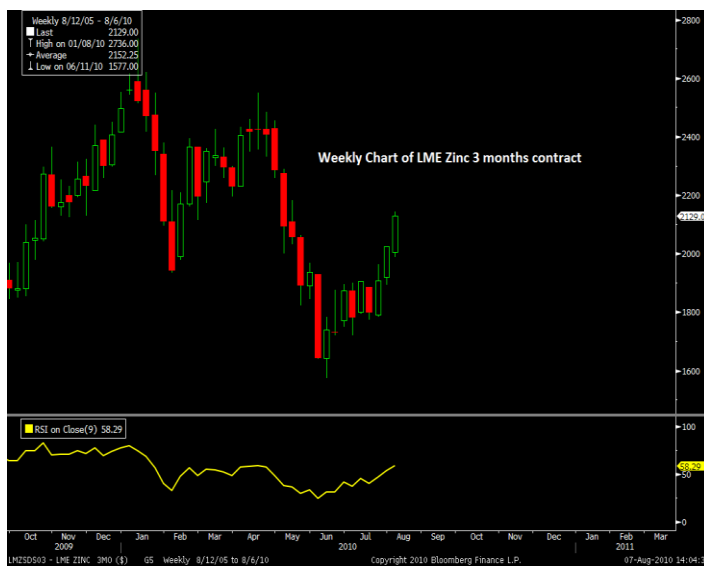
LME 3-Forward	S	\$2120	R	\$2400
MCX- Aug	S	98	R	105

NICKEL



LME 3-Forward	S	\$21700	R	\$22300
MCX- Aug	S	1000	R	1040

