



METALS WEEKLY

A Weekly Report on Base Metals



OUTLOOK

In the week ahead, industrial orders data from Euro-Zone, new home sales and existing home sales data from US will be keenly watched. All these data are expected to come in lower than prior levels which is commensurate with the fact that the economic situation, particularly in US, is not very encouraging. Overall base metal prices may slightly pull back after the fall witnessed in the last week, but overall the bias remains on the negative side.

TECHNICAL RECOMMENDATIONS									
Commodity	Contract	S1	S2	S3	CLOSE	R1	R2	R3	Recommendations
LME COPPER	Forward	7150	7040	6880	7255	7310	7420	7500	Sell at 7380 - 7400 TP 7150 - 7100 SL 7500
MCX Copper	Aug-10	335	332	327	339	343	348	352	Sell at Rs. 342 - 345 TP 332 - 328 SL 348
LME Lead	Forward	1975	1955	1938	2056	2115	2165	2182	Sell at \$2115 TP \$1975 SL \$2175
MCX Lead	Aug-10	93	90	89	95.35	98	100	103	Sell at 98.50 - 98 TP 93.00-92.00 SL 100.20.
LME Nickel	Forward	21300	21100	21300	21550	22500	22100	21820	Sell 21820 TP 21200 SL 22100
MCX Nickel	Aug-10	980	962	945	1010	1098	1067	1037	Sell 1015-1010 TP 980-965 SL 1032
LME Aluminum	Forward	2010	1965	1918	2040	2100	2170	2220	Sell 2070 TP 1950 SL 2100
MCX Aluminum	Aug-10	92	88	84	95	98	100	104	Sell 97 TP 92 SL 99
LME Zinc	Forward	2000	1950	1912	2058	2145	2175	2203	Sell 2120 TP 1950 SL 2175
MCX Zinc	Aug-10	93	89	85	95.50	98	101	104	Sell 97.50 TP 92.50 SL 99.50

*NOTE: The calls shown above are purely WEEKLY Recommendations

Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
08/24/2010 11:30	GE	Construction Investment	2Q	7.30%	-3.80%
08/24/2010 14:30	EC	Industrial New Orders SA (MoM)	JUN	1.50%	3.80%
08/24/2010 19:30	US	Existing Home Sales	JUL	4.68M	5.37M
08/25/2010 19:30	US	New Home Sales	JUL	330K	330K
08/26/2010 18:00	US	Initial Jobless Claims	21-Aug	491K	500K

For all the data releases; go to last page of the report

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PERFORMANCE SNAPSHOT

Exchange	Commodity	Open	High	Low	Close	Close % Change	Volume	Volume % Change	Open Interest	OI % Change
LME 3-mth Forward (USD/tonne)	Copper	7195	7496	7178	7255	1.38	149,003	-4.80	2,285	-11.02
	Zinc	2055	2154.5	2038	2058	0.54	75,511	-17.73	1,769	-54.61
	Lead	2070	2161	2045	2056	-0.05	22,936	-26.07	455	-68.64
	Nickel	21400	22325	21260	21550	1.29	22,724	-28.28	678	-37.05
	Aluminium	2119	2173	2015	2040	-3.32	106,879	-15.43	4,632	-35.56
MCX Futures (Rs./Kg)	Copper	335.95	347.3	335.3	338.9	1.15	619,888	1.29	29,552	-6.37
	Zinc	95.7	99.4	95.05	95.35	0.16	138,604	-14.43	6,172	-14.29
	Lead	96.75	100	94.8	95.25	-0.94	114,264	-14.17	4,649	-15.44
	Nickel	1003	1037.7	995.2	1006.7	0.77	330,401	-3.67	10,494	-8.12
	Aluminium	98.55	100.6	93.85	95.2	-3.25	43,091	18.68	3,048	24.46

MARKET OVERVIEW

- After starting on a positive note, by the end of the week most of the base metals gave up all their gains on the back of disappointing economic data and stronger dollar index
- Aluminium was the top loser as LME inventory increased by more than 80,000 tonnes and the narrowing spread between the LME 3-month and LME Cash remained at lower levels indicated expectation of higher prices in the future
- Equity markets of countries like India and China closed higher whereas the US equity markets ended lower on the back of weak economic data

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	56880	57480	600	1.05%
Zinc	16585	16855	270	1.63%
Aluminum	15150	15155	5	0.03%

COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	325.15	329.1	3.95	1.21%

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Commodity Futures Trading Commission (CFTC) Report- Copper

According to the US CFTC data of copper, short positions from non-commercial segment witnessed unwinding and long positions were added, indicating bias on the buying side. Whereas on the commercial side, hedgers sold more as they took advantage of price rise to lock in higher prices for their output. Overall, the market saw unwinding of positions and profit booking from long side had an upper hand.

