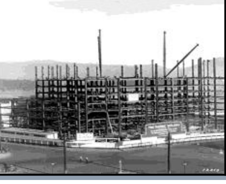


METALS WEEKLY

A Weekly Report on Base Metals


OUTLOOK

Strong industrial production data from China and India is indicating continued robust economic activity in EM's and thereby is expected to support base metals prices to move higher. RBI is expected to increase both repo and reverse repo rate and this may send rupee appreciating. As a result gains in the Indian markets might be capped. Weak industrial production and increasing initial jobless claims in US may also put a cap on gains. But overall the bias is on the higher side.

TECHNICAL RECOMMENDATIONS									
Commodity	**Contract**	**S3**	**S2**	**S1**	**CLOSE**	**R1**	**R2**	**R3**	**Recommendations**
LME Copper	3M-Fwd	7020	7120	7371	7285	7570	7630	7777	Buy 7370 TP 7570 SL 7120
MCX Copper	**Nov-10**	**318**	**333**	**342**	**349.4**	**358**	**367**	**376**	**Buy 347 TP 358 SL 344.30**
LME Lead	3M-Fwd	1950	2020	2100	2185	2250	2295	2400	Buy 2100 TP 2200 SL 2050
MCX Lead	**Sep-10**	**90.5**	**93.4**	**97.5**	**101.5**	**105**	**109**	**112**	**Buy 100.50 TP 103.50 SL 99.20**
LME Nickel	3M-Fwd	20000	20520	21200	22500	23100	23620	24120	Buy 22100 TP 23000 SL 21500
MCX Nickel	**Sep-10**	**940**	**988**	**1020**	**1043.6**	**1070**	**1100**	**1122**	**Buy 1040 TP 1080 SL 1012**
LME Aluminum	3M-Fwd	1920	2000	2060	2100	2158	2220	2280	Buy 2130 TP 2220 SL 2080
MCX Aluminum	**Sep-10**	**90.2**	**93.0**	**95.5**	**97.0**	**100**	**102.0**	**105.2**	**Buy 98 TP 102 SL 96**
LME Zinc	3M-Fwd	1880	1950	2030	2110	2220	2310	2400	Buy 2100 TP 2250 SL 2040
MCX Zinc	**Sep-10**	**90.5**	**92.0**	**96.0**	**97.7**	**100**	**102.5**	**104.0**	**Buy 98 TP 102 SL 96.80**

***NOTE: The calls shown above are purely WEEKLY Recommendations**

Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
09/14/2010 12:00	IN	Monthly Wholesale Prices YoY%	AUG	9.60%	9.97%
09/14/2010 18:00	US	Advance Retail Sales	AUG	0.30%	0.40%
09/15/2010 18:00	US	Empire Manufacturing	SEP	8	7.1
09/15/2010 18:45	US	Industrial Production	AUG	0.20%	1.00%
09/16/2010 18:00	US	Producer Price Index (MoM)	AUG	0.30%	0.20%
09/16/2010 18:00	US	Initial Jobless Claims	11-Sep	458K	451K
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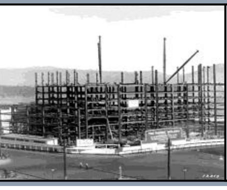
09/16/2010 19:30	US	Philadelphia Fed.	SEP	0.00	-7.7
09/17/2010 19:25	US	U. of Michigan Confidence	SEP P	70	68.9

For all the data releases; click here




METALS WEEKLY

A Weekly Report on Base Metals


PERFORMANCE SNAPSHOT

Exchange	Commodity	Open	High	Low	Close	Close % Change	Volume	Volume % Change	Open Interest	OI % Change
LME 3-mth Forward (USD/tonne)	Copper	7670	7734	7460	7486	-2.09	137,477	-7.23	2,886	22.55
	Zinc	2155	2236	2075.25	2110	-1.91	76,036	13.09	2,408	71.63
	Lead	2180	2244	2145.5	2185	0.78	26,269	4.59	775	-8.28
	Nickel	21850	22951	21500	22500	4.17	32,910	28.30	1,165	116.95
	Aluminium	2155	2204.75	2094	2100	-2.19	106,355	-0.84	2,628	-41.54
MCX Futures (₹/Kg)	Copper	359.8	361.25	347.8	349.4	-2.76	466,544	0.10	31,781	-18.54
	Zinc	100.6	103.4	97.25	97.7	-2.83	137,686	16.73	6,813	39.15
	Lead	101.35	103.75	99.5	99.85	-1.48	99,842	24.35	3,802	8.26
	Nickel	1022.6	1067.6	1010	1043.6	2.23	365,057	31.29	11,018	-4.93
	Aluminium	100.65	102.1	96.6	97	-3.10	38,946	19.07	3,839	42.61

