



METALS WEEKLY

A Weekly Report on Base Metals



OUTLOOK

SPECIAL FEATURE: Central banks buying stocks. [Click Here](#)

After a week dominated by new flows from the world's largest economy, indications from world's largest consumer of industrial metals might dominate this week. China's trade surplus in the month of October is expected to increase by nearly 50 percent largely driven by higher import growth. Higher imports indicate domestic demand in China continues to remain strong also supported by expectation of higher industrial production numbers. Industrial production in India might also grow at a faster pace given the strong footing the economy is onto and ongoing festive demand. From US, data is expected to indicate improving trade balance and consumer confidence given the support being provided by Fed. Euro-zone GDP is expected to grow at a slower pace as the region has imparted on spending cuts.

US and UK equity markets touched two-year highs and India's benchmark index, Sensex, is at an all time high, all indicating buoyant equity markets. Overall, base metal prices might correct slightly initially given the strong run-up seen this week, but expectation of strong economic data from emerging economies like China and India and quantitative easing measures from developed world is expected to send base metal prices higher.

TECHNICAL RECOMMENDATIONS									
Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
LME Aluminum	Fwd	2239	2297	2375	2452	2511	2569	2647	Buy at 2400-80 TP 2650 SL 2325.
MCX Aluminum	Nov-10	102.63	104.1	106.1	108.2	109.6	111.1	113.1	Buy at 107.5-108 TP 111/113 SL 105.
LME Copper	Fwd	7837	8047	8351	8655	8864	9074	9378	Buy at 8500-600 TP 8860/9050 SL 8350
MCX Copper	Nov-10	355.8	362.1	374.3	386.4	392.8	399.1	411.3	Buy at 381/82 TP 392/99 SL 374
LME Lead	Fwd	2294	2360	2433	2506	2572	2638	2711	Buy 2470-90 TP2620/2700 SL 2400.
MCX Lead	Nov-10	105.68	107.0	109.1	111.30	112.6	113.9	116.0	Buy 110-111 TP 114/118 SL 108.
LME Nickel	Fwd	21655	22372	23414	24455	25173	25890	26932	Buy at 24100-170 TP 25200/26400 SL 23500.
MCX Nickel	Nov-10	1000.5	1017.9	1050.1	1082.2	1099.7	1117.1	1149.3	Buy at 1067-71 TP 1102/1125 SL 1045.
LME Zinc	Fwd	2255	2330	2429	2528	2603	2678	2777	Buy at 2500-20 TP 2605/2675 SL 2410.
MCX Zinc	Nov-10	103.37	105.0	107.9	110.9	112.5	114.1	117.0	Buy at 109.5-110.3 TP 114/117 SL 105
Steel Long NCDEX	Nov-10	24380	24540	24780	25020	25180	25340	25580	Sideways

*NOTE: The calls shown above are purely WEEKLY Recommendations

Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
08/11/2010 12:30	GE	Current Account (EURO)	SEP	9.0B	4.6B
08/11/2010 16:30	GE	Industrial Production MoM (sa)	SEP	0.40%	1.70%
09/11/2010 15:00	UK	Industrial Production (MoM)	SEP	0.40%	0.30%
10/11/2010	CH	Trade Balance (USD)	OCT	\$25.50B	\$16.88B
10/11/2010 19:00	US	Trade Balance	SEP	-\$45.0B	-\$46.3B
11/11/2010 07:30	CH	Industrial Production (YoY)	OCT	13.50%	13.30%
12/11/2010	IN	Industrial Production YoY	SEP	--	5.60%
12/11/2010 15:30	EC	Euro-Zone GDP s.a. (QoQ)	3Q A	0.50%	1.00%
12/11/2010 15:30	EC	Euro-Zone Ind. Prod. sa (MoM)	SEP	0.30%	1.00%
12/11/2010 20:25	US	U. of Michigan Confidence	NOV P	69	67.7

