KARVY COMTRADE LIMITED

METALS WEEKLY

A Weekly Report on Base Metals

OUTLOOK

Housing data from US will decide the market movement and the expectation is that most of the data will indicate improving housing market. The increasing cancelled warrant ratio for most of the base metals is pointing towards further decline in inventories. Equity markets are buoyant across the world. All these factors are expected to support base metal prices to move higher. Chinese markets will be closed from Sep 22-24 on account of Mid-Autumn festival holiday and thereby no major data release is expected from the World's largest consumer of metals.

TECHNICAL RECOMMENDATIONS

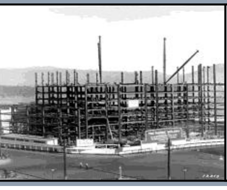
Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
LME Copper	3M-Fwd	7420	7500	7630	7720	7800	7875	7980	Sideways
MCX Copper	**Nov-10**	**338**	**342**	**347**	**357**	**358**	**364**	**368**	**Sideways**
LME Lead	3M-Fwd	2000	2080	2140	2202	2260	2360	2420	Sell below 2180 TP 2110 SL 2210
MCX Lead	**Sep-10**	**92.60**	**95.00**	**97.00**	**100.7**	**102**	**103.50**	**105.00**	**Sell below 100 TP 97 SL 102.50**
LME Nickel	3M-Fwd	22000	22400	22700	23200	24200	24800	25150	Buy at 22800 TP 23700 SL 22450
MCX Nickel	**Sep-10**	**980**	**1016**	**1048**	**1071**	**1198**	**1235**	**1262**	**Buy 1042-47 TP 1080 SL 1012**
LME Aluminum	3M-Fwd	2020	2088	2120	2180	2222	2288	2360	Sideways
MCX Aluminum	**Sep-10**	**90.20**	**93.00**	**95.50**	**97**	**100**	**102.00**	**105.20**	**Sideways**
LME Zinc	3M-Fwd	1942	2020	2070	2151	2210	2292	2347	Sell at 2170 TP 2060 SL 2240
MCX Zinc	**Sep-10**	**90.50**	**92.00**	**96.00**	**98.9**	**100.70**	**103.00**	**105.50**	**Sell at 99.50 TP 100.70 SL 96.20**

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

Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
09/21/2010 18:00	US	Housing Starts	AUG	550K	546K
09/21/2010 18:00	US	Building Permits	AUG	560K	559K
09/21/2010 18:00	US	Building Permits MOM%	AUG	0.20%	-3.10%
09/21/2010 23:45	US	FOMC Rate Decision	21-Sep	0.25%	0.25%
09/22/2010 14:30	EC	Industrial New Orders SA (MoM)	JUL	-1.40%	2.50%
09/23/2010 18:00	US	Initial Jobless Claims	18-Sep	450K	450K
09/23/2010 19:30	US	Existing Home Sales	AUG	4.10M	3.83M
09/23/2010 19:30	US	Leading Indicators	AUG	0.10%	0.10%
09/24/2010 18:00	US	Durable Goods Orders	AUG	-1.00%	0.30%
09/24/2010 19:30	US	New Home Sales	AUG	295K	276K

For all the data releases; click here

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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	7595.25	7810	7535	7720	3.13	135,370	-13.76	1,928	-21.94
	Zinc	2132.25	2205	2125	2151	1.94	67,190	-17.11	1,030	-3.38
	Lead	2180	2258.5	2180	2202.5	0.80	30,859	6.92	915	73.62
	Nickel	22550	23570	22500	23200	3.11	28,164	-26.32	687	-37.88
	Aluminium	2112	2214	2112	2180	3.81	117,730	-0.34	2,643	16.28
MCX Futures (₹/Kg)	Copper	349.9	359.65	349.9	357.05	2.19	509,962	9.31	34,261	7.80
	Zinc	98.2	100.5	98	98.75	1.07	157,637	14.49	6,874	0.90
	Lead	100.3	103.4	100.3	100.7	0.85	117,361	17.55	3,443	-9.44
	Nickel	1046	1082.7	1046	1070.2	2.55	335,768	-8.02	10,785	-2.11
	Aluminium	97.35	100.5	97.35	99.3	2.37	38,308	-1.64	3,607	-6.04