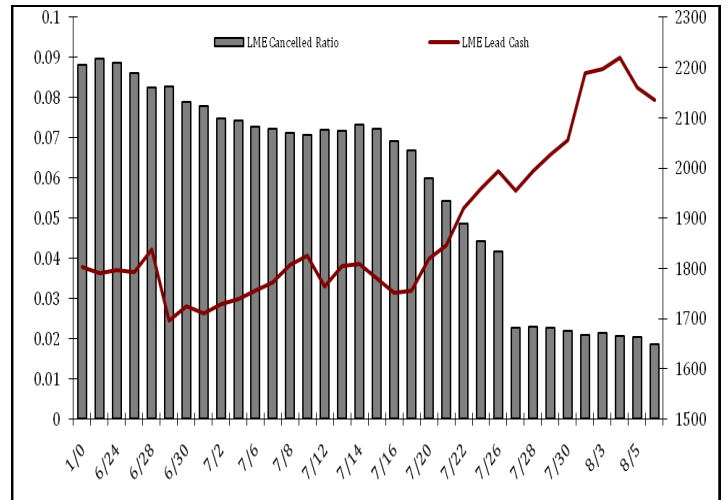
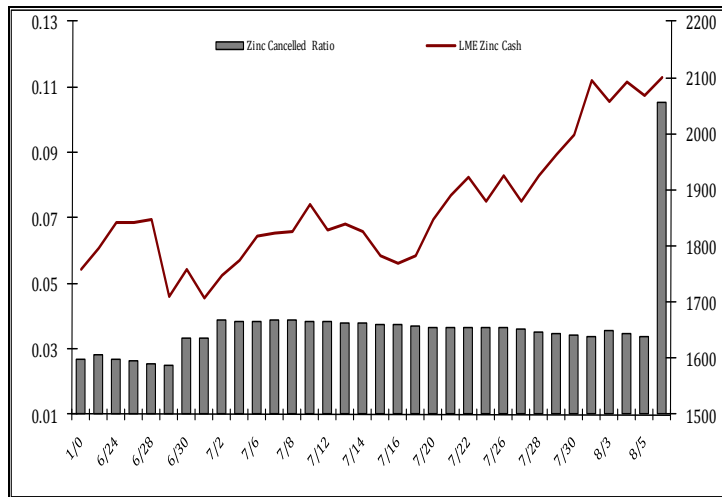
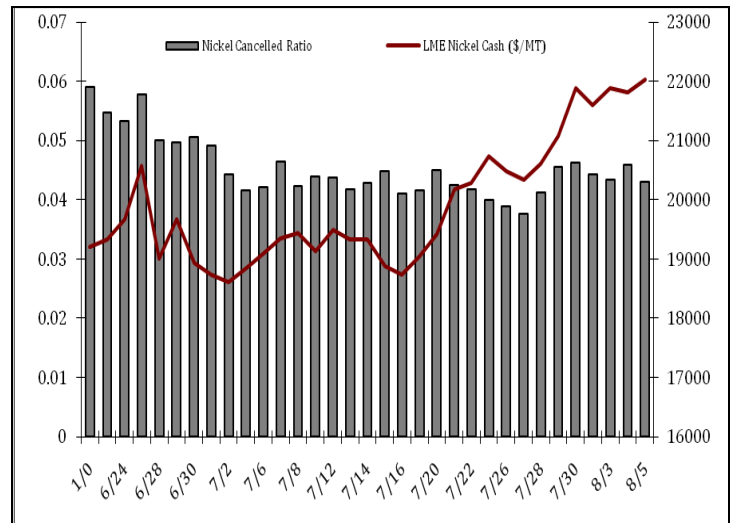
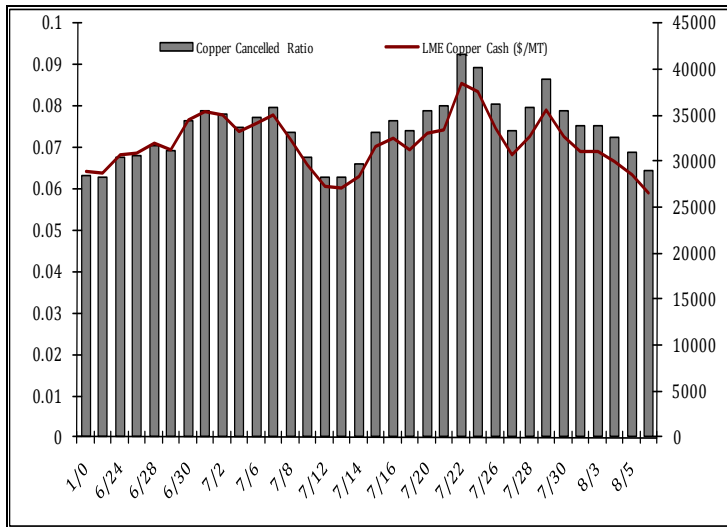
ZINC