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)	Aluminium	2360	2492	2356	2452	4.61	152,466	10.83	6,458	32.12
	Copper	8266.5	8769.5	8256	8655	5.55	179,244	-20.38	4,314	4.61
	Lead	2440	2565	2426	2506	2.33	22,434	-42.37	879	-45.30
	Nickel	23090	24849	23090	24455	6.37	21,680	-15.49	828	12.81
	Zinc	2430	2579	2404.75	2528	4.33	77,347	-37.02	2,100	-23.69
MCX Futures (₹/Kg)	Aluminium	105.8	109	105.5	108.2	2.56	29,711	98.47	2,820	-6.68
	Copper	368.5	387	368.5	386.4	4.69	350,793	-31.44	29,123	-3.47
	Lead	110.8	111.7	108.25	111.3	1.27	59,159	99.80	2,682	-9.79
	Nickel	1039	1085	1035.4	1082.2	4.36	164,698	95.35	12,630	-15.90
	Zinc	109.5	111.15	106.6	110.85	1.98	100,570	99.81	4,744	-8.87

MARKET OVERVIEW

- Amid huge volatility, base metal prices ended higher as markets took breather that the Fed announced quantitative easing measures worth \$600 billion. Rally across asset classes was witnessed as increased cheap liquidity moved in search of yields
- Copper prices touched 28 month high on LME as workers at the World's fourth biggest copper miner Collahuasi went on strike. Inventories of both lead and zinc witnessed build-up and thereby, to a certain extent underperformed other base metals
- As investors' preference towards risky assets increased, equity markets across the globe witnessed rally. Both the US and UK markets touched two year high and Indian benchmark indices ended at life time highs as investors bought more and more

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	62750	66180	3430	5.47%
Zinc	19255	20370	1115	5.79%
Aluminum	16135	16580	445	2.76%

COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	373.2	394.4	21.2	5.68%



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Commodity Futures Trading Commission (CFTC) Report- Copper

According to the US CFTC data of copper, on the non-commercial side, both long and short positions declined and the same situation was witnessed on the commercial side. Overall, positions across the markets declined. As this data is available till Nov 2, more and more market participants might have got on to sidelines before the crucial announcement by Fed on quantitative easing.

CFTC Report - Copper (In contracts)				
Non-Commercial	10/26/2010	11/2/2010	Change	% Change
Long	55260	52585	-2675	-4.84%
Short	28797	27377	-1420	-4.93%
Spreading	22707	22201	-506	-2.23%
Commercial				
Long	72172	71961	-211	-0.29%
Short	101358	100526	-832	-0.82%
Total				
Long	150139	146747	-3392	-2.26%
Short	152862	150104	-2758	-1.80%

INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	368500	366350	-2150	-0.58%
Zinc	621900	633200	11300	1.82%
Aluminium	4306350	4284275	-22075	-0.51%
Lead	199725	203225	3500	1.75%
Nickel	128160	129102	942	0.74%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	75100	74709	-391	-0.52%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	106275	106091	-184	-0.17%
Zinc	283472	290181	6709	2.37%
Aluminium	485716	490370	4654	0.96%



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ECONOMIC REVIEW

- Federal Reserve announced quantitative easing to the extent of \$600 billion which is expected to support the fragile economic recovery and boost employment. Non-farm payrolls data also indicated that 115K jobs were added, double the consensus estimate. This provided a further boost to industrial metal prices
- Bank Of England and European Central bank maintained thereby interest rates as well as there bond purchasing program unchanged. European region has largely been favoring austerity measures i.e., spending cuts instead of bond purchases
- Reserve Bank of Australia unexpectedly raised policy rates by 25 bps and thereby sent the Australian dollar to parity against the US dollar
- Reserve Bank of India also raised policy rates. Both repo and reverse repo rate were hiked by 25 bps as inflation continues to remain an area of concern amid strong economic growth. However the central bank also indicated that the chances of further rate hikes in the near term are relatively low
- **Bank of Japan maintained its overnight rate unchanged. However the central bank will buy Exchange traded fund linked to Nikkei and Topix index, its domestic equity indices, as part of its quantitative easing measures. This sent its domestic indices higher by nearly 3 percent in a single day**
- All the above points, indicate how divergent the measure taken by central banks. On the one hand we have BOJ and Fed announcing **quantitative easing** measures and on the other we have RBA and RBI announcing **quantitative tightening** measures

Equity Indices	Last Week	This Week	% Change
Dow Jones Ind. Avg.	11118.49	11444.08	2.93%
S&P 500 Index	1183.26	1225.85	3.60%
FTSE 100 Index	5675.16	5875.35	3.53%
Nikkie 225	9202.45	9625.99	4.60%
Shanghai Composite	2978.84	3129.50	5.06%
Sensex	20032.34	21004.96	4.86%

