



METALS WEEKLY

A Weekly Report on Base Metals



OUTLOOK

[SPECIAL FEATURE: Why Euro fell despite positive data](#)

After a truncated week that was largely driven by unexpected news flows like the Ireland and tension among Korean nations, some stability might be seen this week. Crucial data to watch will be the non-farm payrolls and consumer confidence data from US. The expectation is that there would be job additions along with improving consumer confidence. The importance is because this might give an indication as to whether the quantitative easing being done by the Fed is supporting the economy or not.

India's third quarter GDP growth is expected to moderate while PMI manufacturing data from China is also expected to come in higher. ECB will announce interest rates and status quo is expected. However the market will be looking for any other announcements that might come in given the challenging conditions in the peripheral euro nations like Ireland and Portugal. The weak links however remain the contracting factory orders in US and industrial production data in Japan. For metals like Nickel and lead, all the three, price, open interest and volume are increasing indicating continuation of higher movement. So these might outperform the other metals and thereby one might bet on these. Overall, we expect base metal prices to remain on the higher side but the gains might get limited if concerns of the euro-zone along geo-political tension erupt back again.

TECHNICAL RECOMMENDATIONS									
Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
LME Aluminum	Fwd	2184.3	2216.7	2243.3	2270.0	2302.3	2334.7	2361.3	Sideways
MCX Aluminum	Dec-10	100.9	101.9	103.0	104.1	105.1	106.1	107.2	Sideways
LME Copper	Fwd	7554	7802	8020	8239	8487	8735	8954	Buy 8165/275 TP 8515/695 SL 7950
MCX Copper	Feb-11	356.1	364.5	373.6	382.7	391.1	399.5	408.6	Buy 374 TP 384/390 SL 369
LME Lead	Fwd	2013.6	2088.8	2184.4	2280.0	2355.2	2430.4	2526.0	Sideways
MCX Lead	Dec-10	94.5	97.0	100.9	104.8	107.3	109.8	113.7	Sideways
LME Nickel	Fwd	19700	20400	21475	22550	23250	23950	25025	Buy 21900-22175 TP 22850 SL 21050
MCX Nickel	Dec-10	921.1	947.6	996.7	1045.8	1072.3	1098.8	1147.9	Buy 1024/29 TP 1060/75 SL 1003
LME Zinc	Fwd	1912.67	1996.3	2050.7	2105.0	2188.7	2272.3	2326.7	Sell 2235 TP 2108 SL 2350.
MCX Zinc	Dec-10	89.8	92.8	95.3	97.8	100.7	103.7	106.2	Sell 102 TP 95 SL 105.5
Steel Long NCDEX	Dec-10	24180	24380	24540	24700	24900	25100	25260	Sideways

*NOTE: The calls shown above are purely WEEKLY Recommendations

Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
11/30/2010	IN	Quarterly GDP YoY%	3Q	8.20%	8.80%
12/01/2010 06:30	CH	PMI Manufacturing	NOV	54.8	54.7
12/02/2010 18:15	EC	ECB Announces Interest Rates	2-Dec	1.00%	1.00%
12/02/2010 19:00	US	Initial Jobless Claims	27-Nov	425K	407K
12/02/2010 20:30	US	Pending Home Sales MoM	OCT	-1.00%	-1.80%
12/03/2010 19:00	US	Change in Nonfarm Payrolls	NOV	145K	151K
12/03/2010 19:00	US	Change in Private Payrolls	NOV	155K	159K
12/03/2010 19:00	US	Change in Manufacturing Payrolls	NOV	1K	-7K
12/03/2010 19:00	US	Unemployment Rate	NOV	9.60%	9.60%

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	2281	2308	2249	2270	0.44	81,076	-63.93	2,348	-54.95
	Copper	8427.75	8516.75	8050	8239	-1.96	171,129	-40.58	1,342	-56.20
	Lead	2280	2334.8	2164	2280	0.13	34,254	-29.14	1,158	-28.69
	Nickel	21900	22875	21100	22550	3.20	21,787	-49.52	428	-42.70
	Zinc	2195	2218	2080	2105	-2.55	88,212	-47.17	2,484	-41.21
MCX Futures (₹/Kg)	Aluminium	104.8	105.05	102.95	104.15	-0.19	2,981	-15.05	758	42.75
	Copper	388.5	390.4	372.9	382.7	-1.34	69,662	37.79	13,780	62.19
	Lead	104.45	105.9	99.5	104.8	0.82	12,506	54.76	2,162	295.97
	Nickel	1009	1049.8	974.2	1045.8	3.79	34,713	6.39	3,031	24.94
	Zinc	101.25	101.25	95.8	97.8	-2.49	24,427	48.69	5,613	209.94

