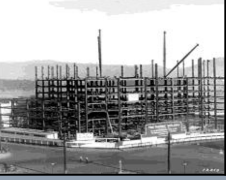
February 26, 2011




METALS WEEKLY

A Weekly Report on Base Metals


OUTLOOK

Macro factors like geo-political tensions took over other core fundamentals and thereby sent prices of base metals lower. Ongoing tensions eased to a certain extent, at least in the near term, and thereby base metal prices might now move more based on how the economic conditions along with inventory movement pans out.

Key data would be the non-farm payrolls data from US which is expected to indicate acceleration in job additions. PMI manufacturing numbers from China are expected to indicate moderation but largely demand continues to remain strong and Chinese copper imports data only reiterated that. Inflation in Euro zone is expected to accelerate but European Central Bank might keep interest rates unchanged at 1 percent as the central bank might wait given the conditions prevailing in peripheral European nations. In US, vehicle sales along with manufacturing and factory orders numbers are also expected to indicate continued growth. On the fundamental front, the cancelled warrant ratio for some of the metals like nickel and lead has bounced back strongly. The copper market has moved back into backwardation, though the premium in spot market continues to remain lower. Overall, given the above mentioned factors, base metal prices might move higher, however the risk factor remains that re-emergence of tensions might weigh on prices.

TECHNICAL RECOMMENDATIONS

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
LME Aluminum	**Fwd**	2413	2452	2508	2565	2603	2642	2698	**Buy at 2520-50 TP 2660/2745 SL 2470**
MCX Aluminum	**Mar-11**	109.8	111.3	113.6	116.0	117.4	118.9	121.2	**Buy at 114-114.8 TP 118 SL 112.5**
LME Copper	**Fwd**	8798	9055	9407	9760	10016	10273	10625	**Buy at 9600-65 TP 9900/10180 SL 9300**
MCX Copper	**Apr-11**	408.5	419.0	433.8	448.6	459.1	469.6	484.4	**Buy at 442-45 TP 455/462 SL 433**
LME Lead	**Fwd**	2174	2310	2414	2518	2653	2789	2893	**Range 2440-2700 positive bias**
MCX Lead	**Mar-11**	102.7	107.6	111.4	115.3	120.1	125.0	128.8	**Range 112-121 positive bias**
LME Nickel	**Fwd**	24777	25953	27072	28190	29367	30543	31662	**Sideways**
MCX Nickel	**Mar-11**	1157.0	1202.1	1242.1	1282.2	1327.2	1372.3	1412.3	**Sideways**
LME Zinc	**Fwd**	2236	2331	2411	2491	2586	2680	2760	**Range 2400-2650 positive bias**
MCX Zinc	**Mar-11**	104.5	107.6	110.5	113.5	116.6	119.7	122.6	**Range 110-117 positive bias**
Steel NCDEX	**Mar-11**	26200	26510	26990	27460	27780	28090	28570	**Sideways**

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

Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
01/03/2011 06:30	CH	PMI Manufacturing	FEB	52.1	52.9
01/03/2011 20:30	US	ISM Manufacturing	FEB	60.5	60.8
04/03/2011 19:00	US	Change in Nonfarm Payrolls	FEB	174K	36K
04/03/2011 19:00	US	Change in Private Payrolls	FEB	175K	50K
04/03/2011 19:00	US	Change in Manufacturing Payrolls	FEB	28K	49K
04/03/2011 19:00	US	Unemployment Rate	FEB	9.10%	9.00%

