



# METALS WEEKLY

A Weekly Report on Base Metals



## OUTLOOK

Unemployment rate in US jumped to seven month high of 9.8 percent as the job additions were far below expectation. This is indicating that the job prospects continue to remain weak owing to weak economic conditions. However this may not translate into major correction in the base metal prices as this will raise speculation further that the Fed might continue to go in for quantitative easing which might send the dollar lower again.

Both factory orders and Industrial production in Germany are expected to accelerate given that the economy is relatively less impacted by the sovereign issues in the peripheral nations like Ireland and Portugal. Trade surplus of China is expected to increase owing to higher import growth than export growth. Bank of England is expected to maintain interest rates unchanged and the GDP growth of Japan in third quarter is expected to accelerate. From US, there are few data releases wherein Michigan confidence is expected to improve while the trade deficit of US is expected to widen. Overall, base metal prices might continue to remain higher on the back of expectation of weak dollar index, largely positive economic data and more quantitative easing that may come in.

TECHNICAL RECOMMENDATIONS									
Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
<a href="#">LME Aluminum</a>	Fwd	2112	2181	2250	2319	2387	2456	2525	Sideways
MCX Aluminum	Dec-10	98.1	100.8	102.7	104.7	107.3	110.0	111.9	Sideways
<a href="#">LME Copper</a>	Fwd	7715	7935	8330	8725	8945	9165	9560	Buy 8550-60 TP 9100 SL 8350
MCX Copper	Feb-11	365.9	373.3	385.8	398.2	405.7	413.1	425.6	Buy 393-95 TP 403/410 SL 388
<a href="#">LME Lead</a>	Fwd	2015	2100	2220	2340	2425	2510	2630	Buy 2235 TP 2385/2425 SL 2100
MCX Lead	Dec-10	92.8	96.4	100.7	105.0	108.6	112.2	116.5	Buy 104.5 TP 108.5 SL 101
<a href="#">LME Nickel</a>	Fwd	20913	21630	22565	23500	24217	24934	25869	Buy 23250-300 TP 24360 SL 22345
MCX Nickel	Dec-10	984	1010.3	1037.6	1064.8	1091.0	1117.1	1144.4	Buy 1050-55 TP 1090/1107 SL 1024
<a href="#">LME Zinc</a>	Fwd	1859	1949	2084	2219	2309	2400	2535	Buy 2175 TP 2310 SL 2080
MCX Zinc	Dec-10	88.1	91.4	95.7	100.1	103.4	106.7	111.0	Buy 99 TP 103.5/106 SL 95.5
Steel Long NCDEX	Dec-10	24443	24546	24673	24800	24903	25006	25133	Sideways

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

## Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
07/12/2010 16:30	GE	Factory Orders MoM (sa)	OCT	1.90%	-4.00%
08/12/2010 16:30	GE	Industrial Production MoM (sa)	OCT	1.00%	-0.80%
09/12/2010 17:30	UK	BOE ANNOUNCES RATES	9-Dec	0.50%	0.50%
10/12/2010	CH	Trade Balance (USD)	NOV	\$21.00B	\$27.15B
10/12/2010 19:00	US	Trade Balance	OCT	-\$44.0B	-\$44.0B
10/12/2010 20:25	US	U. of Michigan Confidence	DEC P	72.5	71.6

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	2270.25	2387.5	2250	2319	2.16	126,218	38.01	3,420	3.32
	Copper	8191	8770	8155	8725	5.90	224,392	16.66	3,131	48.74
	Lead	2280	2390	2185	2340	2.63	38,828	0.29	1,125	-17.40
	Nickel	22600	24000	22348	23500	4.21	27,065	9.10	1,032	78.86
	Zinc	2112	2265	2039.75	2219.5	5.44	98,961	-7.61	1,252	-65.76
MCX Futures (₹/Kg)	Aluminium	104.35	108	103.4	104.65	0.43	29,481	839.48	2,614	211.56
	Copper	381.9	400.7	380.8	398.2	4.20	433,528	516.18	28,552	106.15
	Lead	104.85	107.95	100.05	104.95	0.19	72,255	470.51	3,221	46.94
	Nickel	1043.3	1089.9	1036.5	1064.8	2.26	169,608	381.72	8,026	162.37
	Zinc	97.8	102.3	94.65	100.1	2.40	121,958	393.90	8,814	57.00