CFTC Report - Copper (In contracts)				
Non-Commercial	8/10/2010	8/17/2010	Change	% Change
Long	40232	41110	878	2.18%
Short	23586	26631	3045	12.91%
Spreading	18274	19608	1334	7.30%
Commercial				
Long	67695	67102	-593	-0.88%
Short	81972	79168	-2804	-3.42%
Total				
Long	126201	127820	1619	1.28%
Short	123832	125407	1575	1.27%

INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	408550	401725	-6825	-1.67%
Zinc	616750	619250	2500	0.41%
Aluminium	4382400	4464825	82425	1.88%
Lead	190250	192525	2275	1.20%
Nickel	117000	116388	-612	-0.52%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	97387	96462	-925	-0.95%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	113870	110371	-3499	-3.07%
Zinc	248873	235972	-12901	-5.18%
Aluminium	492251	491488	-763	-0.16%



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ECONOMIC INDICATORS REVIEW

- On the economic data front, both the housing starts and building permits data declined from both prior levels as well as the expectations. This indicates that the housing market in US continues to remain in a bad shape
- The initial jobless claims and continuing claims of US also rose indicating that the labour market there is over-supplied and the economy is not in a position to absorb as many people as available in the market
- In India, the WPI monthly inflation declined to 9.97% as against prior figure of 10.55% indicating that the price rise is slowing and this may prompt the RBI to go slower on the monetary tightening measures

Equity Indices	Last Week	This Week	% Change
Dow Jones Ind. Avg.	10303.15	10213.62	-0.87%
S&P 500 Index	1079.25	1071.69	-0.70%
FTSE 100 Index	5275.44	5195.28	-1.52%
Nikkie 225	9253.46	9179.38	-0.80%
Shanghai Composite	2606.70	2642.31	1.37%
Sensex	18167.03	18401.82	1.29%

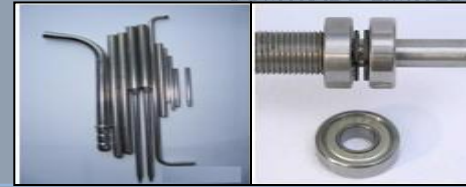
Currency	Last Week	This Week	% Change
Dollar Index	82.948	83.057	0.13%
EUR/USD	1.2754	1.2712	-0.33%
GBP/USD	1.5592	1.5534	-0.37%
USD/INR	46.765	46.675	-0.19%

OUTLOOK

- Housing market data from US and industrial new orders data from Euro-Zone may decide the course of movement in the week ahead
- From the Euro-Zone, PMI manufacturing, services and composite data for the month of August is due to released which is largely expected to decline. Revised GDP data of second quarter is expected to remain largely unchanged. The key data however, will be the industrial new orders for the month of June, which is expected to decline. This may push Euro lower
- From US, Existing home sales in the month of July are expected to decline whereas new home sales are expected to remain largely unchanged. Economic situation there is not very encouraging and so most of the economic data are expected to disappoint
- The Dollar index in the past few days is not tracking the US economy directly and so any disappointing data might not have direct impact on Dollar index which may continue to move higher. Dollar is largely considered to be safe haven
- Overall, the base metal prices may pull-back after the weakness witnessed in the last week. But largely, we at KCTL, expect the prices to trade lower

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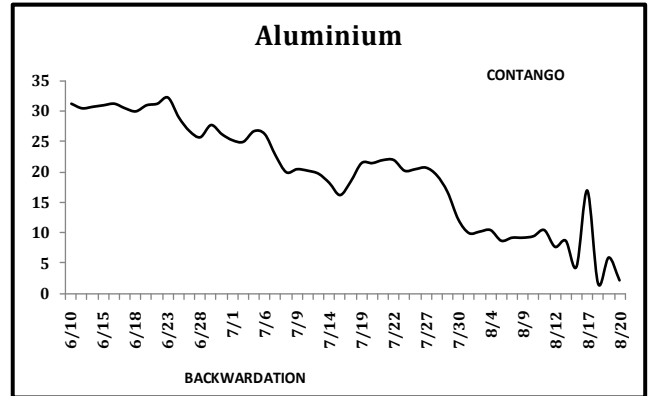
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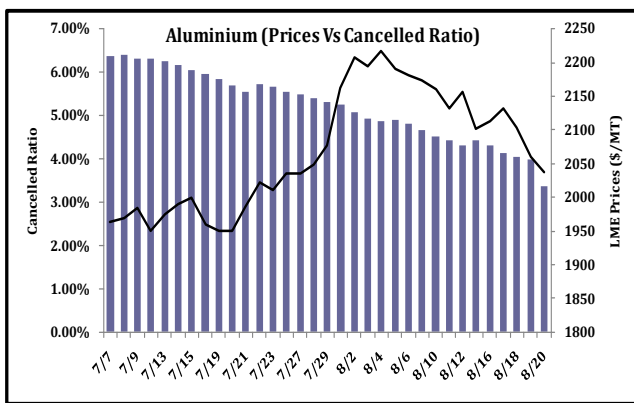
ALUMINIUM