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)	Aluminium	2562	2585	2490	2565	-0.12	140,718	-24.38	3,038	-96.02
	Copper	9860.25	9920	9311	9760	-1.01	233,615	-5.48	2,646	-84.33
	Lead	2655	2685	2445.25	2517.5	-5.62	52,605	12.85	2,108	-70.46
	Nickel	29150	29425	27130	28190	-3.29	39,639	-6.24	1,463	-89.14
	Zinc	2559.25	2599.75	2425	2491	-2.43	94,749	-21.81	1,535	-95.07
MCX Futures (₹/Kg)	Aluminium	115.7	116.5	112.7	115.95	0.61	4,097	99.66	1,004	136.24
	Copper	450	454.8	429.5	448.55	-0.40	106,913	85.22	14,070	48.72
	Lead	119.8	121.2	112.5	115.25	-3.56	12,844	77.94	1,816	130.75
	Nickel	1320.7	1332.2	1247.1	1282.2	-2.79	47,087	80.14	3,875	118.68
	Zinc	115.5	116.7	110.65	113.5	-1.22	16,545	85.30	1,603	107.91

MARKET OVERVIEW

- Geo-political tensions prevailing in Middle-East nations like Libya lead to risk aversion thereby prompting investors to pull out money from risky assets like equities and industrial metals. This sent base metal prices lower by anywhere between one to five percent
- Lead was the top loser among the base metal pack as reports indicated that Ivernia, the company which accounts for nearly 2 percent of world production would restart its operations in Australia which was halted owing to government orders. Stocks though witnessed draw-downs this week, remains at highest level since 1995. Aluminum prices however managed to close largely flat on London Metal Exchange and marginally higher on MCX
- On London Metal Exchange, open interest declined along with largely higher volumes thereby indicating unwinding of positions. In Indian markets, however, the increase in open interest might be owing to roll-over of positions

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	**Previous Week**	**This Week**	**Change**	**% Change**
Copper	73910	71710	-2200	-2.98%
Zinc	19655	18835	-820	-4.17%
Aluminum	16870	16800	-70	-0.41%

COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	**Previous Week**	**This Week**	**Change**	**% Change**
Copper	447.85	443.6	-4.25	-0.95%

Commodity Futures Trading Commission (CFTC) Report- Copper

According to **US CFTC data on Copper**, speculators continue to trim there position as the ongoing geo-political tensions. On the commercial side, higher prices seem to be propelling more and more producers to hedge there output, thereby leading to increase in long positions. Overall, both long and short positions declined on COMEX given the uncertainty.

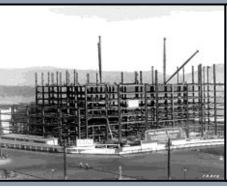
CFTC Report - Copper (In contracts)				
Non-Commercial	2/15/2011	2/22/2011	Change	% Change
Long	59706	53809	-5897	-9.88%
Short	30667	30579	-88	-0.29%
Spreading	12417	11328	-1089	-8.77%
Commercial				
Long	69016	70177	1161	1.68%
Short	102689	98711	-3978	-3.87%
Total				
Long	141139	135314	-5825	-4.13%
Short	145773	140618	-5155	-3.54%

INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	407925	416825	8900	2.18%
Zinc	708775	708375	-400	-0.06%
Aluminium	4593175	4610875	17700	0.39%
Lead	296975	294575	-2400	-0.81%
Nickel	129396	130422	1026	0.79%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	80349	82900	2551	3.17%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	161062	158101	-2961	-1.84%
Zinc	332302	335096	2794	0.84%
Aluminium	426978	423890	-3088	-0.72%




KARVY COMTRADE LIMITED

METALS WEEKLY

A Weekly Report on Base Metals


ECONOMIC REVIEW

- US fourth quarter GDP growth was revised downwards largely owing to less than expected decline in consumption from state governments and less than growth in personal consumption as well. Michigan confidence however came in at three year high indicating improving consumer confidence on the back of largely owing to improving economic conditions and labour market
- Housing market conditions in US however continue to give mixed conditions as existing home sales rose while the new home sales declined. House prices however continue to decline indicating challenging housing market and might have been owing to deleveraging by consumers
- Major equity markets largely ended on the lower side with cuts of anywhere between one to three percent on the back of risk aversion owing to geo-political tensions prevailing in the Middle East. Oil prices surpassing also raised concerns for Asian economies as most of them are net importers and higher oil prices could raise there import bills substantially
- PMI numbers along with IFO numbers from Euro zone largely came in higher indicating that continued upbeat economic activity. Consumer confidence from Germany also came in at nearly two year highs thereby sending the Euro higher
- At the start of the week, dollar index remained higher initially as investors rushed to safe havens like gold and dollar. However by the end of the week, as concerns eased by the end of the week dollar eased and ended lower with losses of half a percent