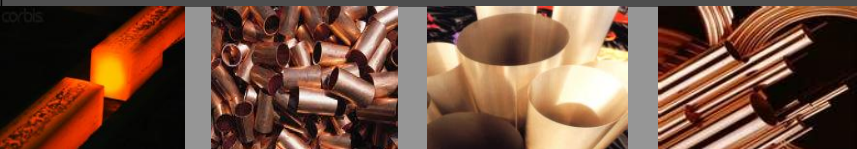
LME 3-Forward	S	\$2070	R	\$2180
MCX- Aug	S	96.50	R	100

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 8.00 of the following day. In India, we get the report at 13:30 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	413500	412625	-875	-0.21%
Zinc	620350	618375	-1975	-0.32%
Aluminium	4385300	4397675	12375	0.28%
Lead	184150	187975	3825	2.08%
Nickel	117498	117336	-162	-0.14%

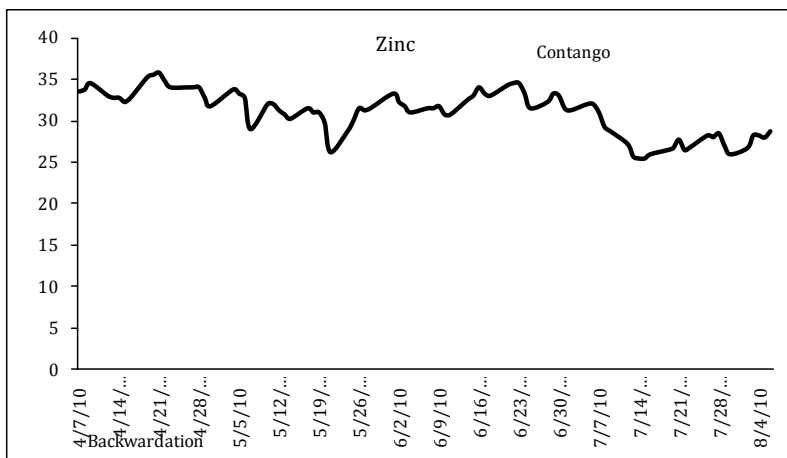
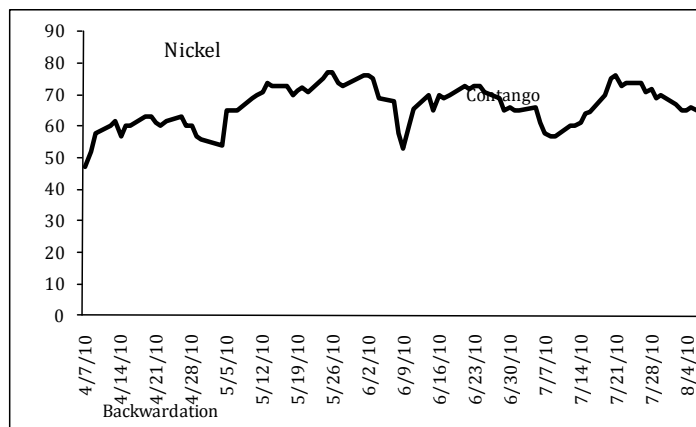
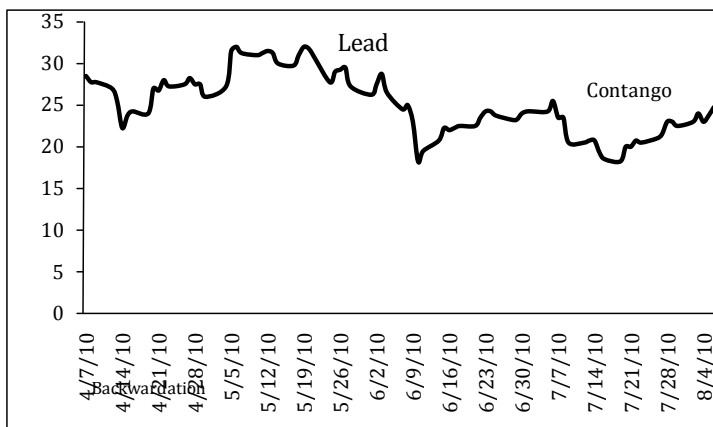
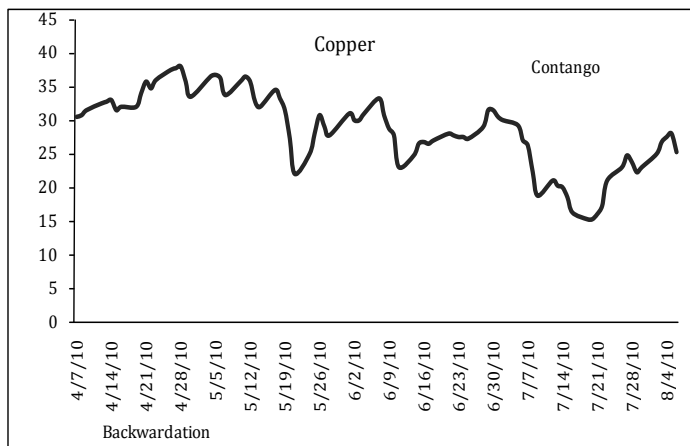
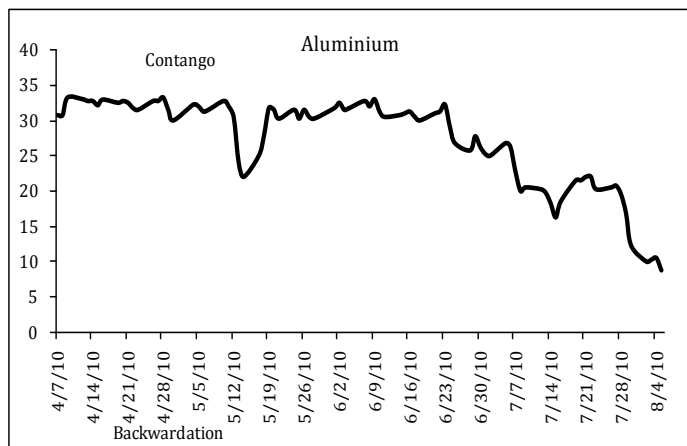