MARKET OVERVIEW

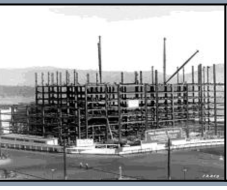
- Base metal prices ended higher on the back of positive equity markets and weak dollar index. However data indicated that manufacturing activity in some parts of US slowed down and thereby capped the gains. Indian rupee hit a three month high against the dollar and thereby limited the gains in the Indian market
- Nickel was the top performer (on MCX) on the back of market moving into backwardation. The price for immediate delivery was higher by nearly $7/tonne on the back of strong physical demand. On the other hand, lead underperformed the base metal pack on the back of increase in inventories
- Major Equity markets were buoyant, with the exception of Shanghai. On the back of strong foreign flows, Indian equity markets were the top performing and ended the week with gains of more than 4 percent, thereby registering the best week of 2010

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	**Previous Week**	**This Week**	**Change**	**% Change**
Copper	58600	59710	1110	1.89%
Zinc	17280	17490	210	1.22%
Aluminum	15315	15410	95	0.62%

COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	**Previous Week**	**This Week**	**Change**	**% Change**
Copper	339.7	351.35	11.65	3.43%





Commodity Futures Trading Commission (CFTC) Report- Copper

According to the US CFTC data of copper, both short covering and increase in long positions was witnessed in the non-commercial segment of the market thereby supporting prices to move higher. However on the commercial side, the number of producers who hedged their output increased and thereby putting a cap on gains. This is the reason that copper prices moved only 0.3 percent in the same period. Overall, the both the long and positions increased with bias on the short side.

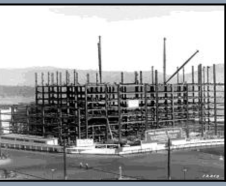
CFTC Report - Copper (In contracts)				
Non-Commercial	9/7/2010	9/14/2010	Change	% Change
Long	41758	42144	386	0.92%
Short	26975	25735	-1240	-4.60%
Spreading	17683	16694	-989	-5.59%
Commercial				
Long	64529	67025	2496	3.87%
Short	77620	84461	6841	8.81%
Total				
Long	123970	125863	1893	1.53%
Short	122278	126890	4612	3.77%

INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	391400	384200	-7200	-1.84%
Zinc	620275	619125	-1150	-0.19%
Aluminium	4405700	4393425	-12275	-0.28%
Lead	191000	191750	750	0.39%
Nickel	119160	119412	252	0.21%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	93429	89416	-4013	-4.30%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	98025	98225	200	0.20%
Zinc	237759	236113	-1646	-0.69%
Aluminium	490382	494782	4400	0.90%

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ECONOMIC INDICATORS REVIEW

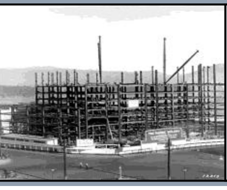
- In India, RBI increased repo rate by 25 bps to 6 percent and reverse repo rate by 50bps to 5 percent, thereby narrowing down the interest rate corridor. More than expected increase in reverse repo rate pushed rupee higher thereby closing the week with gains more than a percent. Strong foreign inflows into the Indian equity markets also pushed rupee to move higher
- Japanese central bank intervened for the first time in six years to curb the rise of Yen which was trading near the 15-year high. Appreciation of Yen is hurting its export driven economy
- Both the empire manufacturing and Philadelphia Fed index fell, indicating decline in production activity. The industrial production data though came largely in line with expectation, was lower than the prior month

Equity Indices	Last Week	This Week	% Change
Dow Jones Ind. Avg.	10462.77	10607.85	1.39%
S&P 500 Index	1109.55	1125.59	1.45%
FTSE 100 Index	5501.64	5508.45	0.12%
Nikkie 225	9239.17	9626.09	4.19%
Shanghai Composite	2663.21	2598.69	-2.42%
Sensex	18799.66	19594.75	4.23%

Currency	Last Week	This Week	% Change
Dollar Index	82.698	81.398	-1.57%
EUR/USD	1.2679	1.305	2.93%
GBP/USD	1.5358	1.5632	1.78%
USD/INR	46.4785	45.84	-1.37%