- The cancelled ratio on LME continues to decline indicating that the build-up of inventory might continue in the near term
- Declining contango may also prompt more participants to deliver the metal physically

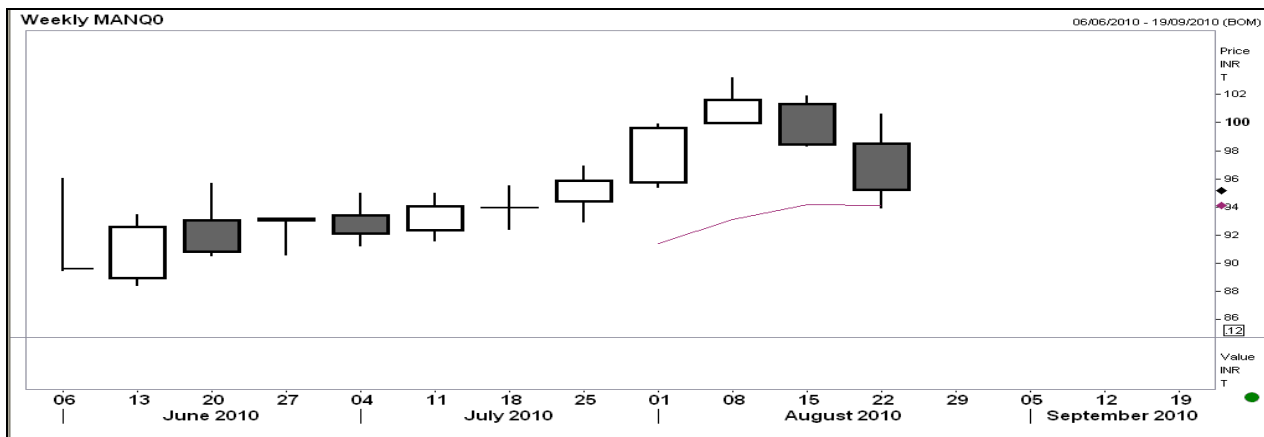
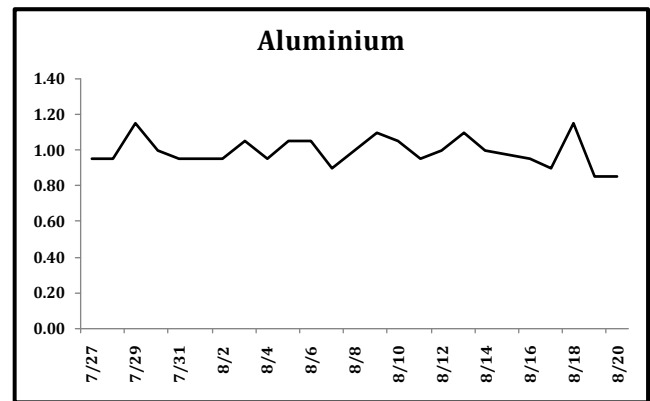
BASIS CHART
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



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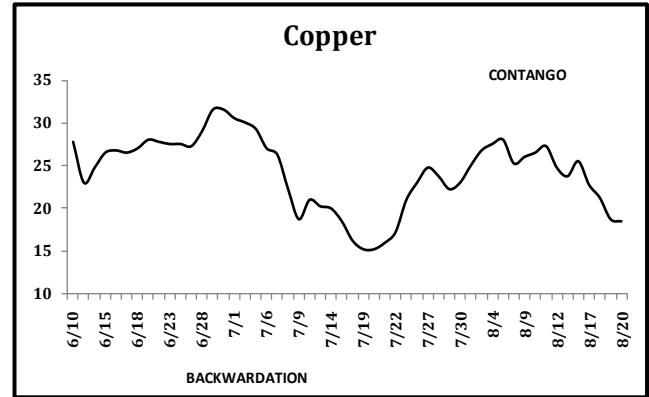
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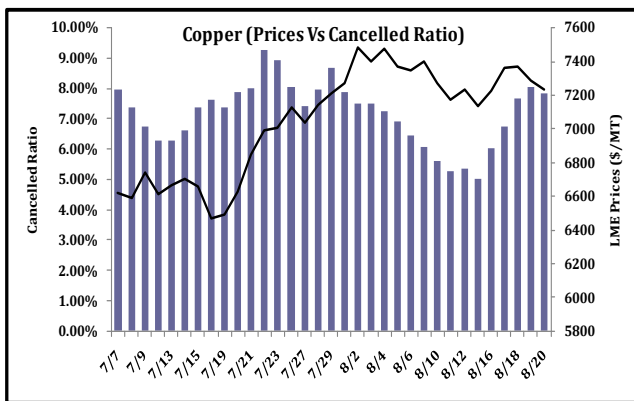
COPPER