Equity Indices	Last Week	This Week	% Change
Dow Jones Ind. Avg.	12391.25	12130.45	-2.10%
S&P 500 Index	1343.01	1319.88	-1.72%
FTSE 100 Index	6082.99	6001.20	-1.34%
Nikkie 225	10842.80	10526.76	-2.91%
Shanghai Composite	2899.79	2878.57	-0.73%
Sensex	18211.52	17700.91	-2.80%

Currency	Last Week	This Week	% Change
Dollar Index	77.664	77.275	-0.50%
EUR/USD	1.3693	1.3754	0.45%
GBP/USD	1.6253	1.6118	-0.83%
USD/INR	45.21	45.325	0.25%

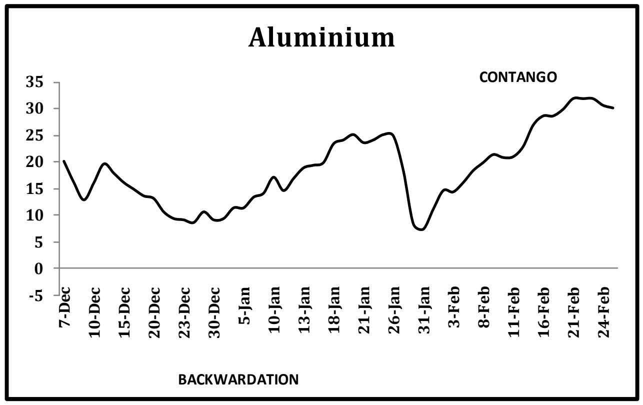
METALS WEEKLY

A Weekly Report on Base Metals

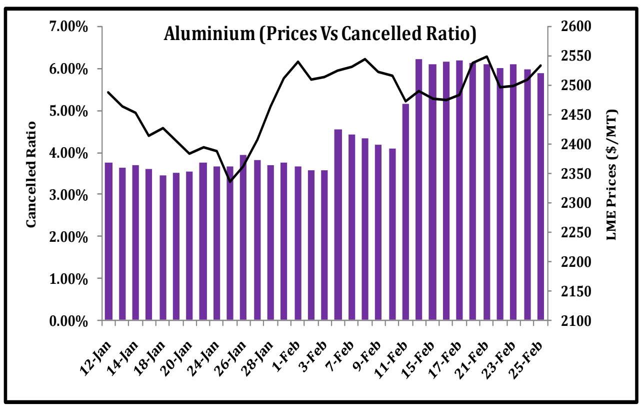
ALUMINIUM

Aluminium production by India's third largest aluminium producer, NALCO, will be short by about 100,000 tonnes as against the target of 1.68 million tonnes. The fall largely owes to delay in refinery expansion. International Aluminum Institute however indicated that global aluminium production rose to 68,600 tonnes as against 68,500 tonnes in the prior month thereby taking total monthly production to 2.216 million tonnes.

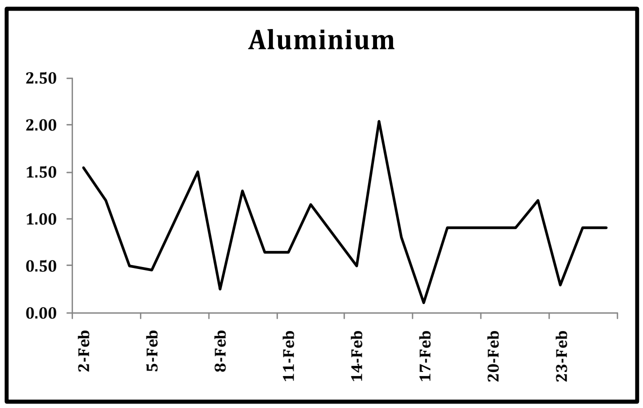
BASIS CHART
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)