OUTLOOK

- In the week ahead, housing market data from US will be the key trigger for base metal prices. Chinese markets will be closed from Sep 22-24 on account of Mid-Autumn festival holiday and thereby no key triggers from the World's largest consumer of metals
- On the economic data front, US housing starts, building permits, existing home sales and new home sales are due to be released. The expectation is that the conditions in the housing sector are improving and thereby will fuel demand for more houses than in the prior month. However the durable goods orders are expected to decline and might have some negative impact on base metal prices
- From the Euro-zone, both the industrial new orders and PMI manufacturing data are expected to decline. IFO expectations may also decline This may be owing to weak economic conditions as concerns of slowing down in the second half of 2010 owing to austerity measures
- Overall, given the expectation of positive housing data from US and buoyant equity markets, base metals are might trade on the higher side



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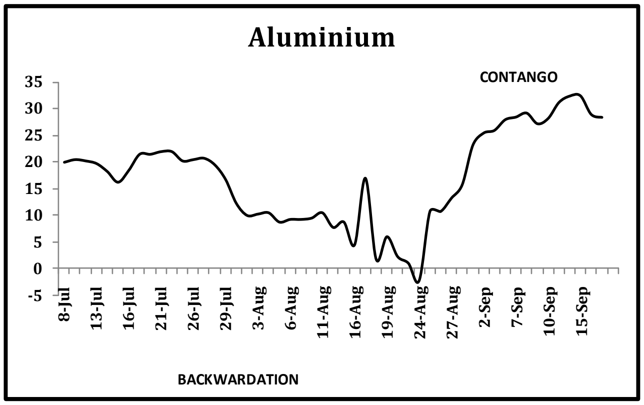
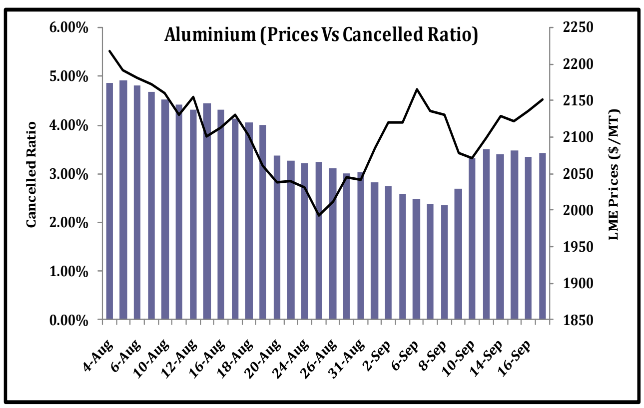
ALUMINIUM

In China, three smelters with annual capacity of 250,000 tonnes were reported to shut down operations as government try to put a cap on energy intensive projects. This represents somewhere close to 2% of total annual production of 2009. As per Shanghai Metals Market, power consumption by aluminium smelters accounted for 6 percent of the country's total.

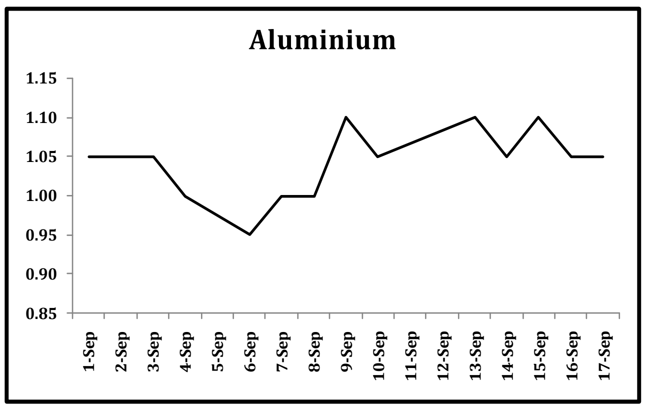
BASIS CHART
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes}