MARKET OVERVIEW

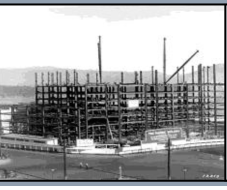
- Base metals ended lower with the exception of Nickel, which ended with gains of more than 2 percent. Talks of crackdown on illegal funds in China led to liquidation of positions in Shanghai and thereby pressured prices
- Nickel inventory on LME declined after build-up being witnessed in the past two weeks (on a weekly basis) and this made it top performer among the base metal pack. Aluminium prices lagged the base metal pack and ended with losses of more than 3 percent
- Equity markets continued to remain buoyant with Indian markets touching 31-month high thereby ending the week with gains of more than 3 percent

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	59770	58600	-1170	-1.96%
Zinc	17375	17280	-95	-0.55%
Aluminum	15350	15315	-35	-0.23%

COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	349.35	339.7	-9.65	-2.76%




Commodity Futures Trading Commission (CFTC) Report- Copper

According to the US CFTC data of copper, non-commercial side of the market witnessed increase in both long and short positions, though longs outpaced shorts. But on the commercial side, rising prices encouraged more producers to lock-in higher prices for their output and thereby lead to increase in short positions. Overall, in terms of number of contracts, addition on the short side outpaced the long positions.

CFTC Report - Copper (In contracts)				
Non-Commercial	8/31/2010	9/7/2010	Change	% Change
Long	39392	41758	2366	6.01%
Short	26162	26975	813	3.11%
Spreading	17512	17683	171	0.98%
Commercial				
Long	64771	64529	-242	-0.37%
Short	75360	77620	2260	3.00%
Total				
Long	121675	123970	2295	1.89%
Short	119034	122278	3244	2.73%

INVENTORY DETAILS

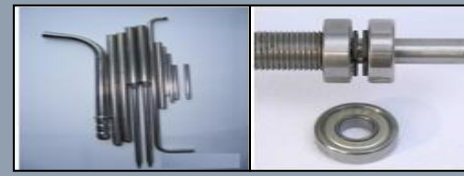
LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	397675	391400	-6275	-1.58%
Zinc	622150	620275	-1875	-0.30%
Aluminium	4426825	4405700	-21125	-0.48%
Lead	191400	191000	-400	-0.21%
Nickel	120354	119160	-1194	-0.99%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	95046	93429	-1617	-1.70%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	105917	98025	-7892	-7.45%
Zinc	236040	237759	1719	0.73%
Aluminium	490589	490382	-207	-0.04%

METALS WEEKLY

A Weekly Report on Base Metals



ECONOMIC INDICATORS REVIEW

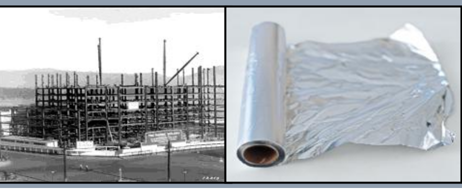
- From US, number of people applying for jobless benefits declined and thereby boosted sentiment. Decline in trade deficit for the month of July, indicated weak domestic demand
- Industrial production data from both UK and Germany came below expectation, though they grew at a modest pace. Factory orders from Germany contracted by 2.20% as against expectation of 0.50% growth
- Weak economic data from Euro-zone pushed Euro lower, which ended the week with losses of more than one and half percent. Indian rupee however, continued to gain on the back of strong domestic equities

Equity Indices	Last Week	This Week	% Change
Dow Jones Ind. Avg.	10447.93	10462.77	0.14%
S&P 500 Index	1104.51	1109.55	0.46%
FTSE 100 Index	5428.15	5501.64	1.35%
Nikkie 225	9114.13	9239.17	1.37%
Shanghai Composite	2655.39	2663.21	0.29%
Sensex	18221.43	18799.66	3.17%

Currency	Last Week	This Week	% Change
Dollar Index	82.015	82.698	0.83%
EUR/USD	1.2896	1.2679	-1.68%
GBP/USD	1.5452	1.5358	-0.61%
USD/INR	46.64	46.4785	-0.35%