MARKET OVERVIEW

- Base metal prices ended mixed with aluminium, nickel and lead ending higher whereas copper and zinc ended lower. Reports of Ireland accepting bailout package alleviated the fears of default and thereby buying emerged in at lower levels. However gains were capped owing to continued weak housing data from US
- Shanghai futures exchange raised margins on trading of copper, aluminium and steel wire to 10 percent while on zinc and steel bars it is increased to 12 percent. This also limited gains of the base metal prices
- Indian rupee depreciated by 1.25 percent this week owing to weak domestic equity markets and housing loan scam which might have resulted in some dollar outflows. Gains of base metals in the Indian equity markets escalated owing to weaker rupee

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	63190	61570	-1620	-2.56%
Zinc	17505	16845	-660	-3.77%
Aluminum	16160	15950	-210	-1.30%

COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	383.3	375.1	-8.2	-2.14%



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Commodity Futures Trading Commission (CFTC) Report- Copper

CFTC data of copper is not released this week owing to holiday on account of Thanksgiving Day. (The table accompanied contains data of the previous week)

CFTC Report - Copper (In contracts)				
Non-Commercial	11/9/2010	11/16/2010	Change	% Change
Long	55566	49986	-5580	-10.04%
Short	25477	24026	-1451	-5.70%
Spreading	17705	15385	-2320	-13.10%
Commercial				
Long	72427	69716	-2711	-3.74%
Short	107310	98920	-8390	-7.82%
Total				
Long	145698	135087	-10611	-7.28%
Short	150492	138331	-12161	-8.08%

INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	359825	357000	-2825	-0.79%
Zinc	634275	632175	-2100	-0.33%
Aluminium	4302125	4284125	-18000	-0.42%
Lead	204075	203925	-150	-0.07%
Nickel	130104	131472	1368	1.05%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	73146	72396	-750	-1.03%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	126736	122612	-4124	-3.25%
Zinc	303429	295575	-7854	-2.59%
Aluminium	475633	462040	-13593	-2.86%



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ECONOMIC REVIEW

- US GDP growth of the third quarter was revised higher to 2.5 percent as against previous estimate of 2 percent. Given the continued support from Fed in the form of quantitative easing, consumer sentiment might have improved and thereby the personal consumption rose by 2.8 percent. In US, personal consumption constitutes the major portion of the GDP
- Peripheral Euro nation, Ireland, came up with a four year austerity plan which is expected to put its economy back of track. These measures might have been a pre-cursor for receiving bailout from IMF and other euro nations. Investors remained concerned that the contagion might soon spread to other weaker nations like Portugal and Spain. Euro thereby ended lower with losses of more than three percent
- Dollar index ended higher with gains of more than two percent on the back of weakness in the Euro and safe-haven buying owing to tensions between North Korea and South Korea
- **From Euro zone, surprisingly, all the data seems to be coming in positive even given the difficult economic situation. PMI manufacturing, services, composite, IFO current expectations and current assessments all came in better than expectation. This might have largely been owing to higher weight to nations like Germany which are relatively unaffected and thereby might not give a true picture of the euro-zone as a whole. Euro also hardly reacted to these positive numbers and the concerns of peripheral nations continued to remain**

Equity Indices	Last Week	This Week	% Change
Dow Jones Ind. Avg.	11203.55	11092.00	-1.00%
S&P 500 Index	1199.73	1189.40	-0.86%
FTSE 100 Index	5732.83	5668.70	-1.12%
Nikkei 225	10022.39	10039.56	0.17%
Shanghai Composite	2888.57	2871.70	-0.58%
Sensex	19585.44	19136.61	-2.29%

Currency	Last Week	This Week	% Change
Dollar Index	78.504	80.382	2.39%
EUR/USD	1.3673	1.3242	-3.15%
GBP/USD	1.5979	1.5592	-2.42%
USD/INR	45.29	45.855	1.25%