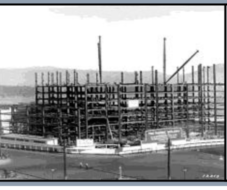
CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



TECHNICALS: Aluminium prices traded initially lower for first half of the week and recovered all the losses at the end of the week and finally closed in green. It made a low of 2490 then high of 2585 and settled higher at 2565 levels. Closing of the candle renders bullish trend is still intact. Prices are witnessing immediate trend line resistance at 2590 levels. Only on breach and sustained trade above would lead the prices to trade higher and test 2660 then 2745 levels (previous swing highs). The principle of Fibonacci retracement states that prices are witnessing vital resistance at 2578 levels which is 61.8% retracement of the range 1279-3380 levels. On break and sustained trade above is likely to trade higher. However on the lower side key support level is seen at 2480 levels (previous swing lows). On breach and sustained trade below may limit the gains. The Moving Average principle suggesting upside movements as prices are trading well above the short and medium term EMA's of (8, 21 & 34).The momentum indicator RSI 14 weekly closed at 0.633 levels and showing higher potential. However a mild correction on the lower side may be expected before resuming its uptrend. We expect prices to trade higher and recommend buying at lower levels for the coming week.



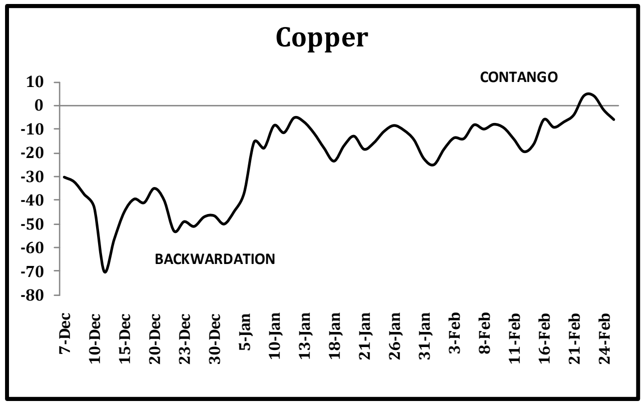
METALS WEEKLY

A Weekly Report on Base Metals

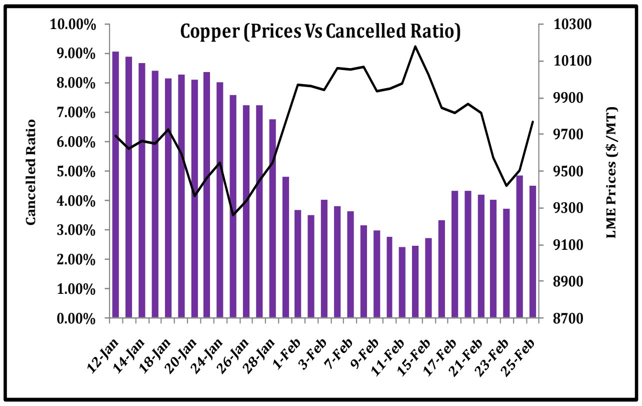
COPPER

Copper Stocks on LME have been increasing and the cancelled warrant ratio continues to remain lower indicating that stocks might continue to witness build- up in the near term. China imports of copper rose by 7.4 percent (MoM) to 245,617 tonnes in January. From a year earlier, this was a strong 24.5 percent growth and was largely attributed to restocking by fabricators. International copper study group indicated that world copper market had a deficit of 400,000 tonnes in January to December 2010 period.