## MARKET OVERVIEW

- Base metal prices ended higher with gains of anywhere between two to six percent on the back of strong manufacturing data from China and weak dollar index. A stronger rupee however capped the gains in the Indian markets
- Copper was the top performer and prices made new high of 400.7 in the Indian markets. On LME, price is however away from life time high of \$8,966 it touched on Nov 11. The variation is owing to the depreciation in the rupee (from point to point basis for over 15 days) which has supported prices in Indian markets
- Aluminium and lead underperformed the base metal pack. Stocks of aluminium increased thereby might have resulted in its underperformance. Lead underperformed as market participants might have reversed the lead-zinc spread which was at 2010 high (Complete details on Page 7)

## SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	61570	64490	2920	4.74%
Zinc	16845	17870	1025	6.08%
Aluminum	15950	16005	55	0.34%

## COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	375.1	399.5	24.4	6.50%



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## Commodity Futures Trading Commission (CFTC) Report- Copper

According to the US CFTC data on Copper, huge short positions were added in the non-commercial side of the market. This might have been a result of traders speculating on euro-zone crisis worsening. Commercial side however witnessed modest increase in long positions as users might have taken advantage of lower prices. Overall, both long and short positions were added with bias being on the short side.

CFTC Report - Copper (In contracts)				
Non-Commercial	11/23/2010	11/30/2010	Change	% Change
Long	46097	47784	1687	3.66%
Short	23307	26677	3370	14.46%
Spreading	16097	16420	323	2.01%
<b>Commercial</b>				
Long	67879	68699	820	1.21%
Short	93305	92608	-697	-0.75%
<b>Total</b>				
Long	130073	132903	2830	2.18%
Short	132709	135705	2996	2.26%

## INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	357000	353625	-3375	-0.95%
Zinc	632175	633650	1475	0.23%
Aluminium	4284125	4285500	1375	0.03%
Lead	203925	203675	-250	-0.12%
Nickel	131472	130908	-564	-0.43%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	72396	70355	-2041	-2.82%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	122612	116797	-5815	-4.74%
Zinc	295575	293995	-1580	-0.53%
Aluminium	462040	443814	-18226	-3.94%



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## ECONOMIC REVIEW

- PMI manufacturing data from China indicated continued expansion in manufacturing activity along with acceleration in pace. This alleviated fears that the economy is going to slowdown considerably
- ECB left its interest rate unchanged at 1 percent; however reports indicated that the central bank was buying Portuguese and Ireland bonds. Bailout received by Ireland seems to have put to an end to problems, at least in the near term, but the economy will require structural changes and thereby it will take a long time before the economy stabilizes. This fuelled rally in the equity markets with peripheral markets like Spain gaining more than 5 percent. Euro also rallied and ended higher by 1.3 percent
- India's second quarter FY11 GDP growth came in at 8.9 percent, way above expectation of 8.3 percent. The growth was lead by all the sectors and positive surprise came in especially from farm sector which grew by 4.4 percent owing to good monsoon. Food inflation declined drastically to almost 8 percent from more than 10 percent. Strong GDP growth along with weak inflation is a win-win situation and thereby domestic equity markets ended with gains of more than 4 percent outperforming most of the other equity markets. This also send the Indian rupee appreciating by 1.6 percent
- At the start of the week, Consumer confidence data indicated rising confidence levels and the manufacturing data also came in largely positive. However the payrolls data negatively surprised the market. The non-farm payrolls witnessed net additions of only 39K as against expectation of 150K. Unemployment rate zoomed to 9.8 percent as against 9.6 percent. This sent the dollar index lower by 1.5 percent and thereby supported commodity prices