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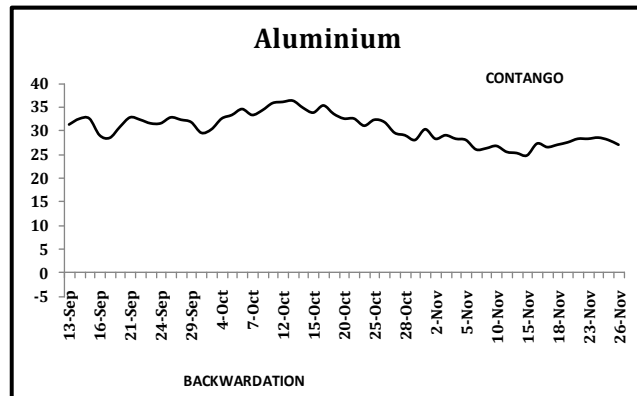
ALUMINIUM

As per International Aluminium Institute (IAI), total western world aluminium stocks rose to 1.334 million at the end of October as against 1.289 million in the prior month. Reports indicated that premiums for aluminum shipments to Japan for the first quarter might drop to around \$110/tonne. If it materializes this would be the lowest since 2009.

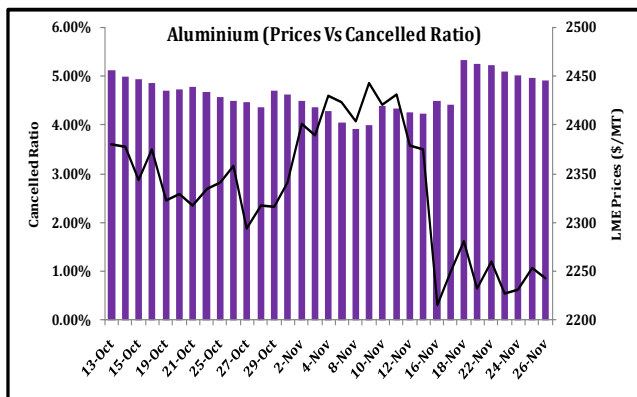
Stocks continue to decline both on Chinese and London Metal Exchange thereby supporting prices.

BASIS CHART

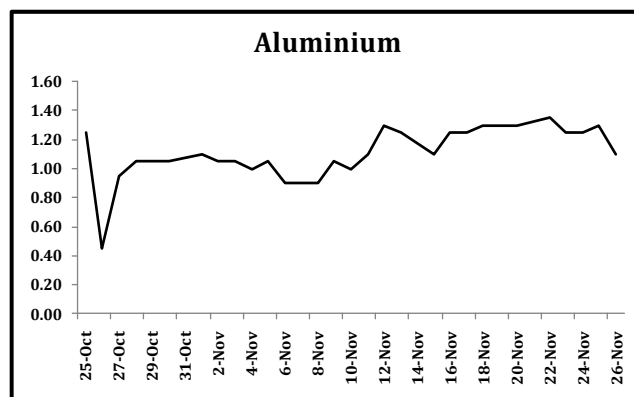
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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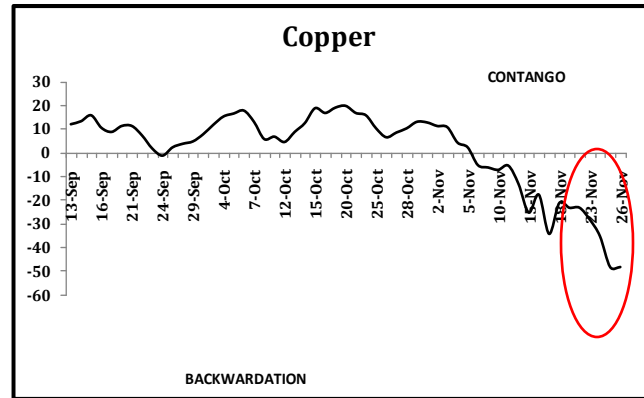
COPPER

Copper market continues to remain in backwardation indicating tight supply in the near term. The prices for spot delivery are higher by \$50/tonne compared to 3 month forwards on London Metal Exchange.