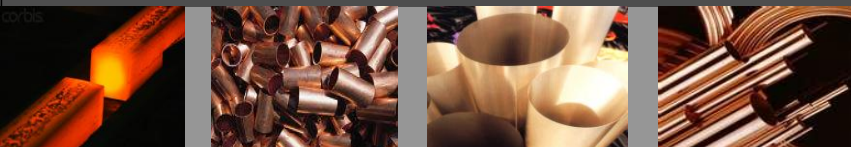
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BASIS CHARTS

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.





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COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	330.7	333.95	3.25	0.98%

WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	100727	99970	-757	-0.75%

Commodity Futures Trading Commission (CFTC) Report- Copper

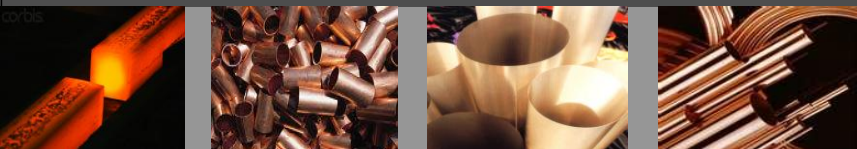
According to the US CFTC data of copper, the non-commercial side witnessed both long and short positions, but the number of contracts additions on long side were higher than was on the short side. Higher prices promoted producers to hedge their positions and thus the short positions increased on the commercial side. Overall, the build-up of short positions outpaced the long positions.

CFTC Report - Copper (In contracts)				
Non-Commercial	7/27/2010	8/3/2010	Change	% Change
Long	35846	37984	2138	5.96%
Short	24596	25024	428	1.74%
Spreading	19587	22219	2632	13.44%
Commercial				
Long	69696	68866	-830	-1.19%
Short	74878	77771	2893	3.86%
Total				
Long	125129	129069	3940	3.15%
Short	119061	125014	5953	5.00%

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	56190	56210	20	0.04%
Zinc	15950	17995	2045	12.82%
Aluminum	15165	16515	1350	8.90%

WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	104507	106368	1861	1.78%
Zinc	242832	244452	1620	0.67%
Aluminium	492264	492282	18	0.00%