OUTLOOK

- Over the weekend, China released a whole host of economic data. Industrial production and retail sales data came in better than expected. Both the Producer price index and Consumer price index came largely in line with expectation. This alleviated the fears of drastic slowdown in growth and expectation of significant tightening, both of which are positive for base metal prices
- WPI-Inflation in India is expected to moderate from prior month and India's central bank will decide on the policy rates. We expect the RBI to hike both repo and reverse repo rate by 25 bps as it takes a step forward towards calibrated exit from loose monetary policy
- From US, both the advance retail sales and the industrial production are expected to slow and this might have negative impact on dollar. Initial jobless claims are also expected to increase and are thereby may add to woes
- Euro-zone trade deficit in the month of July is expected to contract as weak domestic demand is reducing imports whereas strong demand from EM's is boosting exports. ZEW survey for current situation is also expected to come in higher and thereby may send the Euro higher
- Overall, we at KCTL expect base metal prices to trade higher, but the gains might be limited owing to expectation of weak industrial production data and increasing initial jobless claims in US



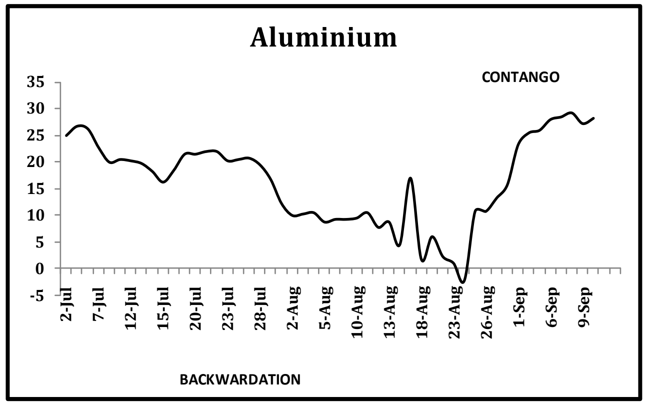
METALS WEEKLY

A Weekly Report on Base Metals

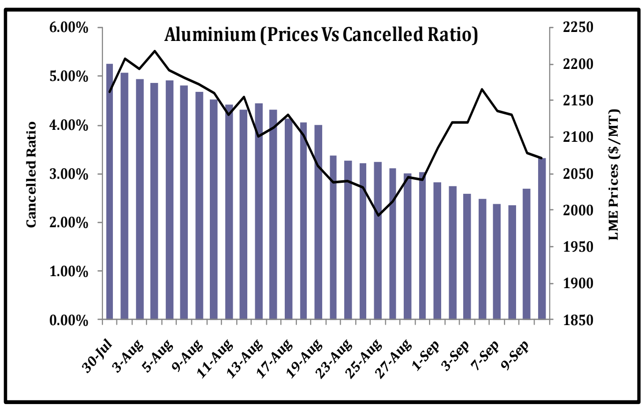
ALUMINIUM

Aluminium stocks held at three major Japanese ports were at 236,100 tonnes at the end of August, up 27,900 tonnes or 13.4 percent from the prior month. Also there are reports that the term premium for the last quarter of 2010 has been agreed at $118/tonne as against $120/tonnes in the third quarter. The premium has been continuously declining after hovering around $130/tonne in the first quarter.

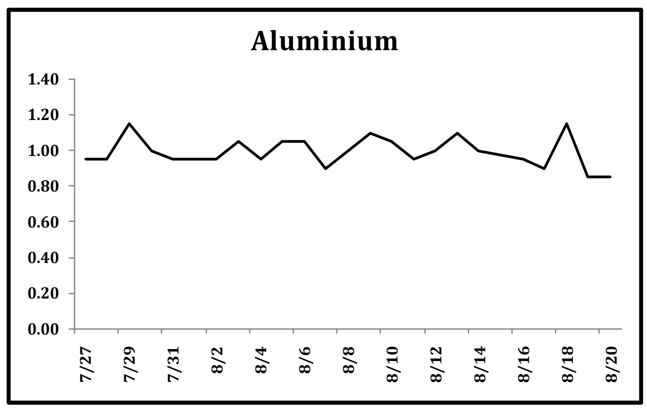
BASIS CHART
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes}