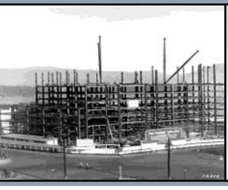


CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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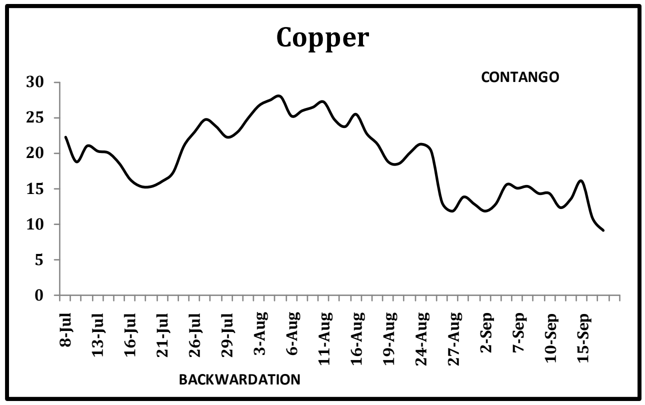
COPPER

Chilean state miner Codelco, the World's top copper producer, is likely to produce 1.7 to 1.8 million tonnes of copper this year. This is similar level produced last year. Refined copper will constitute about 80 percent of the total production.

Japan's top copper smelter, Pan Pacific Co said that it plans to cut output by 13% in the second half of 2010. This will bring output to around 270,000 tonnes

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



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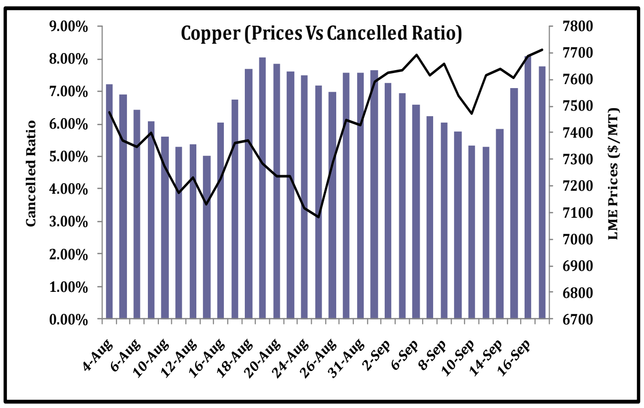

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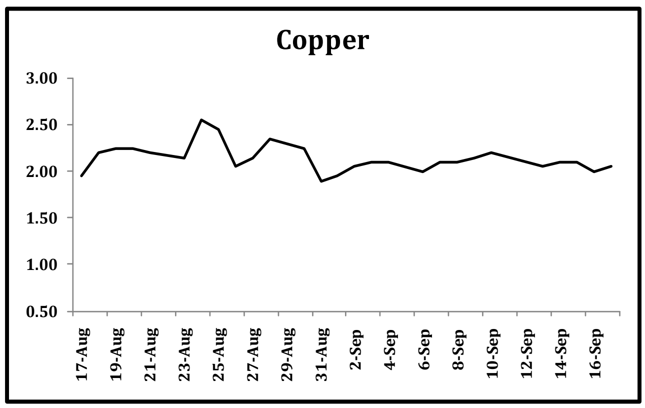

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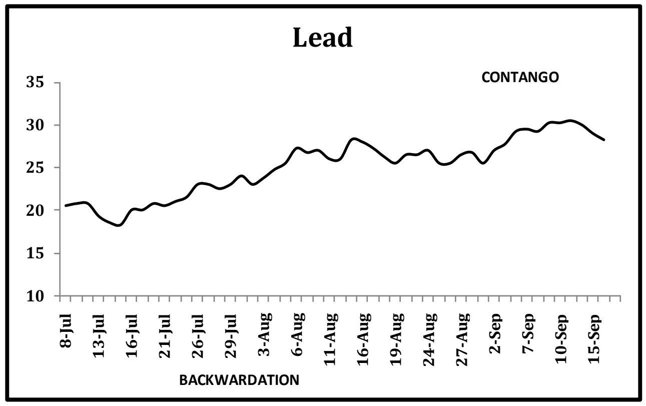
LEAD

In China, Lead production increased to a record 404,000 tonnes in August registering a growth of 5.1 percent over the previous month. Imports slumped by 92 percent as the country ramped up its domestic output to meet growing demand and thereby have been reducing dependence on imports. In the first eight months of 2010 production expanded by 2.4% to 2.65 million tonnes.