Currency	Last Week	This Week	% Change
Dollar Index	77.266	76.548	-0.93%
EUR/USD	1.3947	1.4032	0.61%
GBP/USD	1.6038	1.6182	0.90%
USD/INR	44.4275	44.2113	-0.49%



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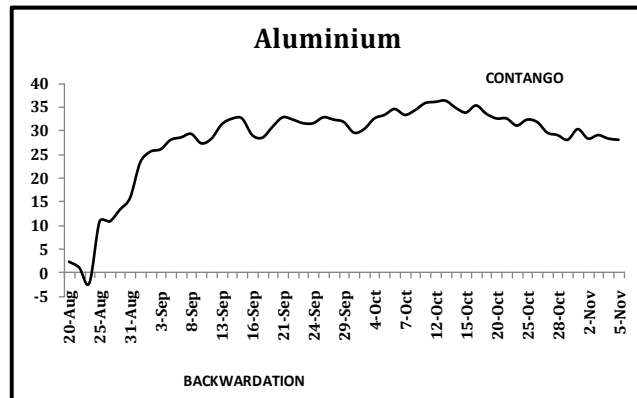


ALUMINIUM

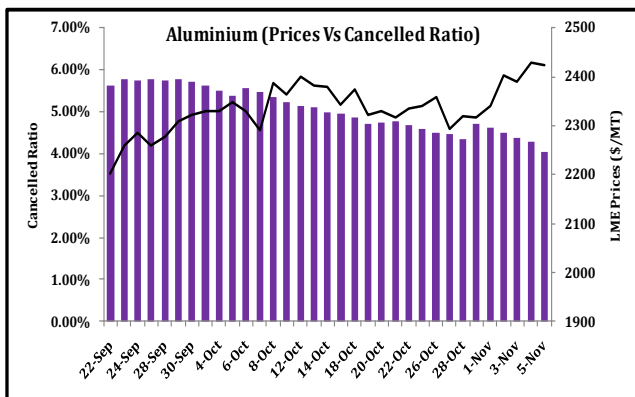
National Aluminium Company (Nalco) has recorded profit of Rs 224 Crore during second quarter of the current fiscal thereby registering growth of 40 percent over the same in the previous fiscal. The company achieved a record production of 221,963 metric tonnes as against 207,794 metric tonnes in the previous fiscal. Sales also grew by 9.2 percent to 217,136 metric tonnes year-on-year.

BASIS CHART

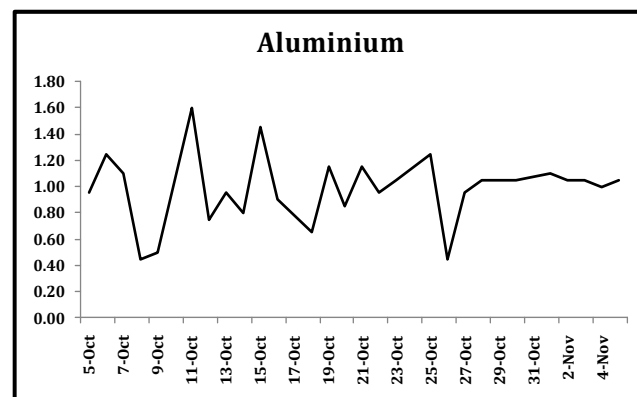
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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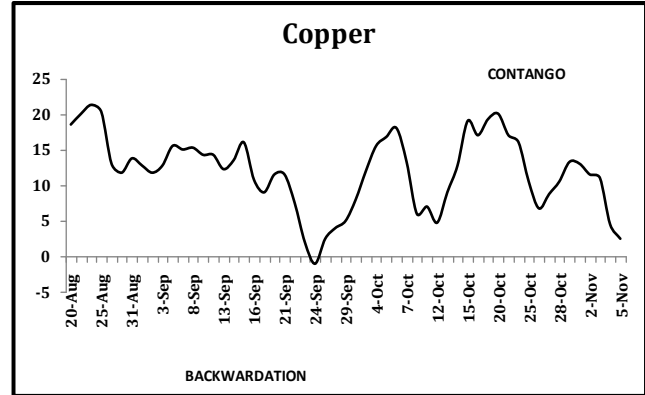
COPPER

Strike by workers at Collahuasi copper mine, the world's fourth biggest and owned by Anglo American Plc and Xstrata Plc's, is set to extend into second day as negotiations over a new wage contract remain stalled. A strike during last wage talks in 2007 lasted four days. The company accounted for 3.5 percent of the world's copper output last year.