Equity Indices	Last Week	This Week	% Change
<b>Dow Jones Ind. Avg.</b>	11092.00	11382.09	2.62%
<b>S&amp;P 500 Index</b>	1189.40	1224.71	2.97%
<b>FTSE 100 Index</b>	5668.70	5745.32	1.35%
<b>Nikkie 225</b>	10039.56	10178.32	1.38%
<b>Shanghai Composite</b>	2871.70	2842.43	-1.02%
<b>Sensex</b>	19136.61	19966.93	4.34%

Currency	Last Week	This Week	% Change
<b>Dollar Index</b>	80.357	79.15	-1.50%
<b>EUR/USD</b>	1.3242	1.3414	1.30%
<b>GBP/USD</b>	1.5592	1.5778	1.19%
<b>USD/INR</b>	45.855	45.105	-1.64%



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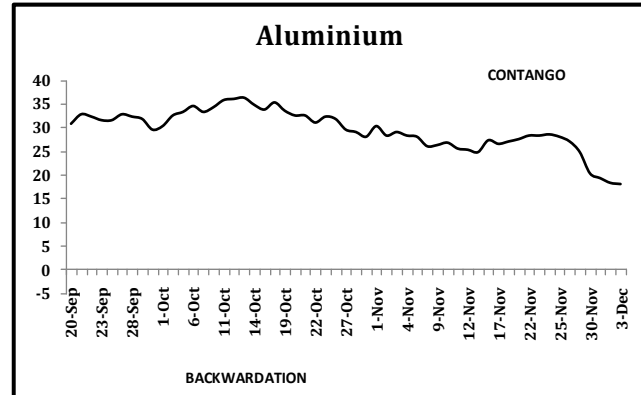


## ALUMINIUM

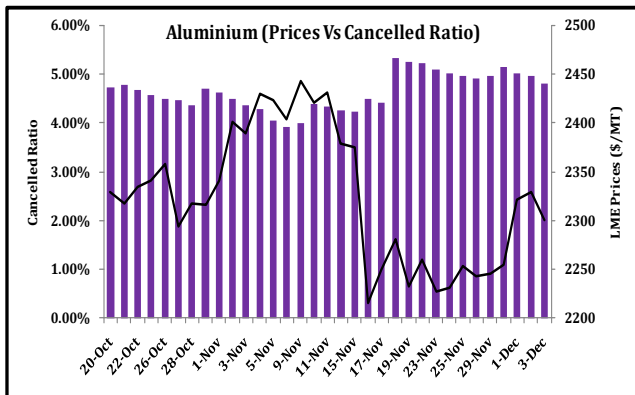
China sold 117,671 tonnes of aluminium ingots from the state reserves at an average price of \$2,308/tonne. During 2008 and 2009, when commodity prices were at rock bottom levels, China accumulated huge reserves and now is using these reserves to control inflation by selling them in the open market. Inflation in the country is at 4.4 percent way above the comfort level of 3 percent.

### BASIS CHART

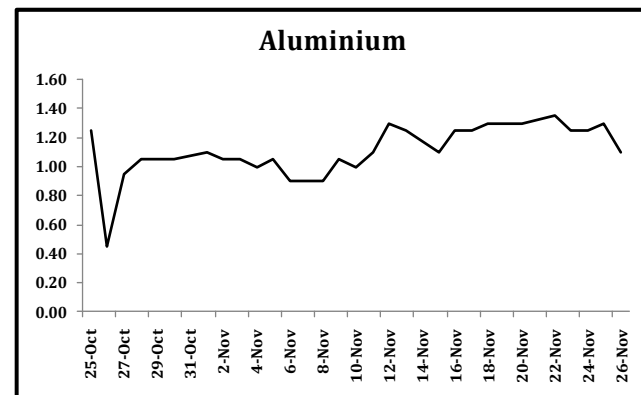
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