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



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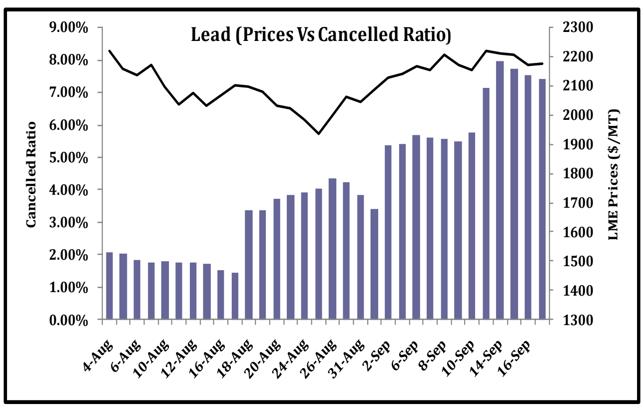
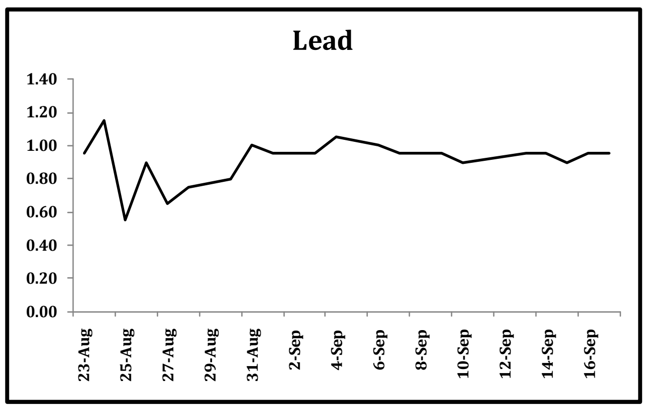
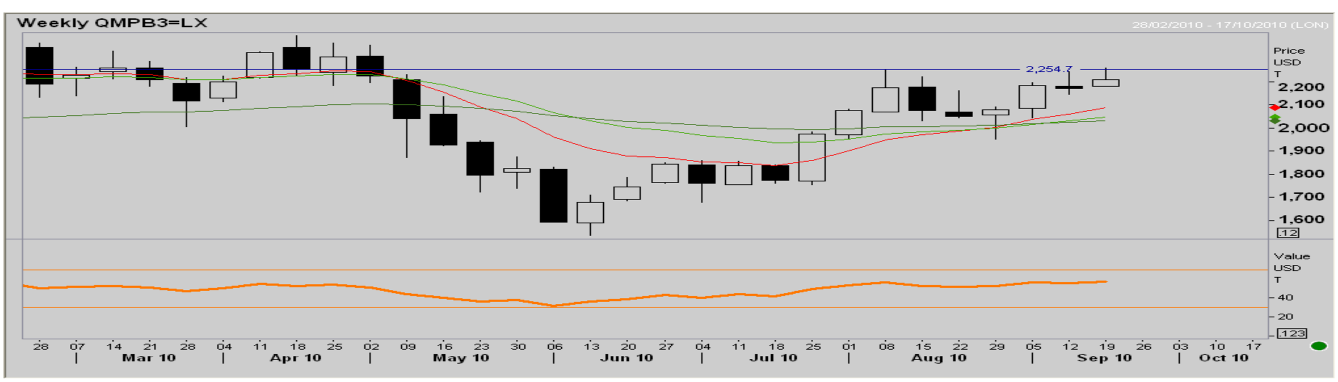
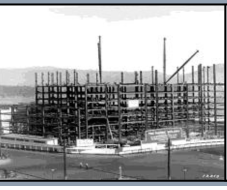


CALENDAR SPREAD ON MCX





LME Lead made a high of $2258 and closed at $2208 in this week. The open and low for the week were the same at $2180 thereby holding as a support level for the market. In the weekly chart price failed to sustain above the previous swing high of $2254 levels. The momentum oscillator RSI (14) is at 0.52, not confirming the trend and thereby forming a bearish divergence on the chart. However, the price will come down further only if it breaches the immediate support level and the previous week's low of $2180. It is on the verge of forming the double top chart pattern but that will be confirmed only after the breach of near term support level.