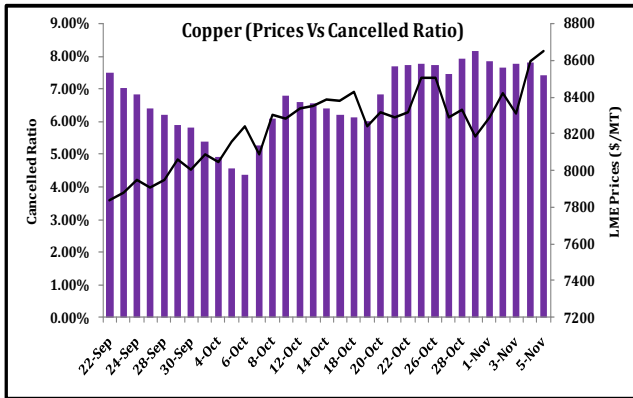
On the fundamental front report from International Copper Study Group (ICSG) global copper concentrate output capacity will expand by less than 2.5 million metric tons between 2010 and 2013. The declining growth in supply is being attributed to financing difficulties.

BASIS CHART

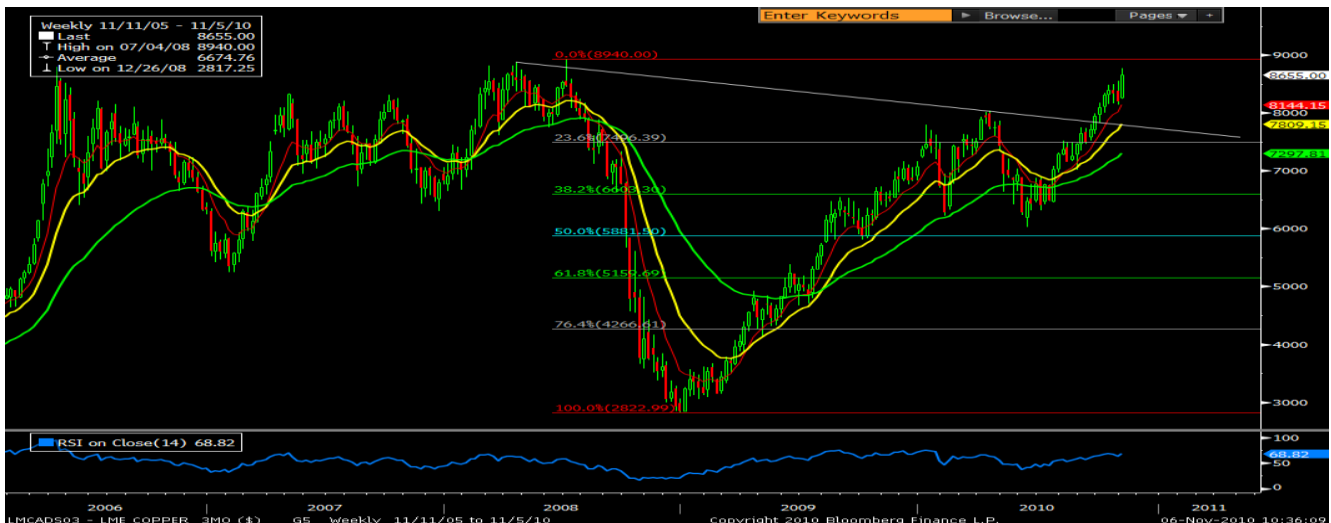
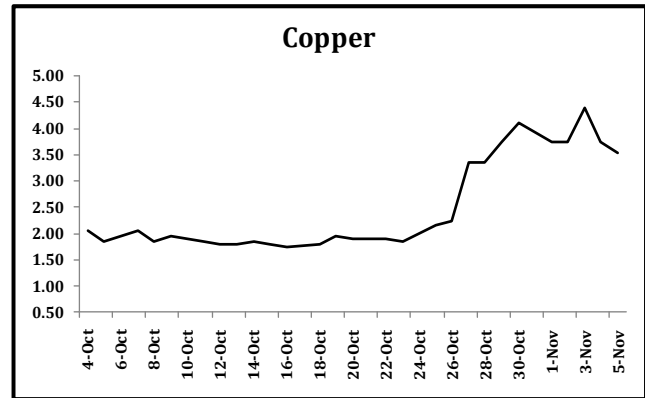
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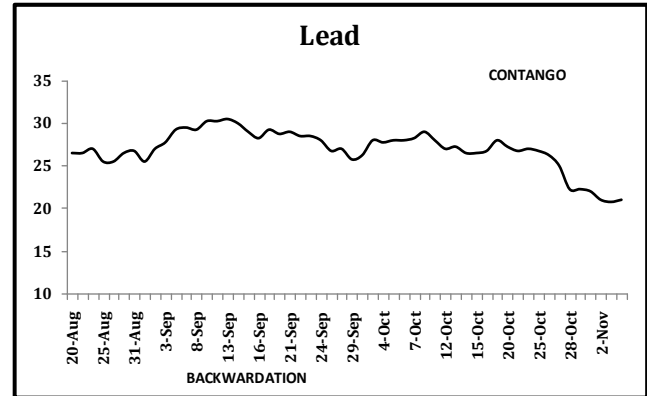
LEAD