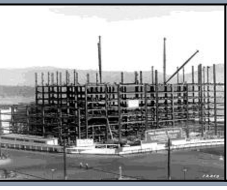


CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





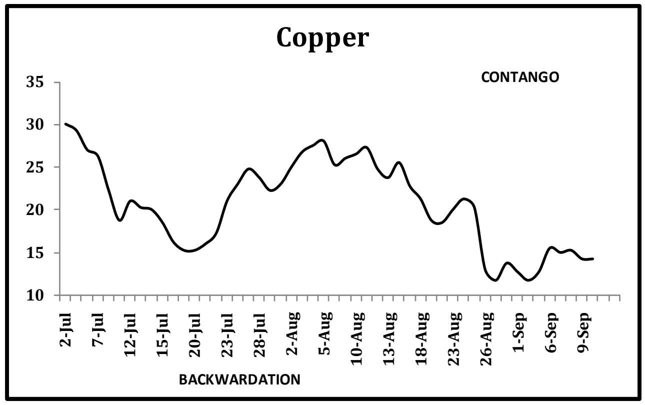


COPPER

The cancelled warrant ratio, which indicates, the material embarked for delivery, has been declining for the past few days. This indicates that there are no fresh intentions are being received to take for delivery. This is slightly negative for prices and may even slow down the pace of inventory decline in the near term.

BASIS CHART

(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)



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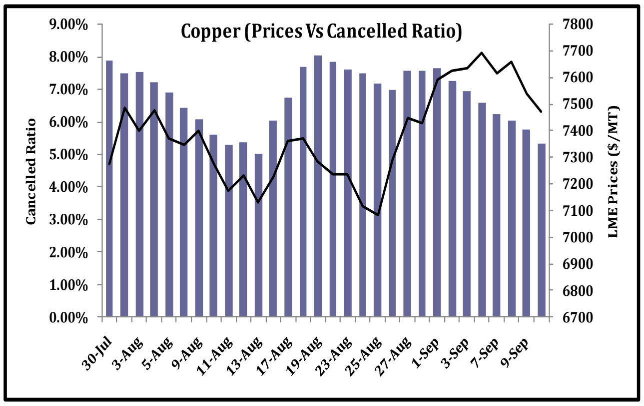

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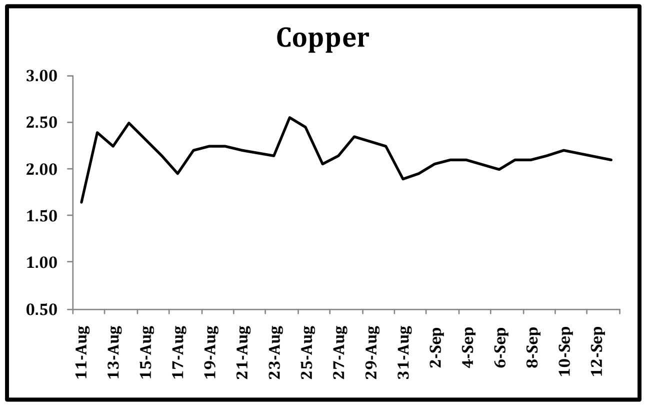
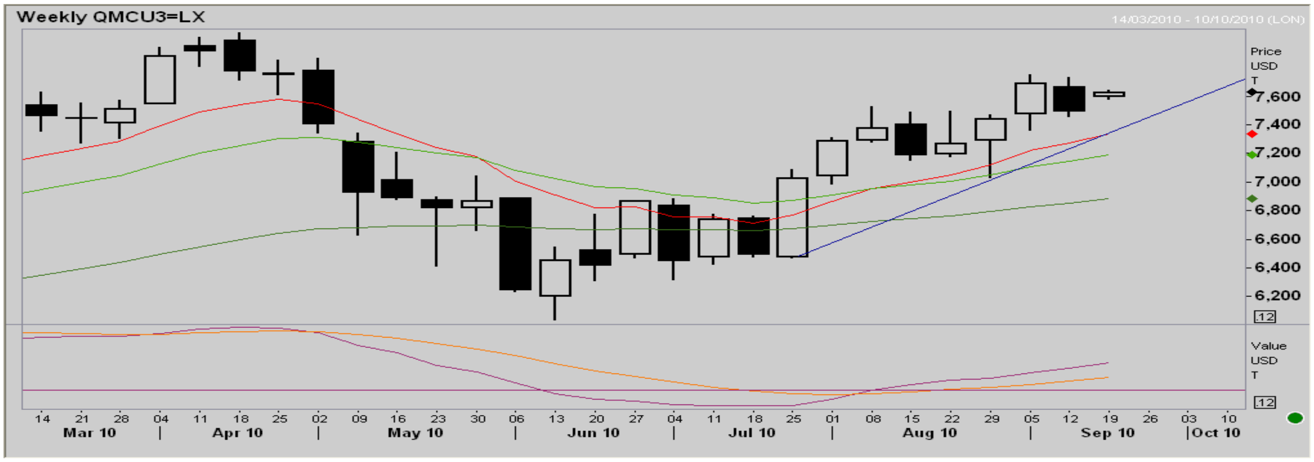