- The contango on LME is declining indicating that the price rise in the near term is capped
- The cancelled warrant ratio is increasing indicating that more stocks might leave the warehouse in the days to come
- On the fundamental front, Jiangxi Copper Co, China's top copper producer, will build a new copper plant in Guangdong with a capacity of 400,000 tonne pa

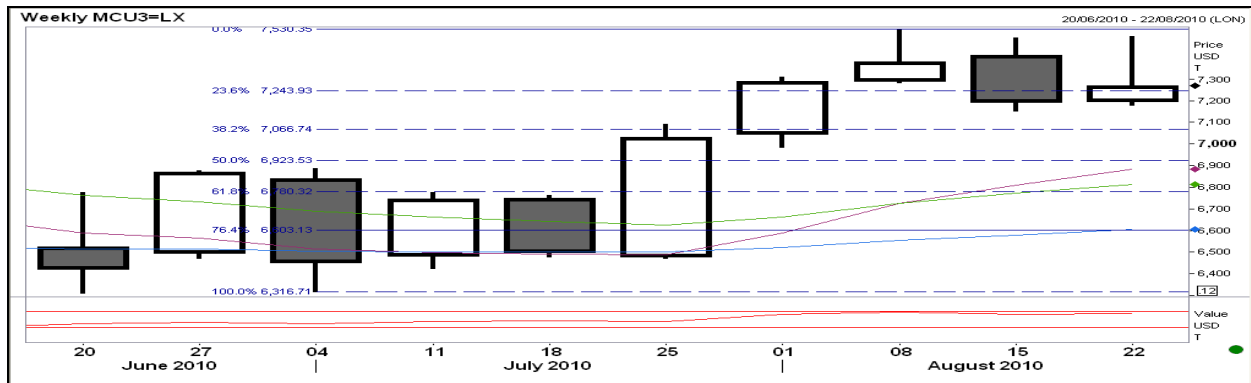
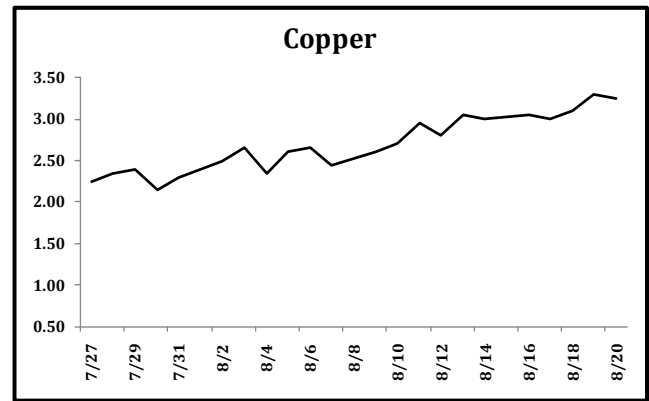
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CANCELLED WARRANT RATIO ON LME

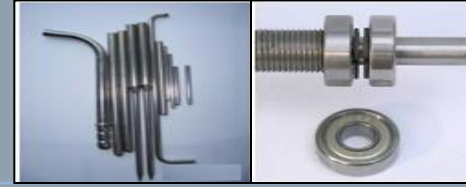


CALENDAR SPREAD ON MCX



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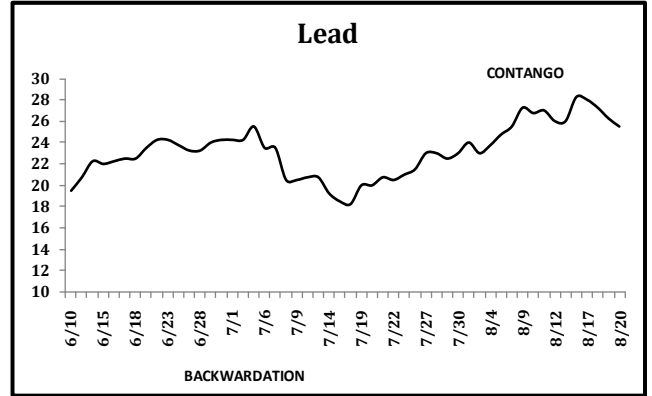