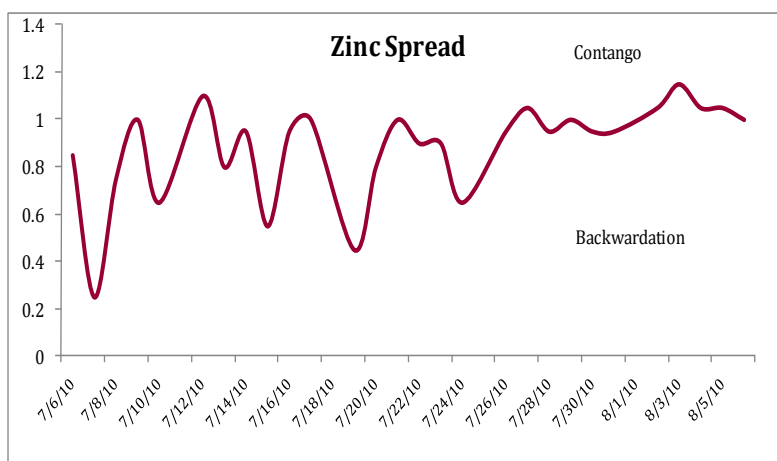
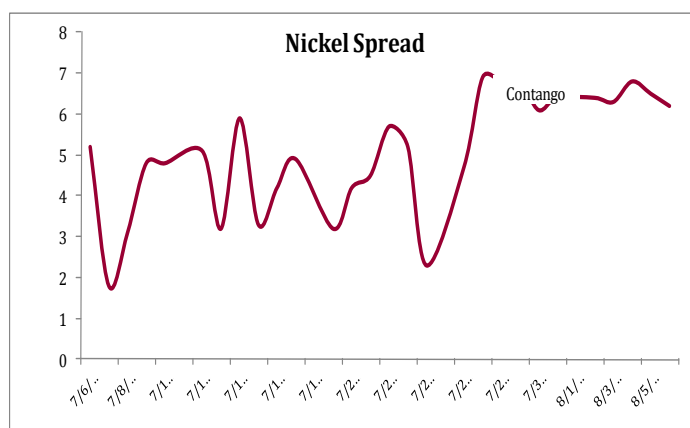
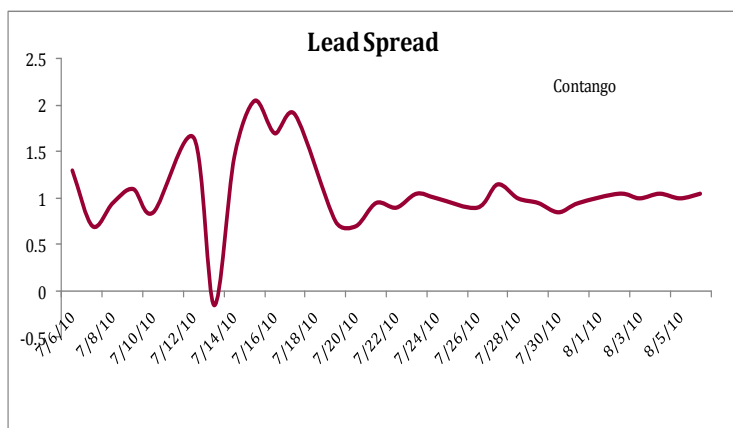
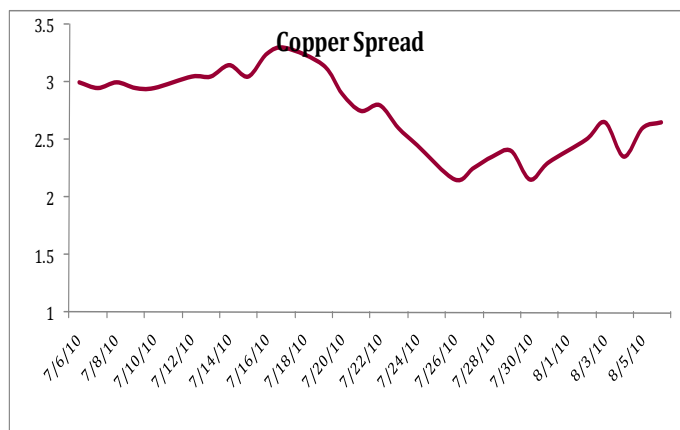
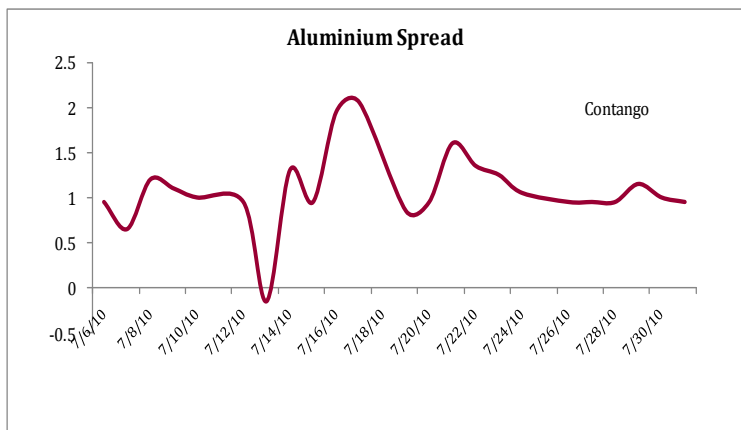


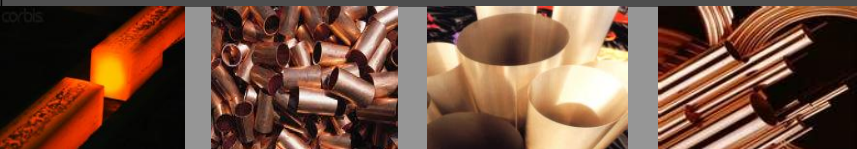
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CALENDAR SPREAD