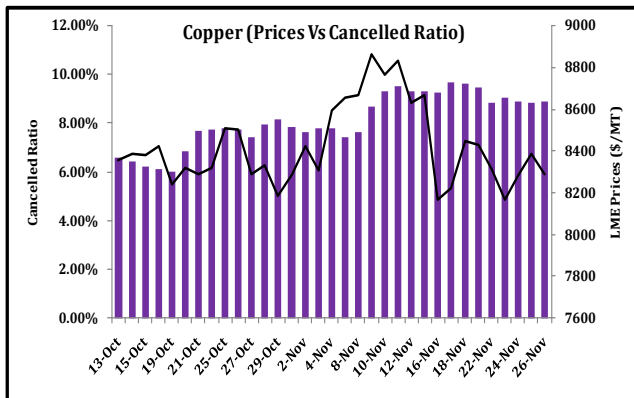
This is also supported by the fact that strike in Collahuasi-Chile, World's third largest producer of copper, continues to prolong and as of now there does not seem to be end in sight.

BASIS CHART

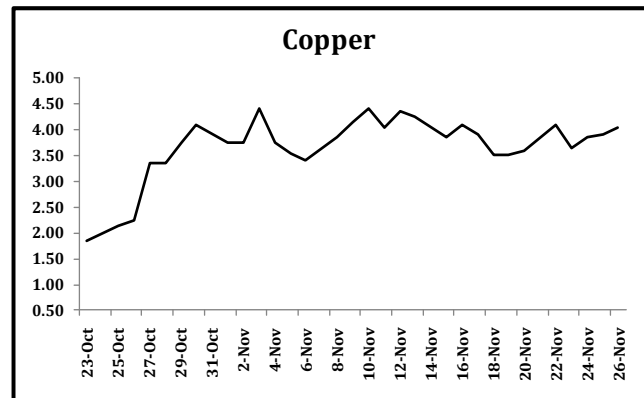
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



TECHNICALS: Last week Copper prices traded lower and fell for the third consecutive week. It made a high of 8516.75 and low of 8050 and settled lower at 8239 levels, down by 1.96 %. Copper is witnessing crucial support at 8045 levels which is the high of the previous swing which made on 16th April 2010. Copper is witnessing trend channel formation on the upper side and it is witnessing support at 8039 levels which is the lower trend channel. The momentum indicator RSI 14 is trading at 0.592 levels showing potential for the markets to trade higher. We recommend buying at support levels with strict stop losses.

RECOMMENDATION: Copper LME 3M: Buy at 8165-8275 targeting 8515 then 8695 with strict stop loss below 7950.
 Copper Feb MCX: Buy at 374 targeting 384 then 390 with stop loss below 369.



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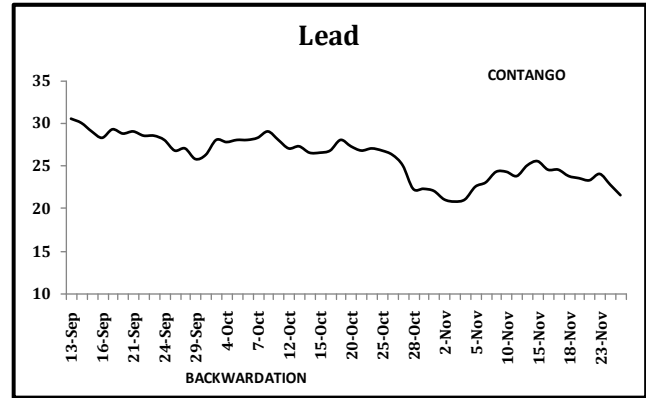
LEAD

Lead has relatively strong fundamentals compared to zinc and that's the reason the spread between lead and zinc most of the times remain in favour of lead.