LEAD

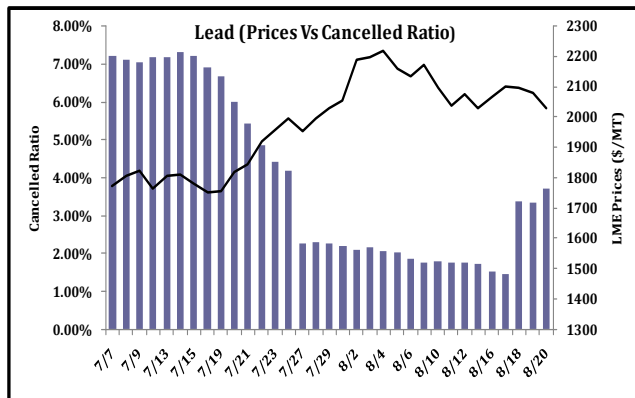
- After a long time, the cancelled warrant ratio is increasing, indicating that more stocks are getting ready to leave the warehouse
- Given the festive demand in EM's prompting more automobile purchases and cold weather in countries like US which will increase the replacement demand, more lead might leave the warehouse

BASIS CHART

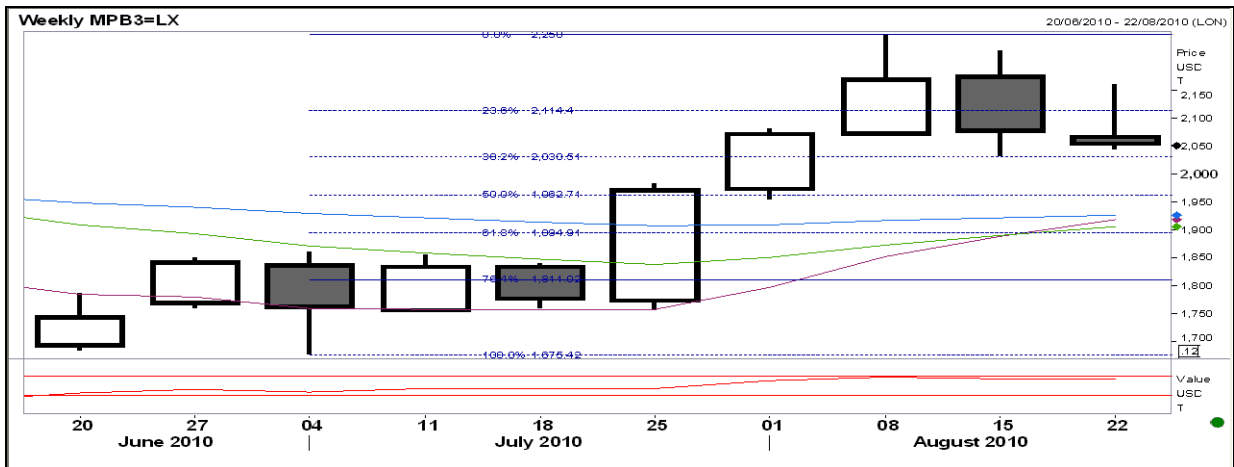
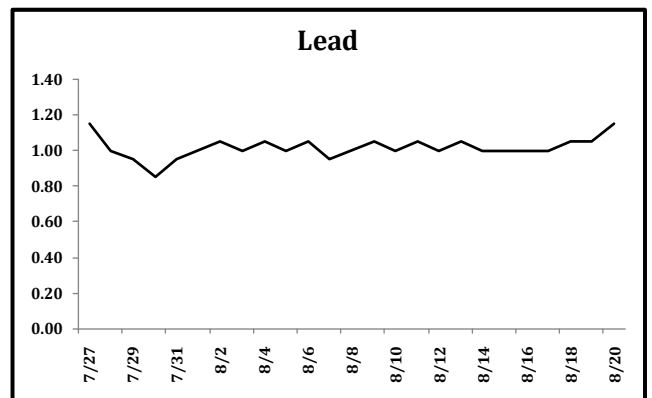
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME