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



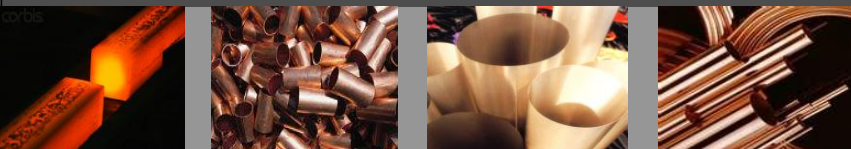


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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
08/09/2010	11:30	GE	Trade Balance	JUN	12.0B	9.7B
08/09/2010	11:30	GE	Imports SA (MoM)	JUN	-2.00%	14.80%
08/09/2010	11:30	GE	Current Account (EURO)	JUN	13.6B	2.2B
08/09/2010	11:30	GE	Exports SA (MoM)	JUN	1.50%	9.20%
08/10/2010		CH	Trade Balance (USD)	JUL	\$19.60B	\$20.02B
08/10/2010		CH	Exports YoY%	JUL	35.00%	43.90%
08/10/2010		CH	Imports YoY%	JUL	30.00%	34.10%
08/10/2010	11:30	GE	CPI - EU Harmonized (MoM)	JUL F	0.30%	0.30%
08/10/2010	11:30	GE	Consumer Price Index (MoM)	JUL F	0.20%	0.20%
08/10/2010	11:30	GE	Wholesale Price Index (MoM)	JUL	--	-0.20%
08/10/2010	18:00	US	Nonfarm Productivity	2Q P	0.20%	2.80%
08/10/2010	19:30	US	Wholesale Inventories	JUN	0.40%	0.50%
08/10/2010	19:30	US	IBD/TIPP Economic Optimism	AUG	--	44.7
08/10/2010	23:45	US	FOMC Rate Decision	10-AUG	0.25%	0.25%
08/11/2010	07:30	CH	Producer Price Index (YoY)	JUL	6.00%	6.40%
08/11/2010	07:30	CH	Consumer Price Index (YoY)	JUL	3.30%	2.90%
08/11/2010	07:30	CH	Retail Sales (YoY)	JUL	18.50%	18.30%
08/11/2010	07:30	CH	Industrial Production (YoY)	JUL	13.40%	13.70%
08/11/2010	07:30	CH	Fixed Assets Inv Urban YTD YoY	JUL	25.30%	25.50%
08/11/2010	18:00	US	Trade Balance	JUN	-\$42.3B	-\$42.3B
08/11/2010	23:30	US	Monthly Budget Statement	JUL	-\$169.0B	-\$180.7B
08/12/2010		IN	Industrial Production YoY	JUN	--	11.50%
08/12/2010	14:30	EC	Euro-Zone Ind. Prod. sa (MoM)	JUN	0.60%	0.90%
08/12/2010	18:00	US	Import Price Index (MoM)	JUL	0.40%	-1.30%
08/12/2010	18:00	US	Initial Jobless Claims	40397	465K	479K
08/12/2010	18:00	US	Continuing Claims	40390	4540K	4537K
08/12/2010		IN	Industrial Production YoY	JUN	--	0.115
08/13/2010	11:30	GE	GDP sa. (QOQ)	2Q P	1.30%	0.20%
08/13/2010	14:30	EC	Euro-Zone Trade Balance sa	JUN	-0.7B	-3.0B
08/13/2010	14:30	EC	Euro-Zone GDP sa. (QoQ)	2Q A	0.70%	0.20%
08/13/2010	18:00	US	Consumer Price Index (MoM)	JUL	0.20%	-0.10%
08/13/2010	18:00	US	Advance Retail Sales	JUL	0.50%	-0.50%
08/13/2010	18:00	US	Retail Sales Less Autos	JUL	0.30%	-0.10%
08/13/2010	19:25	US	U. of Michigan Confidence	AUG P	69.4	67.8



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