### CANCELLED WARRANT RATIO ON LME



### CALENDAR SPREAD ON MCX





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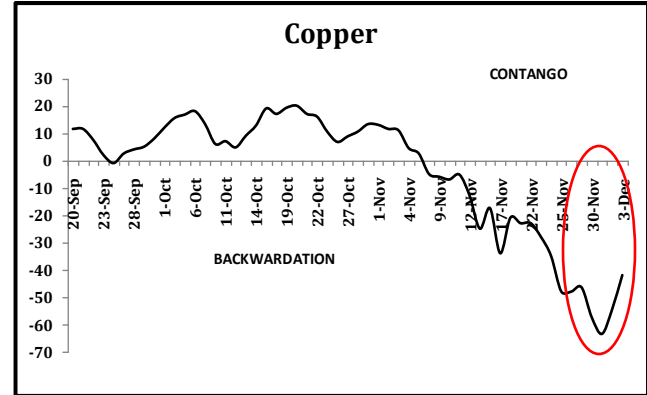


## COPPER

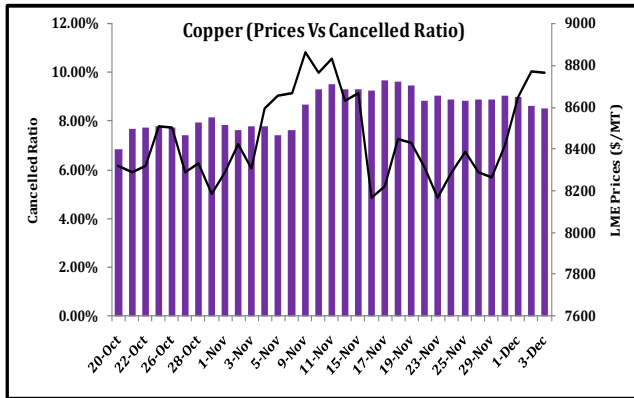
World's largest copper producing nation, Chile, witnessed decline in output by 7 percent to 461,350 tonnes in the month of October. Supply continues to decline and the ongoing strike in Collahuasi mine has already raised fears of tight supply conditions. Even the basis, which is negative -\$50/tonne indicating that the supply might continue to remain tight in the near term. This has sent the copper prices to new life time high in the Indian market.

### BASIS CHART

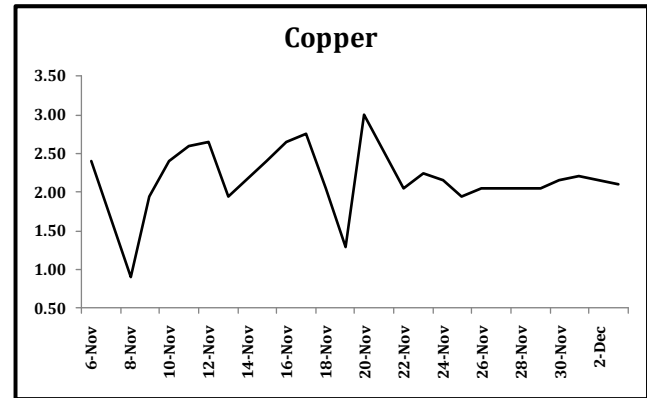
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



### CANCELLED WARRANT RATIO ON LME



### CALENDAR SPREAD ON MCX



**TECHNICALS:** Copper traded completely higher last week. It made a high of 8770 and low of 8155 before settling at 8155 levels up by 5.8%. It was the top performer among all the base metals. Copper is witnessing **"RISING THREE"** formation which is continuous pattern that indicates bullish trend is still intact. Copper is witnessing **"TREND CHANNEL"** formation on the upper side also suggesting bullish trend. Last week copper witnessed the lower trend channel (lower band) support then raised up and running towards 9198 levels which is the trend channel upper band level. Copper is witnessing trend line resistance at 9100 levels. The momentum indicator RSI is trading at 0.655 levels showing higher potential for the prices to trade on the North ward direction. As prices are trading well above the short term and midterm EMA's also suggesting further bullish trend.