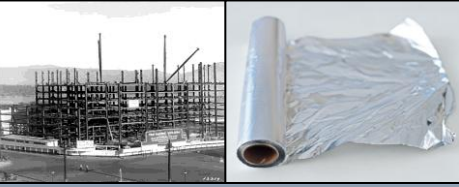


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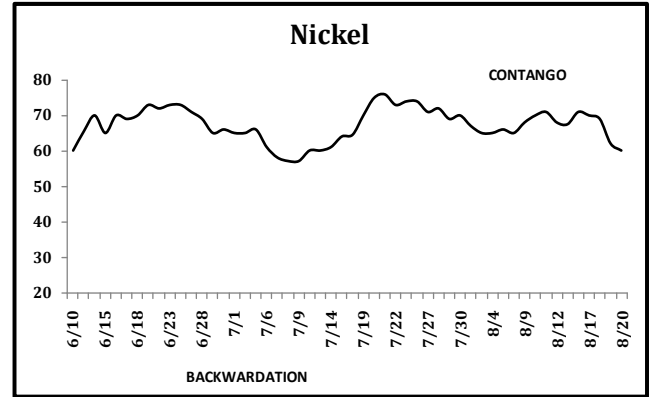


NICKEL

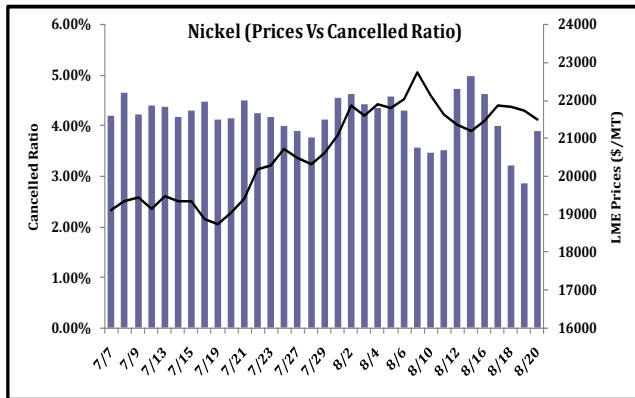
- On the fundamental front, Vale SA, one of the world's largest, expects to return to full production by the end of September at one of its nickel mine in Ontario. A long strike there had curtailed operations.
- The heavy movement in cancelled ratio is not giving a clear picture as to what might happen to inventory levels ahead

BASIS CHART

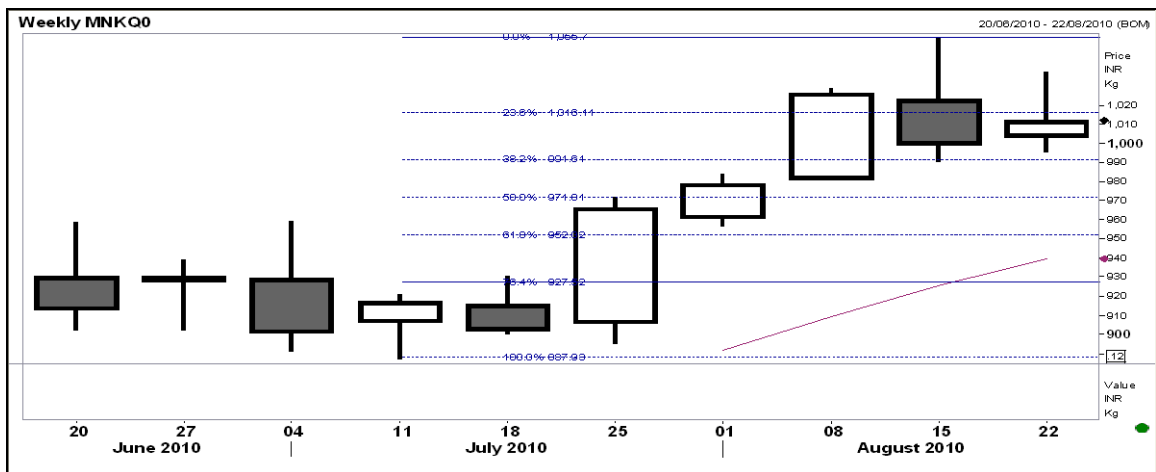
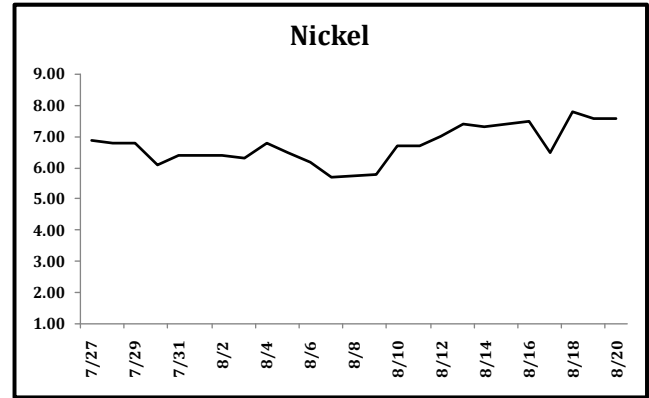
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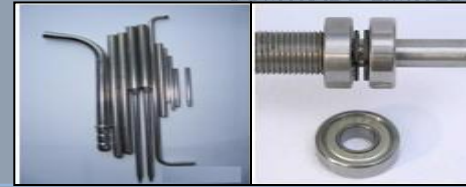