Lead prices underperformed the most of the other base metals owing to increase in stocks along with profit booking.

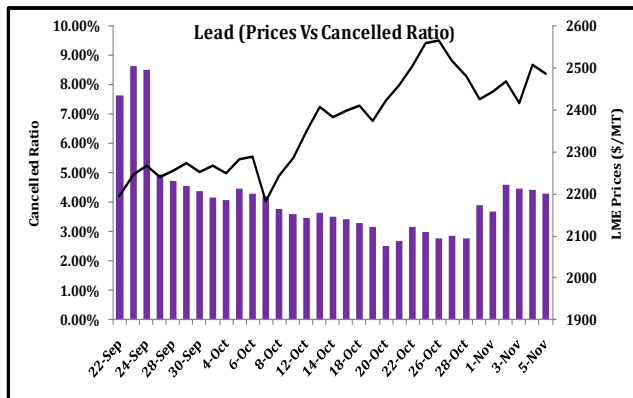
The cancelled warrant ratio, which indicates material earmarked for delivery, for lead was at 2.5 percent in the previous week. As a result, stocks increased this week and made it underperform the entire base metal pack. However the cancelled warrant ratio has now moved higher by a percent indicating that the build-up may be near to end.

BASIS CHART

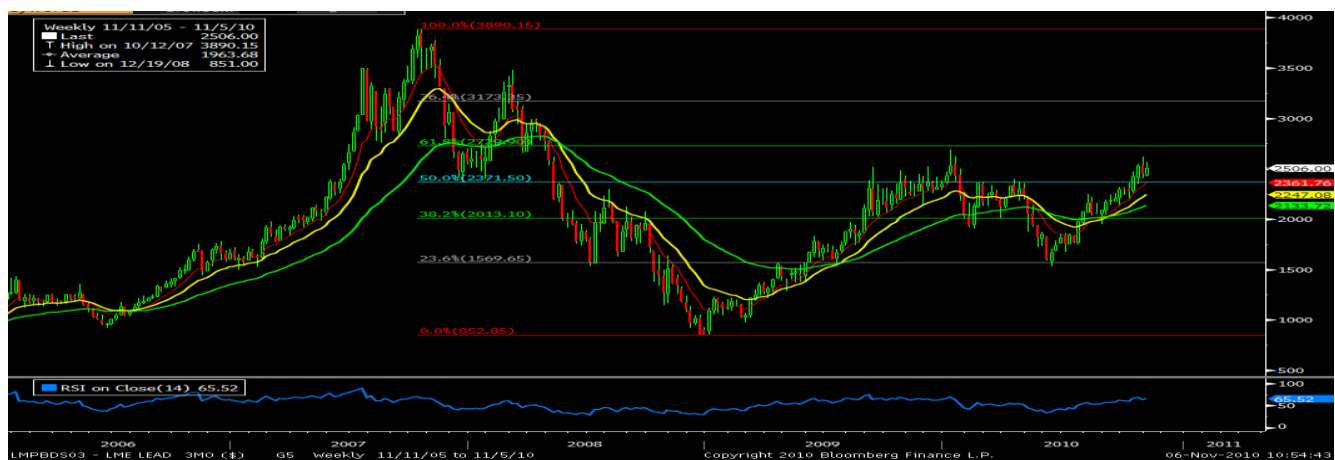
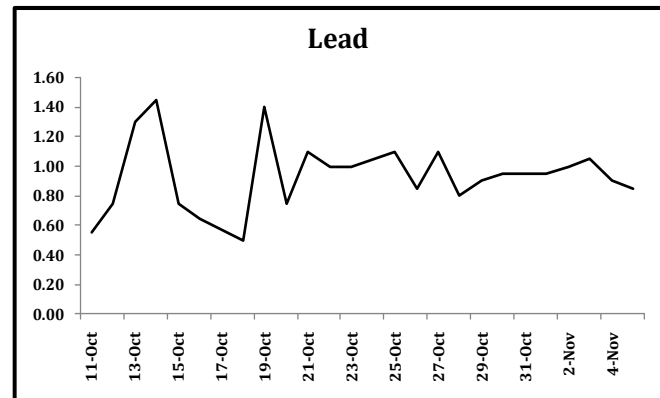
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