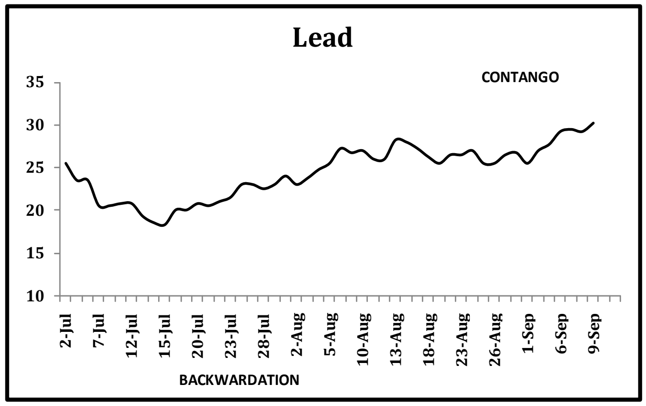


LEAD

According to statistics bureau of China, the country produced 2.22 million tons of lead in the seven months to the end of July. This is 3.8 percent more than a year ago. The report also said that the nation's lead-smelting capacity may increase to more than 5 million tons by the end of 2010 from 4.45 million at the end of 2009.

BASIS CHART

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



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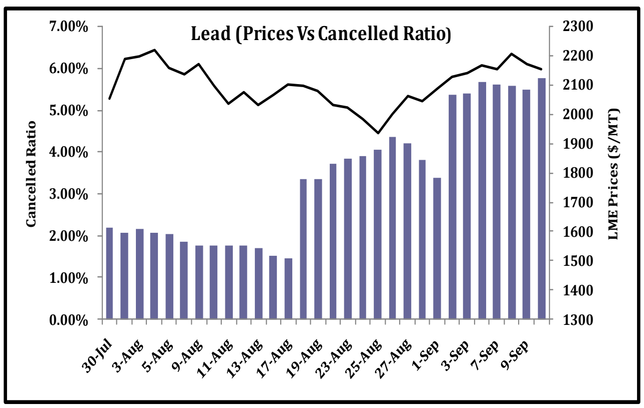
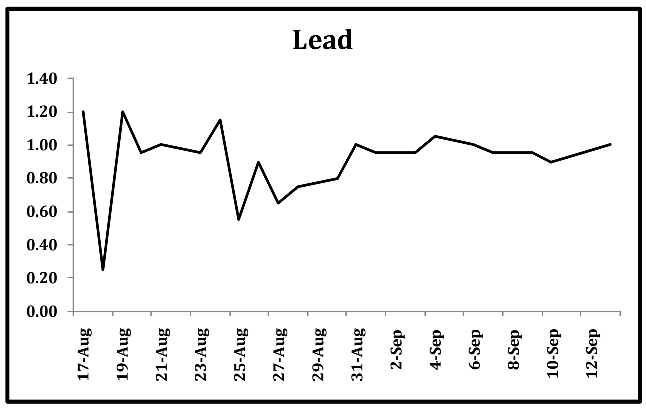


CALENDAR SPREAD ON MCX



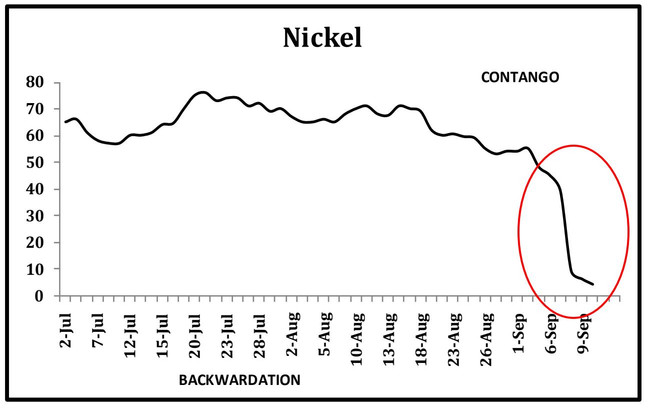
NICKEL

The basis on LME has declined drastically from $39/tonne to $9/tonne. In usual circumstances, this indicates weak physical demand and thereby expectation of fall in prices in the near term. However, the prices have been outperforming base metal pack and this may be on the expectation of rebound in basis.