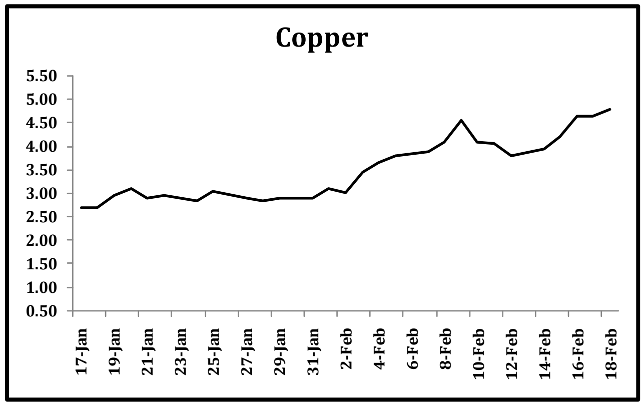
BASIS CHART
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)

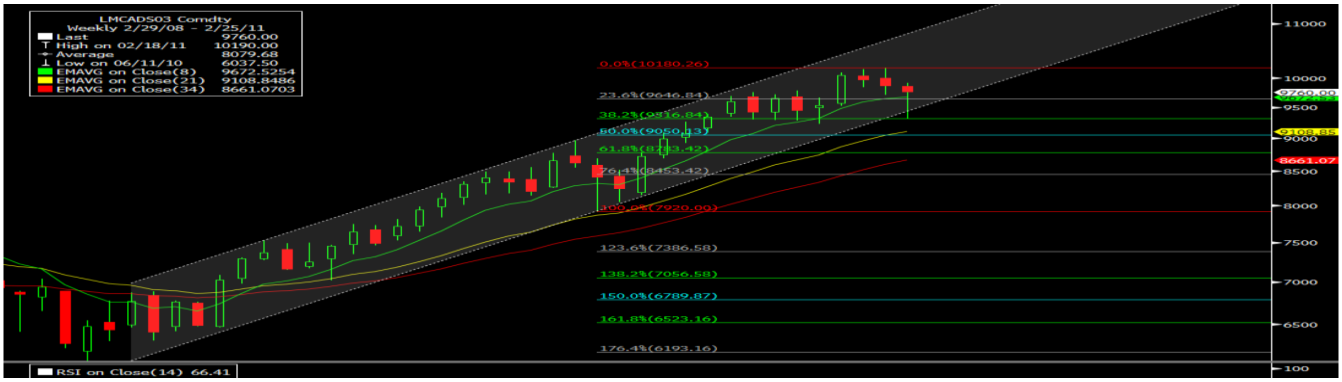


CANCELLED WARRANT RATIO ON LME

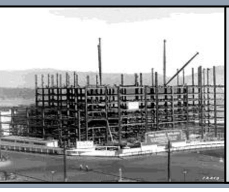


CALENDAR SPREAD ON MCX





TECHNICALS: Copper prices traded lower on last week by continuing the previous trend. It made a high of 9920 then low of 9311 and settled at 9760 levels. It was down by 1% on last week. Closing of the candle renders indecisive movements for the coming week. Prices are witnessing crucial support at 9280 levels (previous swing lows). On sustained trade below is likely to remain higher. Prices are witnessing trend line support at 9400 levels. Only on breach and sustained trade below would limit the gains. Prices are witnessing trend channel formation on the higher side and this time after witnessing the lower trend channel support prices are moving towards northward direction. Prices are hovering within the trend channel from the past several weeks suggesting range bound movements. The principle of Fibonacci retracement states that prices are witnessing vital support at 9315 levels which is 38.2% retracement of the range (7920-10180) levels. On sustained trade above may lead the prices to witness the origin point of 10180 levels. The Moving Average principle suggesting upside movements as prices are trading well above the short and medium term EMA's of (8, 21 & 34).The momentum indicator RSI 14 weekly closed at 0.664 levels and showing indecisiveness for the coming week. However a mild correction on the lower side may be expected before resuming its uptrend.