TECHNICALS: Last week, lead prices traded higher. It made a high of 2565 and settled at 2506 levels, up by 2.32% on last week. Lead is witnessing crucial resistance at 2690 levels which is the high of the previous swing. So we expect prices to test 2690 levels. Lead is witnessing trend channel formation on the upper side allowing the prices to trade higher. As per the principle of Fibonacci retracement lead is trading well above the 76.4% retracement of the range (1534-2699) and is running towards its origin point of 2689 levels in the near future. The momentum indicator RSI 14 weekly is trading at 0.655 levels and showing higher potential for the markets to trade higher. Hence we recommend buying at support levels for the coming week.



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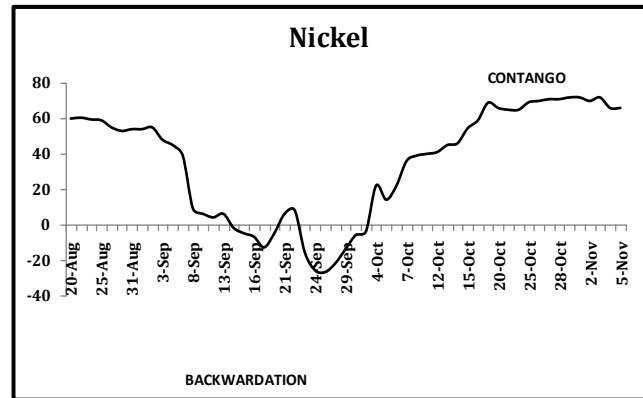


NICKEL

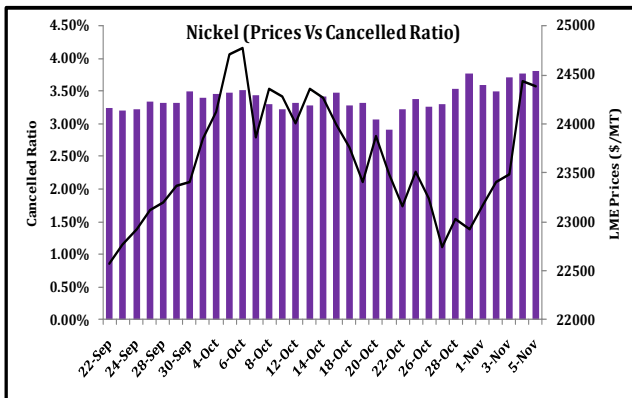
As expected in the previous week, Nickel prices outperformed the entire base metal pack as investors betted on underperformer. Declining pace of inventory build-up also supported prices to trade higher.

On the fundamental front, the pace of increase in stocks has declined. This week stocks rose by 942 tonnes as against build-up of 2,490 tonnes witnessed in the previous week.