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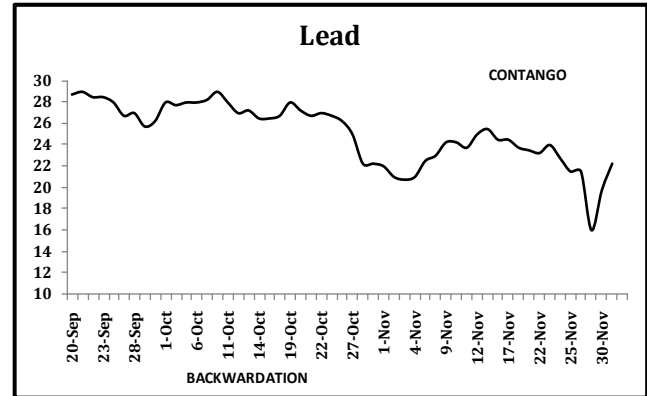
## LEAD

Last week, the lead-zinc spread stood at 7.2. This has declined to 4.85. Given the underperformance of zinc, short covering was more seen in zinc than in lead. This made it outperform lead this week. Traders might have used the 2010 high as an opportunity to take opposite positions.

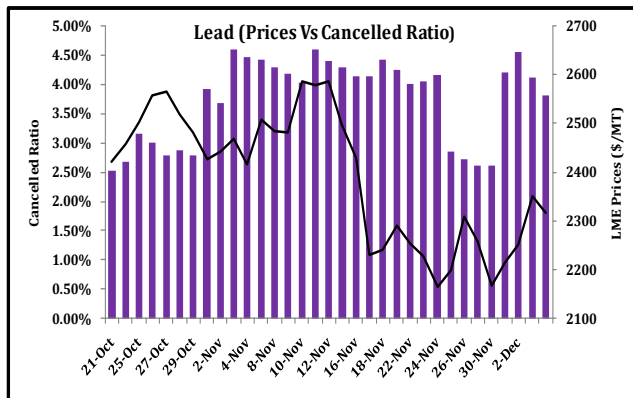
The spread might decline a bit further given the momentum witnessed in the past few days. However since the fundamentals of lead are relatively strong to zinc, that might be used as an opportunity to buy lead and sell zinc, anticipating the spread to move higher.

## BASIS CHART

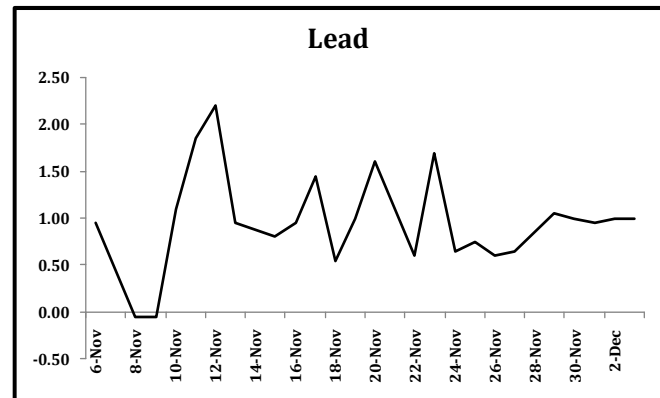
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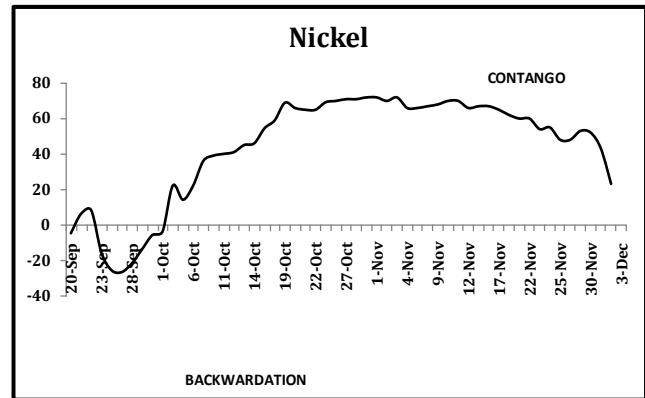
## NICKEL

Stockpiles of stainless steel in China, world's largest manufacturer declined further this week as many companies are yet to fully recover from their partial capacity. The country is embarking on to energy saving drive and thereby the capacities are lying idle owing to irregular power supply.