METALS WEEKLY

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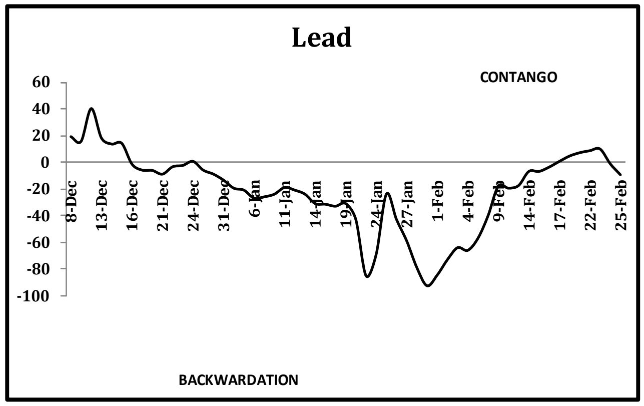
LEAD

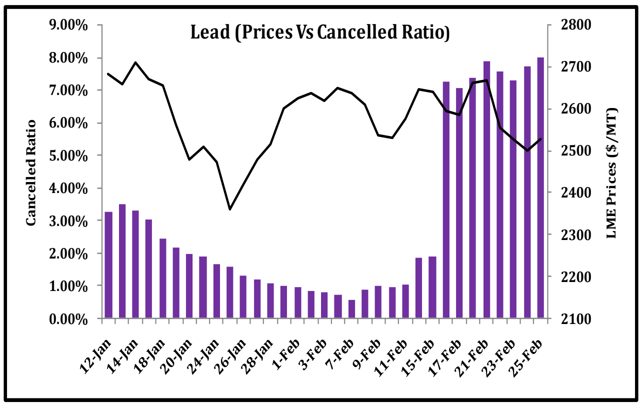
Ivernia, the company that accounts for roughly 2 percent of world lead mined, said that it would recall workers to start operations at its Australian mine after prevention order against the company was lifted. This might have sent lead prices to decline and prices remain under pressure. Lead cancelled warrant ratio on London Metal Exchange at close to 8 percent remains at highest level among the base metal but prices are being driven largely by macro factors and thereby lead prices might continue to remain under pressure.

BASIS CHART

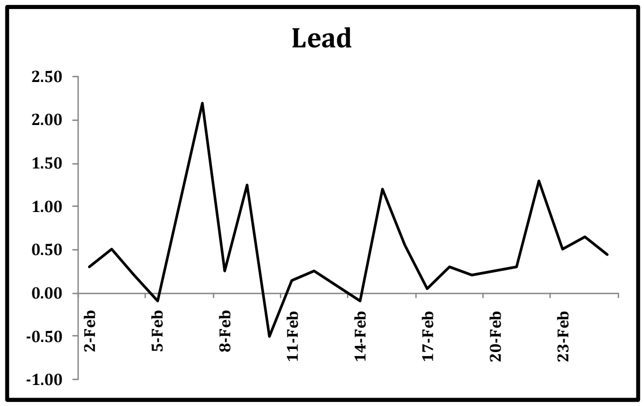
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



METALS WEEKLY

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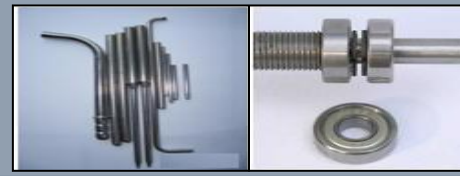
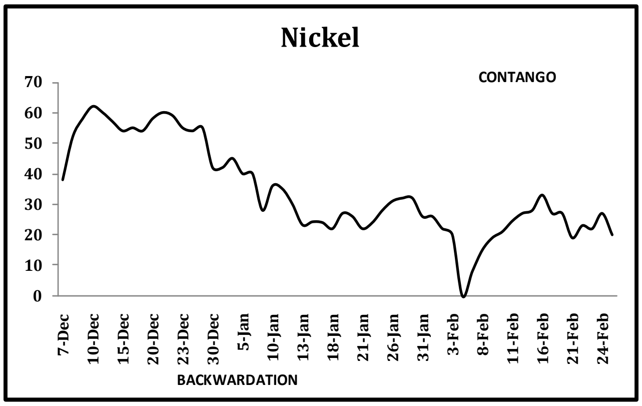