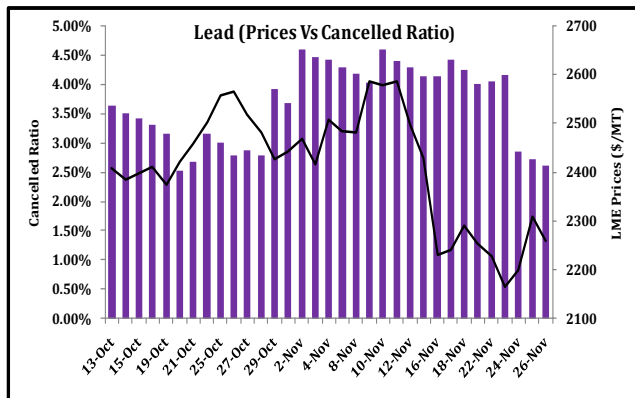
This spread currently stands at 7.2. Historically this spread has gone to as high as 20 especially in 2008 and 2009. The current spread is at 2010 high but given the historical precedent and fundamentals, the spread still has potential to move higher.

BASIS CHART

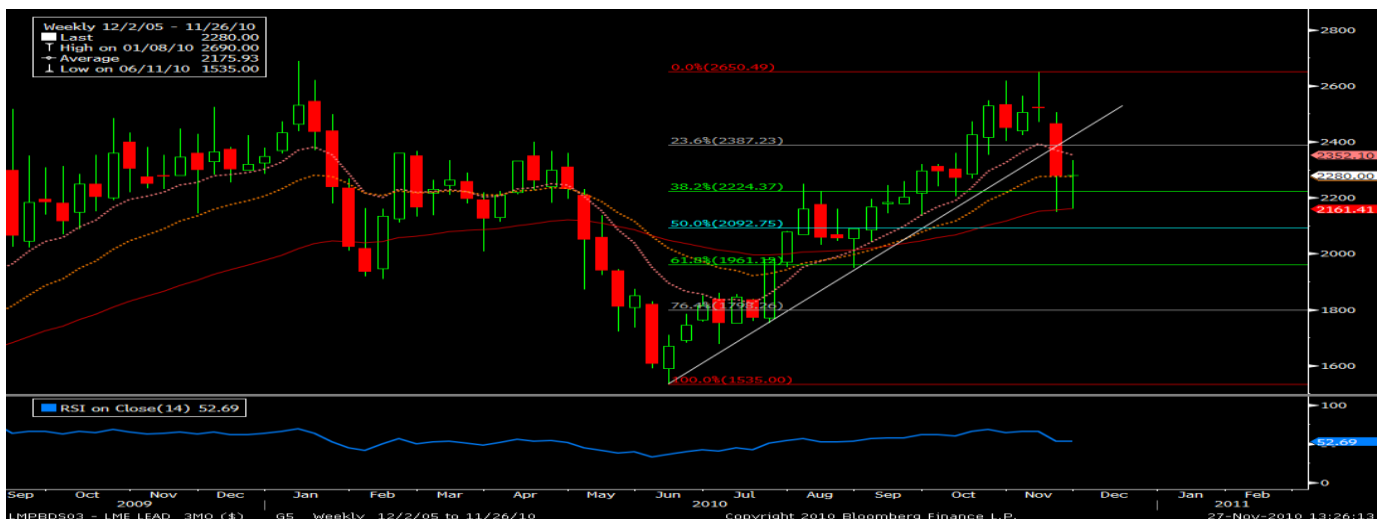
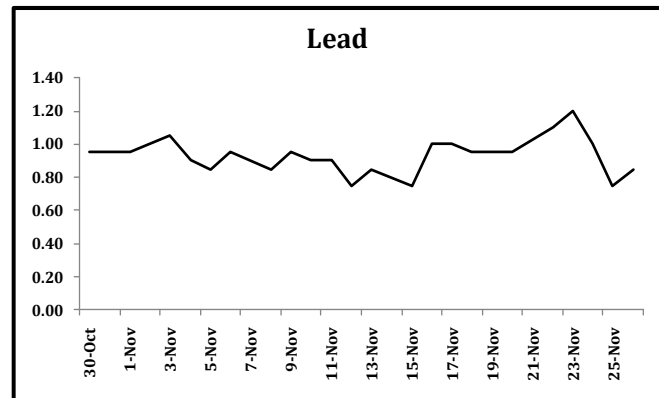
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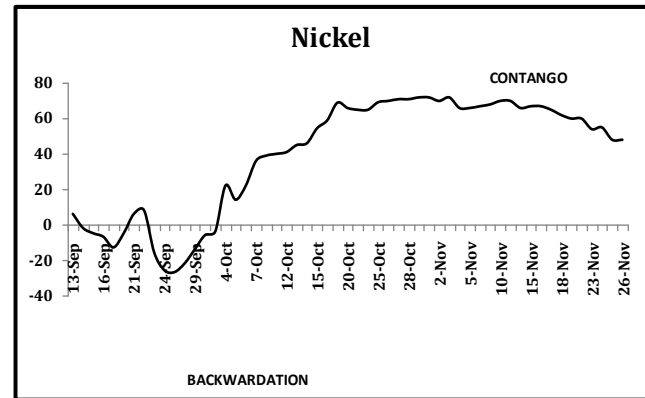