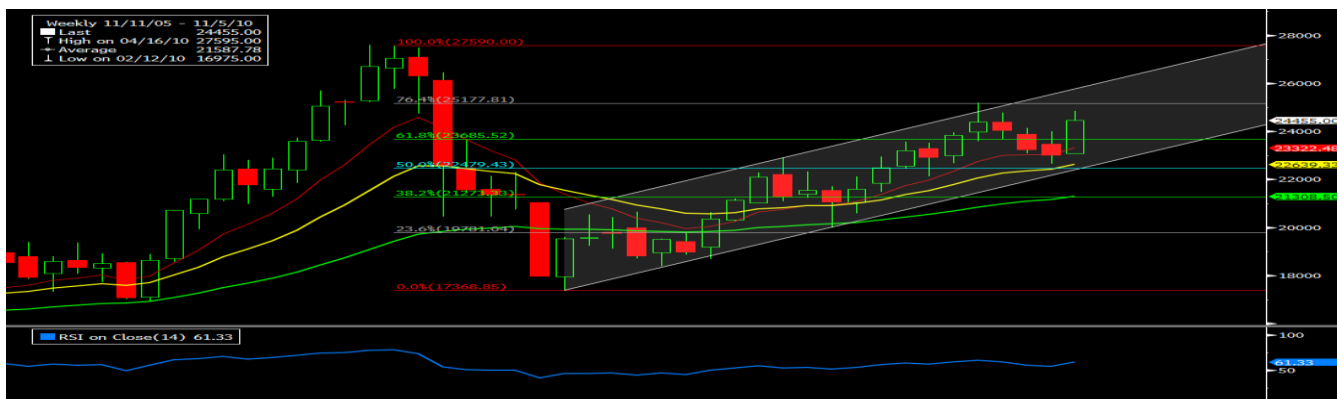
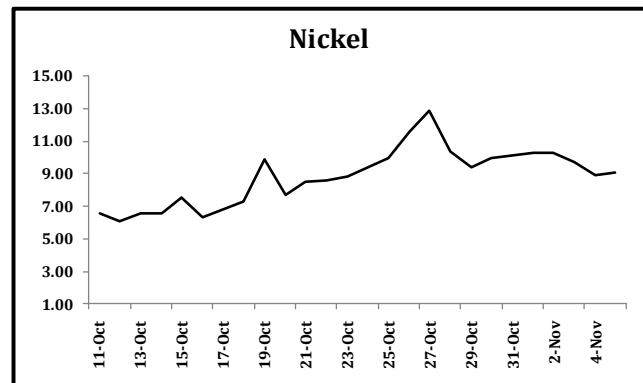
BASIS CHART
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



TECHNICALS: Last week, nickel prices traded in green after making a high of 24,849 and settled higher at 24,455 levels. It was the top performer among all the base metals and is up by 6.37%. Nickel has made a **"RISING THREE"** pattern formation in the weekly chart indicating the bullish trend is intact. Crucial resistance is seen at 25200 levels which was the high of the previous swing. It is also in the formation of the **"TREND CHANNEL"** formation on the upper side which also suggests prices to trade higher. The principle of fibonacci retracement states that nickel is witnessing resistance at 25,178 levels which is 76.4% retracement of the range (17,369-27,590) levels. If market breaches and sustain above 25,178 levels has potential for the prices to test its origin point of 27,590 levels. The momentum indicator RSI weekly 14 is trading at 0.613 levels showing potential for the markets to trade higher. Hence, we recommend buying at the support levels for the coming week.



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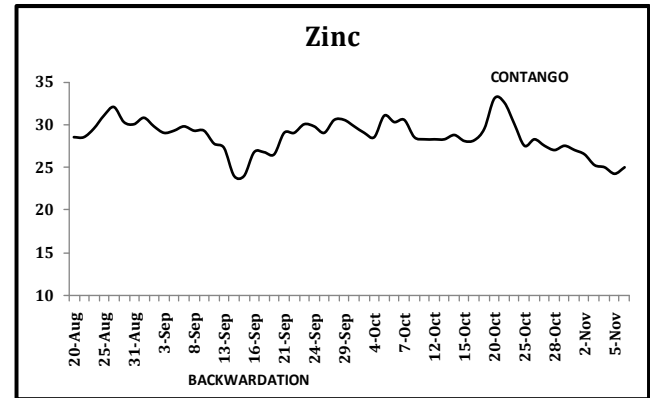
ZINC

Increase in inventory on London Metal Exchange along with reports of sales by China capped the gains of zinc prices.

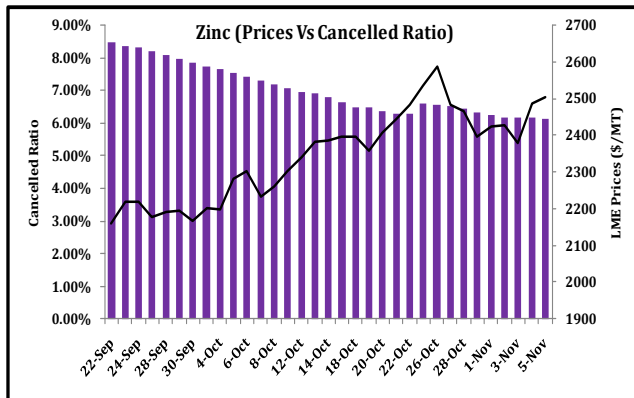
Reports indicated that China will sell 50,000 metric tonnes of zinc from the stock piles which it has bought in 2009 at rock bottom prices. The sale will increase the domestic supplies at a time when the country is gearing for energy saving requirements and thereby productions at many plants have been halted.