NICKEL

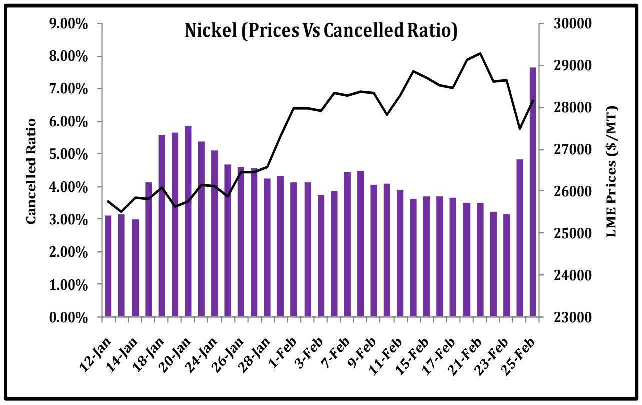
Top Nickel producer in China, Jinchuan Group Ltd, is planning to produce 130,000 to 140,000 tonnes of nickel in 2011. Demand for steel making ingredient continues to remain strong and usage in China is the highest as nearly 44 percent of the world steel is produced in China.

The cancelled warrant ratio has bounced back strongly indicating that stocks might continue to witness draw-downs in the near term.

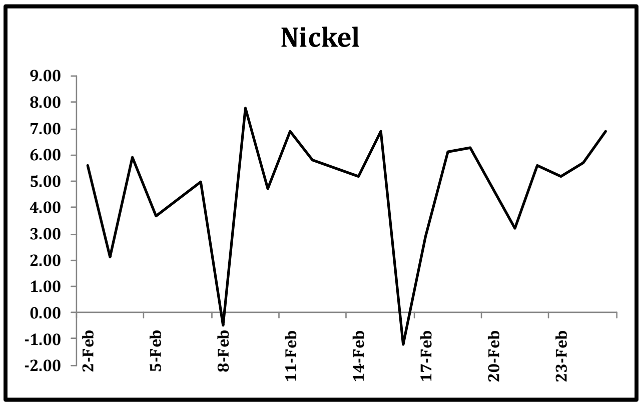
BASIS CHART
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)



CANCELLED WARRANT RATIO ON LME

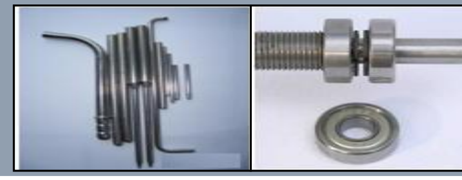


CALENDAR SPREAD ON MCX



METALS WEEKLY

A Weekly Report on Base Metals



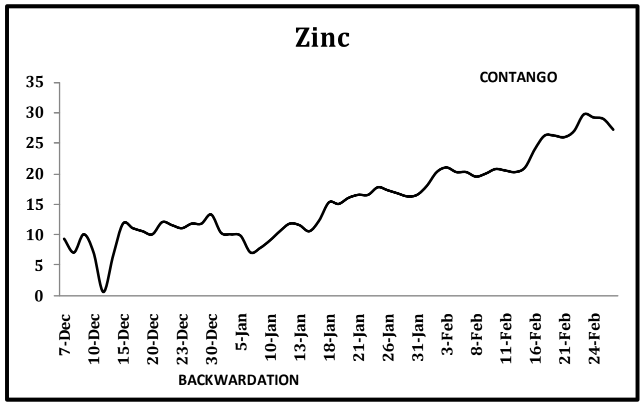
ZINC

Reports indicated that a key global miner and smelting firms decided the treatment charges of $229/tonne thereby indicating a fall of 15 percent from a year earlier. The fall in treatment charges is in sharp respite to overall fundamentals as overall production of zinc continues to remain higher than total global consumption.