NICKEL

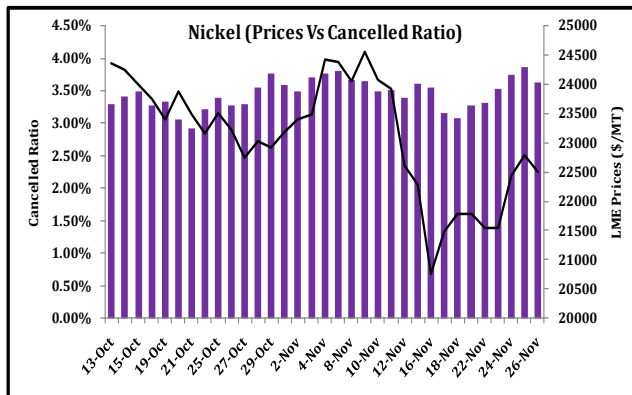
In the week gone by, nickel was the top performer among the base metal pack and ended with gains of more than 3 percent. This has been the case after many weeks now but is expected to continue ahead also owing to relatively strong fundamentals. Nickel market is expected to remain balanced this year, owing to supply not being able to keep pace with demand. In fact, some reports are even making a case for deficit.

BASIS CHART

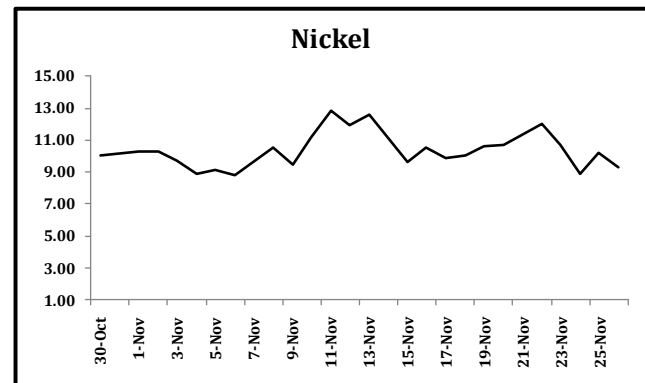
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



TECHNICALS: Last week, Nickel was the top performer among all the base metals. It made a high of 22875 and low of 21100 before settling at 22550 levels, up by 3.2%. Nickel is witnessing trend line support at 20570 levels last week which indicates down side movement is limited this week. As it is trading well above the trend line support at 20570 levels suggesting buying view is still intact. Nickel is also witnessing resistance at 23000 levels which is the lower channel indicating initially upper side movement is limited. Only on breach above the above levels can confirm the bullish trend in the near future. The principle of Fibonacci retracement states that Nickel is witnessing resistance at 22501 levels which is 50% retracement of the range (17408-27595) levels. On sustain and trade above would lead the prices to test 23704 levels which is 61.8% retracement of the above same range and confirm further bullish trend. The momentum indicator RSI 14 weekly is trading at 0.52 levels showing potential for the prices to move higher. So, we recommend buying at the support levels.



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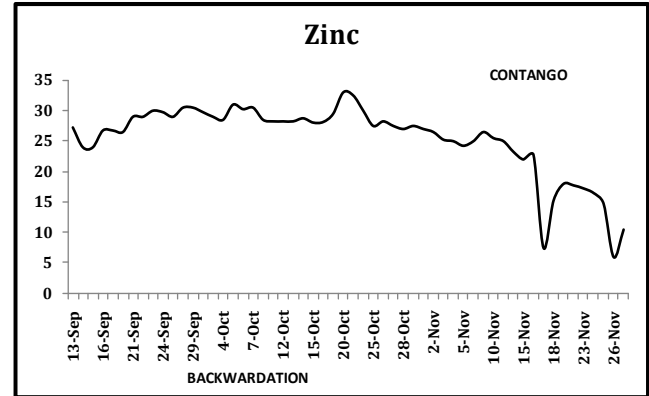
ZINC

Zinc continues to underperform for the third consecutive week. Year to date also, zinc is the underperformer among the base metal pack owing to relatively weak fundamentals like declining demand.