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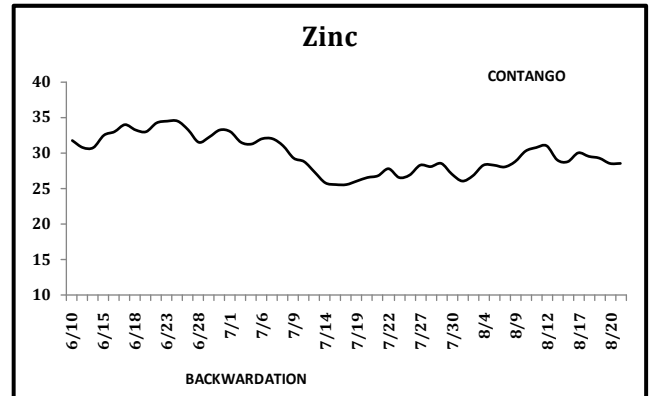


ZINC

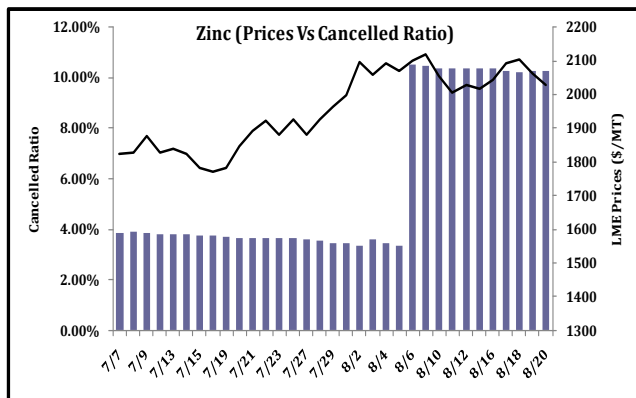
- On the fundamental front, two Chinese producers halted output after landslides disrupted power supplies. Both the producers are estimated to have capacity of around 100,000 tonnes.
- This should however not impact the prices given that the market is well supplied and the steel mills in China are curbing output

BASIS CHART

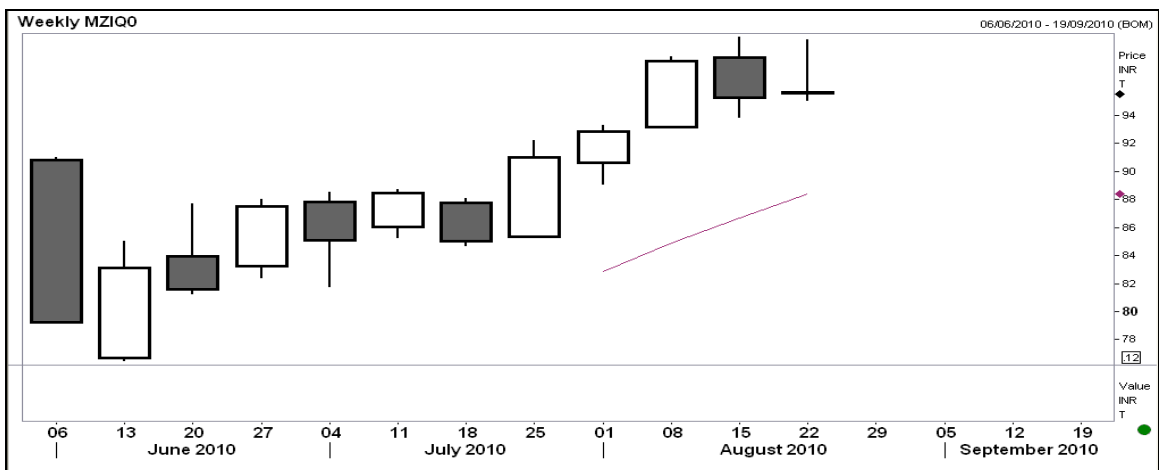
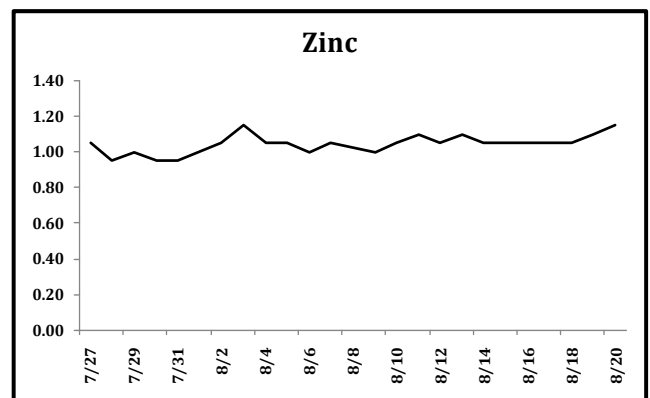
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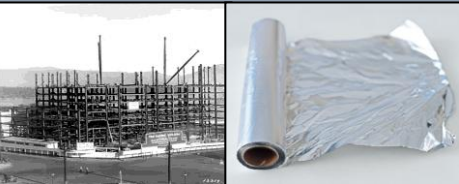


CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
08/23/2010	13:00	GE	PMI Manufacturing	AUG A	60.5	61.2
08/23/2010	13:00	GE	PMI Services	AUG A	56.3	56.5
08/23/2010	13:30	EC	PMI Composite	AUG A	56.3	56.7
08/23/2010	13:30	EC	PMI Manufacturing	AUG A	56.1	56.7
08/23/2010	13:30	EC	PMI Services	AUG A	55.4	55.8
08/23/2010	18:00	US	Chicago Fed Nat Activity Index	JUL	-0.1	-0.63
08/23/2010	19:30	EC	Euro-Zone Consumer Confidence	AUG A	-14	-14
08/24/2010	11:30	GE	GDP s.a. (QoQ)	2Q F	2.20%	2.20%
08/24/2010	11:30	GE	GDP wda (YoY)	2Q F	3.70%	1.60%
08/24/2010	11:30	GE	Private Consumption	2Q F	0.40%	-0.80%
08/24/2010	11:30	GE	Government Spending	2Q F	0.50%	1.10%
08/24/2010	11:30	GE	Domestic Demand	2Q F	1.50%	1.40%
08/24/2010	11:30	GE	Imports	2Q F	7.50%	6.10%
08/24/2010	11:30	GE	Exports	2Q F	7.90%	2.60%
08/24/2010	11:30	GE	Construction Investment	2Q	7.30%	-3.80%
08/24/2010	11:30	GE	Capital Investment	2Q F	3.80%	-1.60%
08/24/2010	14:30	EC	Industrial New Orders SA (MoM)	JUN	1.50%	3.80%
08/24/2010	14:30	EC	Industrial New Orders SA (YoY)	JUN	24.00%	22.70%
08/24/2010	19:30	US	Existing Home Sales	JUL	4.68M	5.37M
08/24/2010	19:30	US	Existing Home Sales MoM	JUL	-12.90%	-5.10%
08/24/2010	19:30	US	Richmond Fed Manufact. Index	AUG	8	16
08/25/2010	18:00	US	Durable Goods Orders	JUL	3.00%	-1.00%
08/25/2010	19:30	US	New Home Sales	JUL	330K	330K
08/25/2010	19:30	US	New Home Sales MoM	JUL	0.00%	23.60%
08/25/2010	19:30	US	House Price Index MoM	JUN	0.10%	0.50%
08/26/2010	18:00	US	Initial Jobless Claims	21-Aug	491K	500K
08/26/2010	18:00	US	Continuing Claims	14-Aug	4500K	4478K
08/26/2010	19:30	US	MBA Mortgage Foreclosures	2Q	--	4.63%
08/27/2010	07:05	CH	MNI Business Condition Survey	AUG	--	64.94
08/27/2010	11:30	GE	Import Price Index (MoM)	JUL	-0.40%	0.90%
08/27/2010	18:00	US	GDP QoQ (Annualized)	2Q S	1.40%	2.40%
08/27/2010	18:00	US	Personal Consumption	2Q S	1.60%	1.60%
08/27/2010	18:00	US	GDP Price Index	2Q S	1.80%	1.80%
08/27/2010	18:00	US	Core PCE QoQ	2Q S	1.10%	1.10%
08/27/2010		GE	Consumer Price Index (MoM)	AUG P	0.00%	0.30%
08/27/2010	19:25	US	U. of Michigan Confidence	AUG F	69.6	69.6

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