Similar situation happened in case of aluminium and the prices did catch-up with other base metals.

BASIS CHART

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



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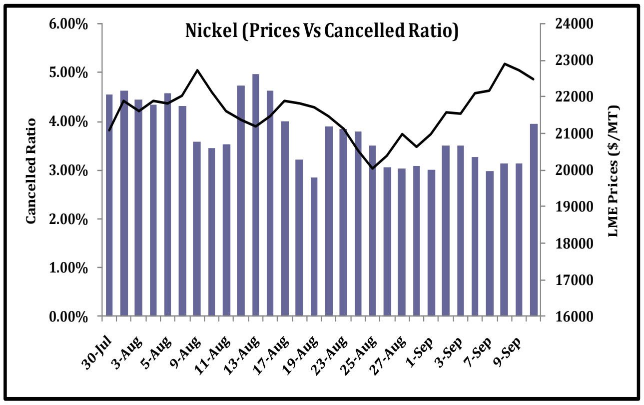

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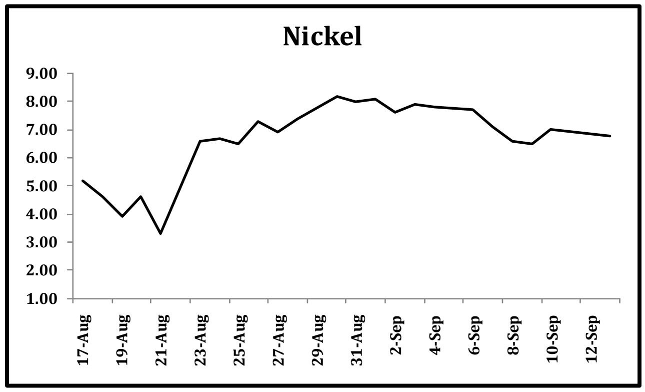
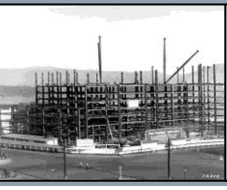





METALS WEEKLY

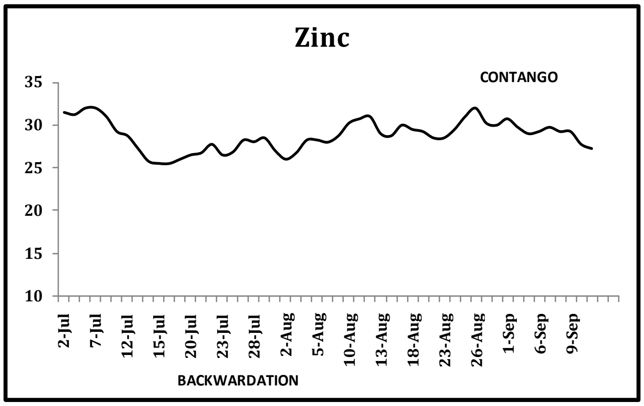
A Weekly Report on Base Metals


ZINC

Zinc prices witnessed a very volatile week, with prices in Shanghai falling by 5% in a single day, as talks of crackdown on illegal funds lead to liquidation of positions. The open interest on Shanghai futures Exchange declined by nearly 10% in a single day.

In fact, Zinc was the only base metal to have witnessed increase in inventory on the Shanghai exchange on a weekly basis.