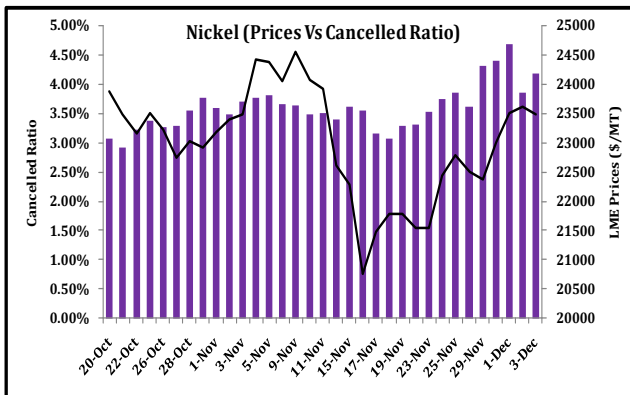
Stocks on London Metal Exchange declined by 564 tonnes as against increase of 1,368 tonnes in the previous week.

### BASIS CHART

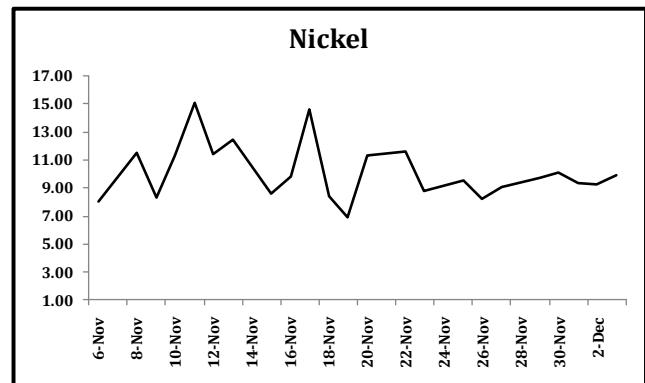
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



### CANCELLED WARRANT RATIO ON LME



### CALENDAR SPREAD ON MCX



**TECHNICALS:** Last week Nickel traded completely higher. It made a high of 24000 and low of 22348 before settling at 23500 levels up by 4.2%. Nickel is witnessing trend line resistance at 24420 levels which indicates up side movement is limited. The principle of Fibonacci retracement states that Nickel has breached the resistance at 23687 levels and unable to sustain above the same levels which is 61.8% retracement of the range (17365-27595) levels. Nickel is witnessing crucial support at 22480 levels which is 50% retracement of the above same range. The momentum indicator RSI 14 weekly is trading at 0.555 levels showing higher potential for the prices to move on upward direction. As prices are trading well above the short term and midterm EMA's of (9, 18, 45) days suggesting bullish trend is still intact. So, we recommend buying at the support levels for the coming week



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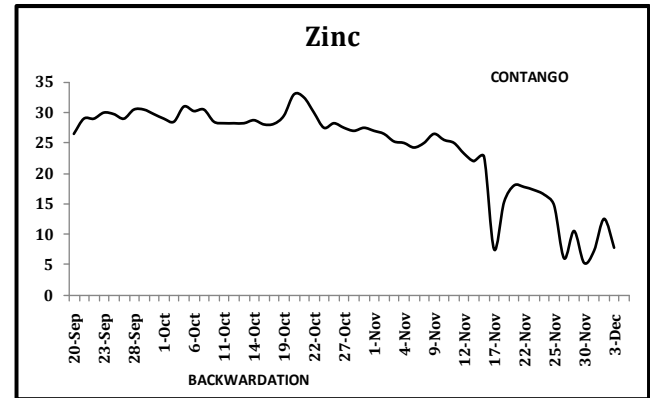
## ZINC

In the month of October, zinc refined exports from Japan fell by 18 percent to 8,520 tonnes. This is the tenth consecutive month of decline but yet the pace of decline has certainly slowed down, in September it declined by 39 percent.