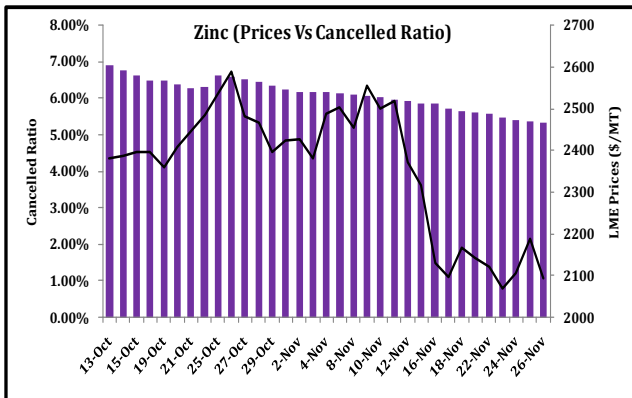
However the encouraging sign is the declining inventories in the Chinese market this week, which comes on the back of eight consecutive weeks of rise.

BASIS CHART

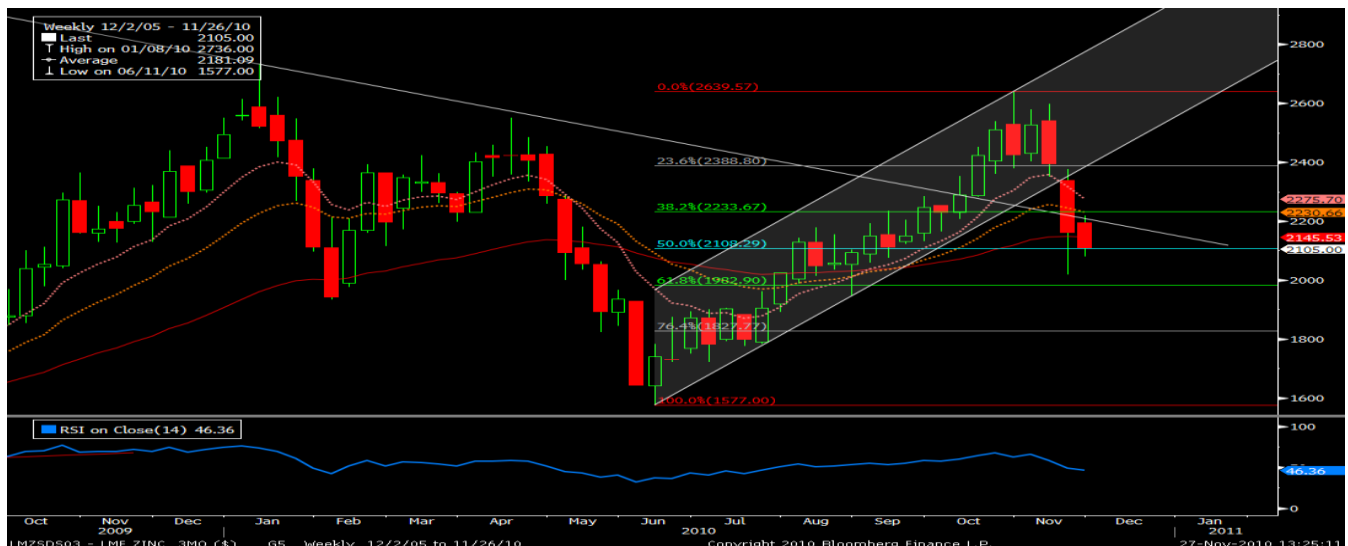
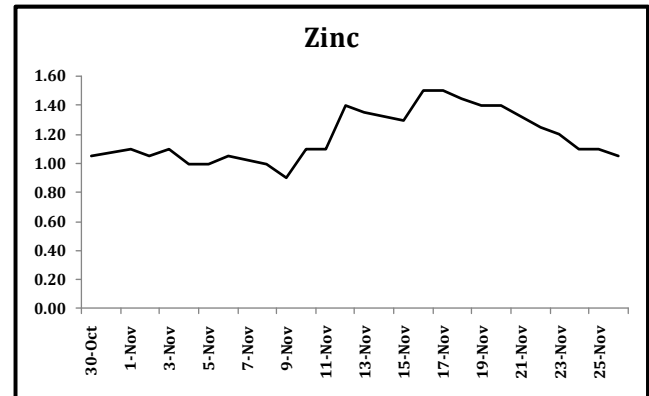
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CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
29/11/2010	15:30	EC	Business Climate Indicator	NOV	1.05	0.98
29/11/2010	15:30	EC	Euro-Zone Economic Confidence	NOV	105	104.1
29/11/2010	15:30	EC	Euro-Zone Industrial Confidence	NOV	2	0
29/11/2010	15:30	EC	Euro-zone Services Confidence	NOV	9	8
29/11/2010	21:00	US	Dallas Fed Manufacturing Activity	NOV	3	2.6
30/11/2010	05:20	JN	Industrial Production (MoM)	OCT P	-3.20%	-1.60%
30/11/2010	14:25	GE	Unemployment Change (000's)	NOV	-20K	-3K
30/11/2010	14:25	GE	Unemployment Rate (s.a)	NOV	7.50%	7.50%
30/11/2010		IN	Quarterly GDP YoY%	3Q	8.20%	8.80%
30/11/2010	19:30	US	S&P/CS 20 City MoM% SA	SEP	-0.40%	-0.28%
30/11/2010	20:15	US	Chicago Purchasing Manager	NOV	60	60.6
30/11/2010	20:30	US	Consumer Confidence	NOV	52.6	50.2
01/12/2010	06:30	CH	PMI Manufacturing	NOV	54.8	54.7
01/12/2010	12:30	GE	Retail Sales (MoM)	OCT	1.20%	-2.30%
01/12/2010	14:25	GE	PMI Manufacturing	NOV F	58.9	58.9
01/12/2010	14:30	EC	PMI Manufacturing	NOV F	55.5	55.5