BASIS CHART
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)



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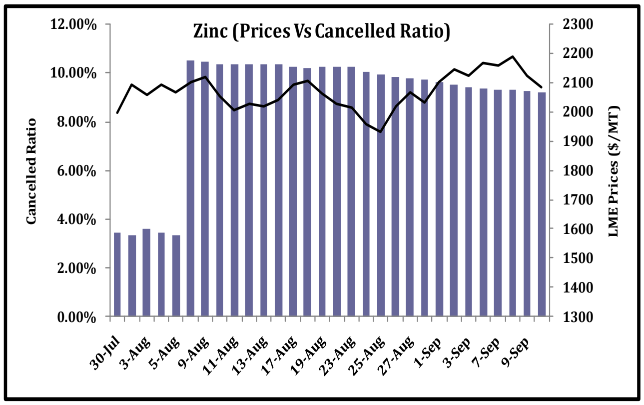

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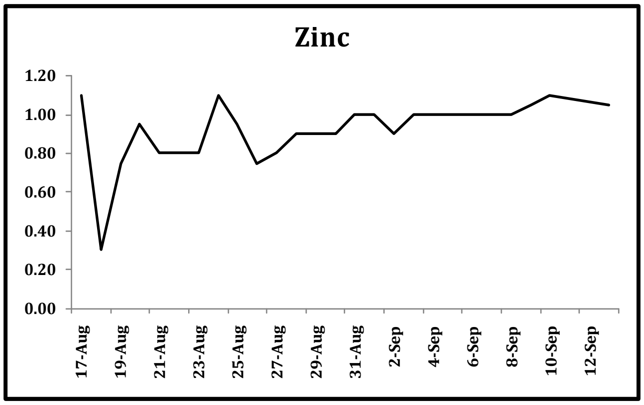

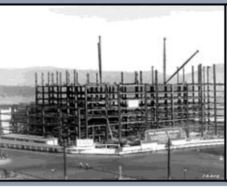



DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date Time	Region	Event	Period	Survey	Prior
09/14/2010 11:30	GE	Wholesale Price Index (MoM)	AUG	0.30%	-0.30%
09/14/2010 12:00	IN	Monthly Wholesale Prices YoY%	AUG	9.60%	9.97%
09/14/2010 14:30	EC	ZEW Survey (Econ. Sentiment)	SEP	14.5	15.8
09/14/2010 14:30	EC	Euro-Zone Ind. Prod. sa (MoM)	JUL	0.10%	-0.10%
09/14/2010 14:30	GE	ZEW Survey (Econ. Sentiment)	SEP	10	14
09/14/2010 14:30	GE	ZEW Survey (Current Situation)	SEP	50	44.3
09/14/2010 18:00	US	Advance Retail Sales	AUG	0.30%	0.40%
09/14/2010 19:30	US	Business Inventories	JUL	0.60%	0.30%
09/15/2010 14:30	EC	Euro-Zone CPI (MoM)	AUG	0.20%	-0.30%
09/15/2010 14:30	EC	Euro zone Employment (QoQ)	2Q	- -	0.00%
09/15/2010 18:00	US	Import Price Index (MoM)	AUG	0.20%	0.20%
09/15/2010 18:00	US	Empire Manufacturing	SEP	8	7.1
09/15/2010 18:45	US	Industrial Production	AUG	0.20%	1.00%
09/15/2010 18:45	US	Capacity Utilization	AUG	75.00%	74.80%
09/16/2010 11:30	EC	EU 25 New Car Registrations	JUL	- -	-6.90%
09/16/2010 14:30	EC	Euro-Zone Trade Balance sa	JUL	-0.5B	-1.6B
09/16/2010	IN	India REPO Cutoff Yield	16-Sep	- -	5.75%
09/16/2010	IN	Cash Reserve Ratio	16-Sep	- -	6.00%
09/16/2010	IN	Reverse Repo Rate	16-Sep	- -	4.50%
09/16/2010 18:00	US	Producer Price Index (MoM)	AUG	0.30%	0.20%
09/16/2010 18:00	US	Initial Jobless Claims	11-Sep	458K	451K
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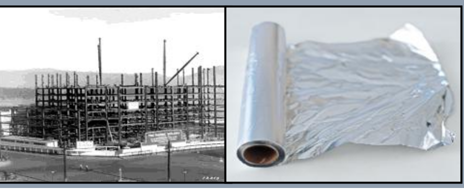
09/16/2010 19:30	US	Philadelphia Fed.	SEP	0.00	-7.7
09/17/2010 11:30	GE	Producer Prices (MoM)	AUG	0.30%	0.50%
09/17/2010 13:30	EC	ECB Euro-Zone Current Account SA	JUL	- -	-4.6B
09/17/2010 14:30	EC	Construction Output SA MoM	JUL	- -	2.70%
09/17/2010 19:25	US	U. of Michigan Confidence	SEP P	70	68.9



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