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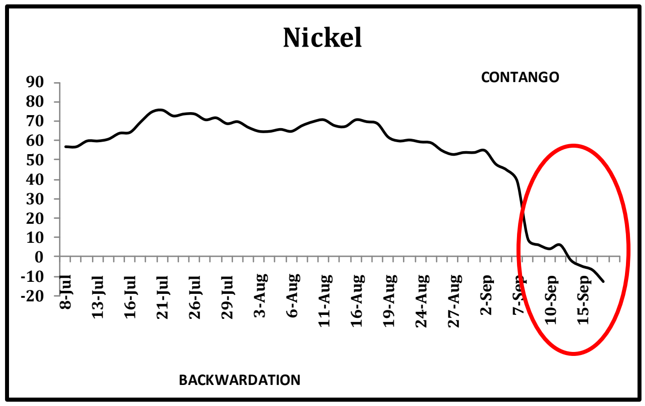
NICKEL

The basis on LME has declined drastically from $39/tonne to -$13/tonne thereby moving the market into backwardation. Decline in basis on LME indicates higher prices for immediate delivery. This happens when there is strong physical demand and the production is not able to match the demand. However, on MCX the calendar spread remained largely stable.

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



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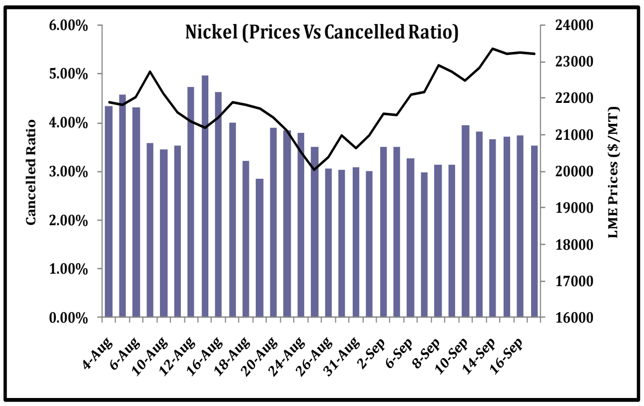

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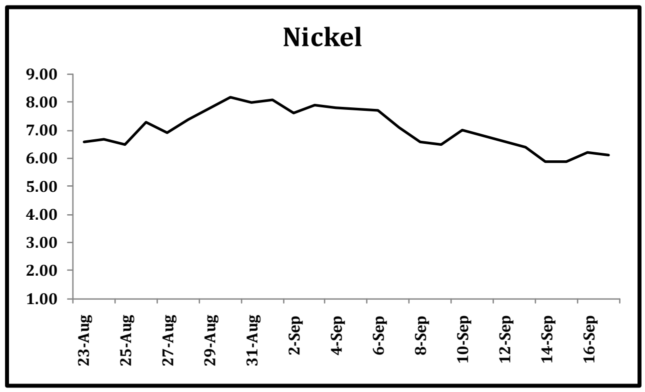

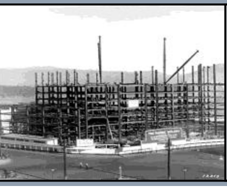


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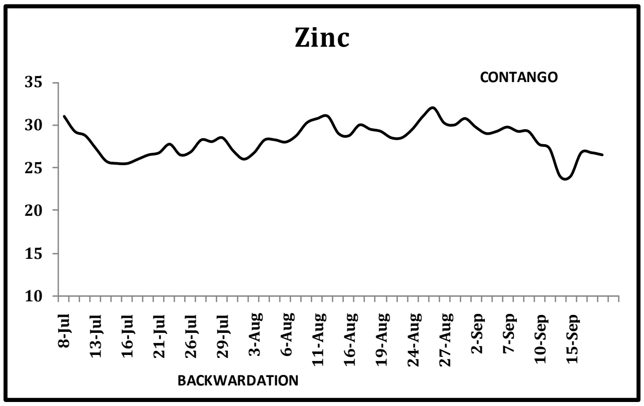
ZINC

South Korea's Public Procurement Service, a state-run body that manages strategic commodities, purchased 1,500 metric tons of refined zinc and 1,000 tonnes special high-grade zinc for delivery in November. The price was fixed at a premium of $115/ton over the LME price. The premium paid includes insurance as well as the delivery costs.