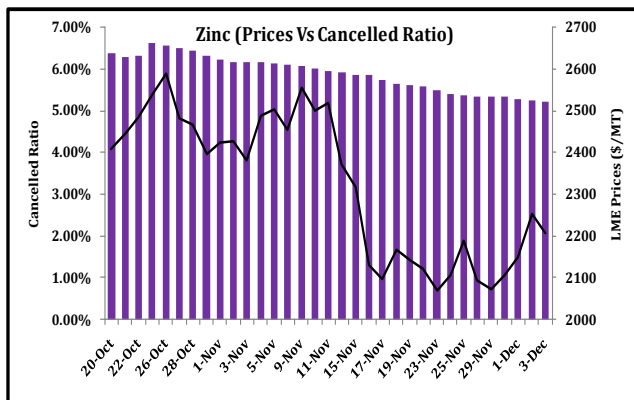
After witnessing increasing stocks for many weeks in the Chinese warehouses, stocks this week decline by 1,580 tonnes. However stocks on LME witnessed increase of 1,475 tonnes.

### BASIS CHART

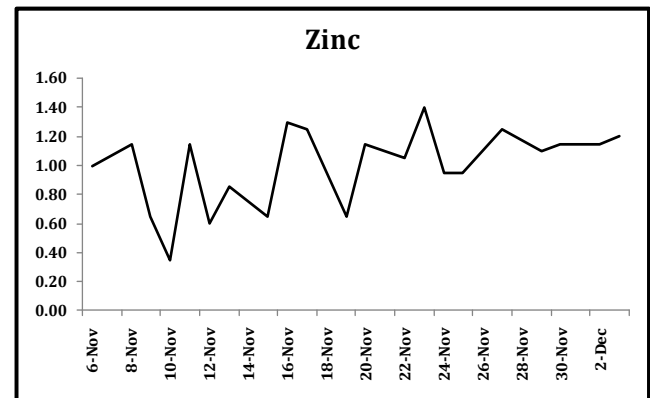
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### CALENDAR SPREAD ON MCX





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## DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
07/12/2010	15:00	UK	Industrial Production (MoM)	OCT	0.30%	0.40%
07/12/2010	16:30	GE	Factory Orders MoM (sa)	OCT	1.90%	-4.00%
08/12/2010	05:20	JN	Machine Orders (MoM)	OCT	-0.10%	-10.30%
08/12/2010	12:30	GE	Current Account (EURO)	OCT	14.3B	14.0B
08/12/2010	12:30	GE	Trade Balance	OCT	15.1B	16.8B
08/12/2010	16:30	GE	Industrial Production MoM (sa)	OCT	1.00%	-0.80%
09/12/2010	05:20	JN	GDP Annualized	3Q F	4.10%	3.90%
09/12/2010	12:30	GE	Consumer Price Index (MoM)	NOV F	0.10%	0.10%
09/12/2010	17:30	UK	BOE ANNOUNCES RATES	9-Dec	0.50%	0.50%
09/12/2010	19:00	US	Initial Jobless Claims	4-Dec	425K	436K
09/12/2010	19:00	US	Continuing Claims	27-Nov	4233K	4270K
09/12/2010	20:30	US	Wholesale Inventories	OCT	0.90%	1.50%
10/12/2010		CH	Trade Balance (USD)	NOV	\$21.00B	\$27.15B
10/12/2010		CH	Exports YoY%	NOV	22.70%	22.90%
10/12/2010		CH	Imports YoY%	NOV	24.30%	25.30%
10/12/2010	19:00	US	Trade Balance	OCT	-\$44.0B	-\$44.0B
10/12/2010	19:00	US	Import Price Index (MoM)	NOV	0.80%	0.90%
10/12/2010	20:25	US	U. of Michigan Confidence	DEC P	72.5	71.6
11/12/2010	00:30	US	Monthly Budget Statement	NOV	-\$132.0B	-\$120.3B

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