01/12/2010	18:45	US	ADP Employment Change	NOV	65K	43K
01/12/2010	19:00	US	Nonfarm Productivity	3Q F	2.30%	1.90%
01/12/2010	20:30	US	ISM Manufacturing	NOV	56.5	56.9
01/12/2010	20:30	US	ISM Prices Paid	NOV	71	71
01/12/2010	20:30	US	Construction Spending MoM	OCT	-0.40%	0.50%
02/12/2010	03:30	US	Domestic Vehicle Sales	NOV	9.00M	9.27M
02/12/2010	03:30	US	Total Vehicle Sales	NOV	12.03M	12.25M
02/12/2010	15:30	EC	Euro-Zone GDP s.a. (QoQ)	3Q P	0.40%	0.40%
02/12/2010	18:15	EC	ECB Announces Interest Rates	2-Dec	1.00%	1.00%
02/12/2010	19:00	US	Initial Jobless Claims	27-Nov	425K	407K
02/12/2010	19:00	US	Continuing Claims	20-Nov	4200K	4182K
02/12/2010	20:30	US	Pending Home Sales MoM	OCT	-1.00%	-1.80%
03/12/2010	06:30	CH	China Non-manufacturing PMI	NOV	--	60.5
03/12/2010	14:25	GE	PMI Services	NOV F	58.6	58.6
03/12/2010	14:30	EC	PMI Composite	NOV F	55.4	55.4
03/12/2010	14:30	EC	PMI Services	NOV F	55.2	55.2
03/12/2010	15:30	EC	Euro-Zone Retail Sales (MoM)	OCT	0.20%	-0.20%
03/12/2010	19:00	US	Change in Nonfarm Payrolls	NOV	145K	151K
03/12/2010	19:00	US	Change in Private Payrolls	NOV	155K	159K
03/12/2010	19:00	US	Change in Manufacturing Payrolls	NOV	1K	-7K
03/12/2010	19:00	US	Unemployment Rate	NOV	9.60%	9.60%
03/12/2010	20:30	US	ISM Non-Manufacturing Composite	NOV	54.8	54.3
03/12/2010	20:30	US	Factory Orders	OCT	-1.10%	2.10%



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