BASIS CHART

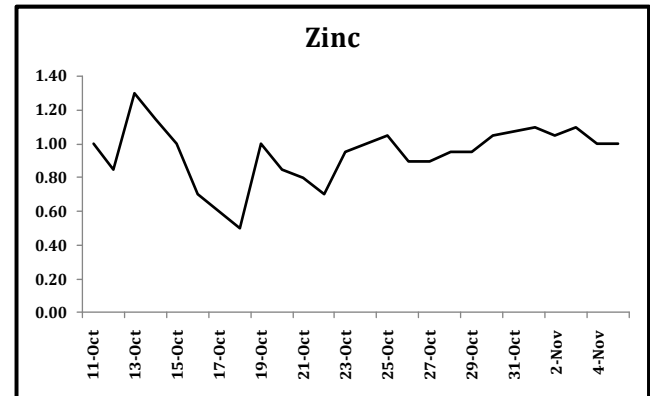
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CALENDAR SPREAD ON MCX





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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
08/11/2010	12:30	GE	Exports SA (MoM)	SEP	1.50%	-0.40%
08/11/2010	12:30	GE	Imports SA (MoM)	SEP	1.00%	0.90%
08/11/2010	12:30	GE	Current Account (EURO)	SEP	9.0B	4.6B
08/11/2010	12:30	GE	Trade Balance	SEP	12.0B	9.0B
08/11/2010	16:30	GE	Industrial Production MoM (sa)	SEP	0.40%	1.70%
09/11/2010	09:30	IN	India Local Car Sales	OCT	- -	169082
09/11/2010	15:00	UK	Industrial Production (MoM)	SEP	0.40%	0.30%
09/11/2010	18:00	US	NFIB Small Business Optimism	OCT	90	89
09/11/2010	20:30	US	IBD/TIPP Economic Optimism	NOV	46.5	46.4
09/11/2010	20:30	US	Wholesale Inventories	SEP	0.70%	0.80%
10/11/2010		CH	Trade Balance (USD)	OCT	\$25.50B	\$16.88B
10/11/2010		CH	Exports YoY%	OCT	23.00%	25.10%
10/11/2010		CH	Imports YoY%	OCT	28.10%	24.10%
10/11/2010	19:00	US	Trade Balance	SEP	-\$45.0B	-\$46.3B
10/11/2010	19:00	US	Import Price Index (MoM)	OCT	1.20%	-0.30%
10/11/2010	19:00	US	Import Price Index (YoY)	OCT	3.60%	3.50%
10/11/2010	19:00	US	Initial Jobless Claims	6-Nov	450K	457K
10/11/2010	19:00	US	Continuing Claims	30-Oct	4300K	4340K
11/11/2010	00:30	US	Monthly Budget Statement	OCT	-\$149.0B	-\$176.4B
11/11/2010	07:30	CH	Producer Price Index (YoY)	OCT	4.50%	4.30%
11/11/2010	07:30	CH	Purchasing Price Index (YoY)	OCT	- -	7.10%
11/11/2010	07:30	CH	Consumer Price Index (YoY)	OCT	4.00%	3.60%
11/11/2010	07:30	CH	Retail Sales (YoY)	OCT	18.80%	18.80%
11/11/2010	07:30	CH	Retail Sales YTD YoY	OCT	18.40%	18.30%
11/11/2010	07:30	CH	Industrial Production (YoY)	OCT	13.50%	13.30%
11/11/2010	07:30	CH	Industrial Production YTD YoY	OCT	16.00%	16.30%
11/11/2010	07:30	CH	Fixed Assets Inv Urban YTD YoY	OCT	24.40%	24.50%
12/11/2010		IN	Industrial Production YoY	SEP	- -	5.60%
12/11/2010	12:30	GE	GDP s.a. (QOQ)	3Q P	0.80%	- -
12/11/2010	15:30	EC	Euro-Zone GDP s.a. (QoQ)	3Q A	0.50%	1.00%
12/11/2010	15:30	EC	Euro-Zone Ind. Prod. sa (MoM)	SEP	0.30%	1.00%
12/11/2010	20:25	US	U. of Michigan Confidence	NOV P	69	67.7



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