BASIS CHART

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



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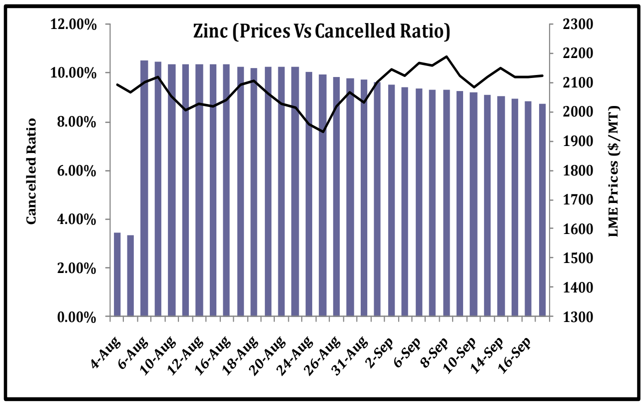

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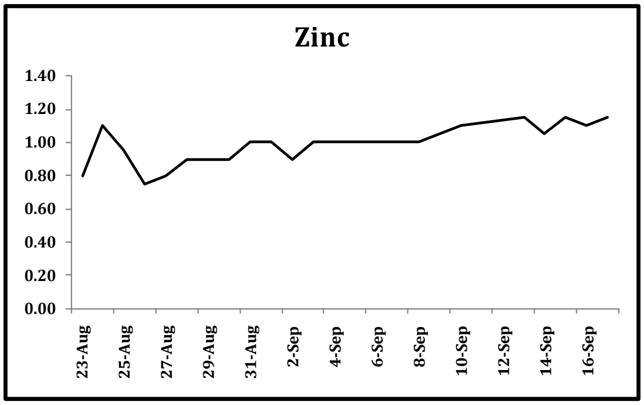

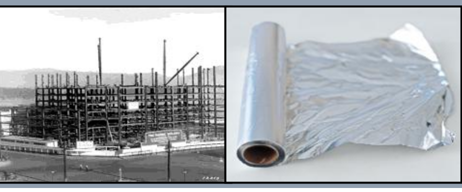

DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date Time	Region	Event	Period	Survey	Prior
09/20/2010 19:30	US	NAHB Housing Market Index	SEP	14	13
09/21/2010 18:00	US	Housing Starts	AUG	550K	546K
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09/22/2010 14:30	EC	Industrial New Orders SA (MoM)	JUL	-1.40%	2.50%
09/22/2010 19:30	US	House Price Index MoM	JUL	-0.10%	-0.30%
09/23/2010 13:00	GE	PMI Manufacturing	SEP A	57.6	58.2
09/23/2010 13:00	GE	PMI Services	SEP A	57.2	57.2
09/23/2010 13:30	EC	PMI Composite	SEP A	55.7	56.2
09/23/2010 13:30	EC	PMI Manufacturing	SEP A	54.5	55.1
09/23/2010 13:30	EC	PMI Services	SEP A	55.5	55.9
09/23/2010 18:00	US	Initial Jobless Claims	18-Sep	450K	450K
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09/23/2010 19:30	US	Leading Indicators	AUG	0.10%	0.10%
09/23/2010 19:30	US	Existing Home Sales MoM	AUG	7.10%	-27.20%
09/24/2010 11:30	GE	Import Price Index (MoM)	AUG	0.3%	-0.2%
09/24/2010 13:30	GE	IFO - Business Climate	SEP	106.4	106.7
09/24/2010 13:30	GE	IFO - Current Assessment	SEP	108.7	108.2
09/24/2010 13:30	GE	IFO - Expectations	SEP	104	105.2
09/24/2010 18:00	US	Durable Goods Orders	AUG	-1.00%	0.30%
09/24/2010 19:30	US	New Home Sales	AUG	295K	276K
09/24/2010 19:30	US	New Home Sales MoM	AUG	6.90%	-12.40%

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