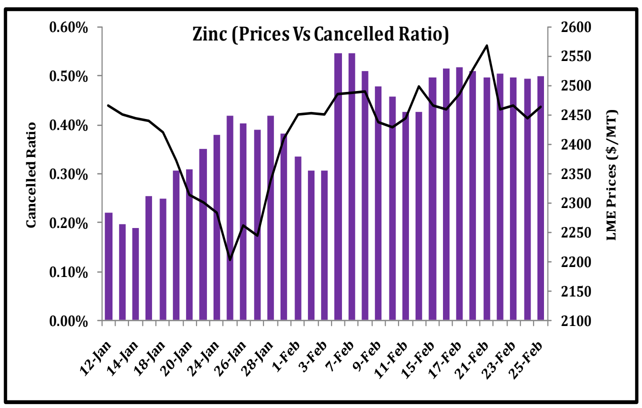
The cancelled warrant ratio continues to remain below one percent of total stocks and is indicating tepid movement of stocks ahead.

BASIS CHART

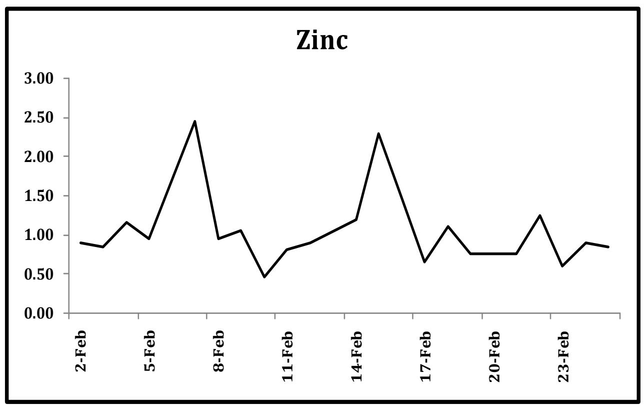
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)



CANCELLED WARRANT RATIO ON LME

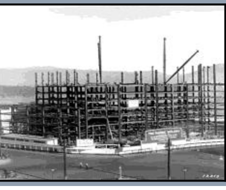


CALENDAR SPREAD ON MCX



DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date Time	Region	Event	Period	Survey	Prior
28/02/2011 12:30	GE	Import Price Index (MoM)	JAN	1.00%	2.30%
28/02/2011 15:30	EC	Euro-Zone CPI (MoM)	JAN	-0.60%	0.60%
28/02/2011 19:00	US	Personal Income	JAN	0.40%	0.40%
28/02/2011 19:00	US	Personal Spending	JAN	0.40%	0.70%
28/02/2011 20:15	US	Chicago Purchasing Manager	FEB	67.9	68.8
28/02/2011 20:30	US	Pending Home Sales MoM	JAN	-2.50%	2.00%
28/02/2011 21:00	US	Dallas Fed Manufacturing Activity	FEB	14.1	10.9
28/02/2011	IN	Quarterly GDP YoY%	4Q	8.60%	8.90%
01/03/2011 06:30	CH	PMI Manufacturing	FEB	52.1	52.9
01/03/2011 14:25	GE	PMI Manufacturing	FEB F	62.6	62.6
01/03/2011 14:30	EC	PMI Manufacturing	FEB F	59	59
01/03/2011 15:00	UK	PMI Manufacturing	FEB	61	62
01/03/2011 20:30	US	Construction Spending MoM	JAN	-0.50%	-2.50%
01/03/2011 20:30	US	ISM Manufacturing	FEB	60.5	60.8
01/03/2011 20:30	US	ISM Prices Paid	FEB	81.5	81.5
02/03/2011 03:30	US	Domestic Vehicle Sales	FEB	9.70M	9.59M
02/03/2011 03:30	US	Total Vehicle Sales	FEB	12.67M	12.53M
02/03/2011 18:45	US	ADP Employment Change	FEB	185K	187K
03/03/2011 06:30	CH	China Non-manufacturing PMI	FEB	- -	56.4
03/03/2011 14:25	GE	PMI Services	FEB F	59.5	59.5
03/03/2011 14:30	EC	PMI Composite	FEB F	58.4	58.4
03/03/2011 14:30	EC	PMI Services	FEB F	57.2	57.2
03/03/2011 15:00	UK	PMI Services	FEB	53.9	54.5
03/03/2011 15:30	EC	Euro-Zone GDP s.a. (QoQ)	4Q P	0.30%	0.30%
03/03/2011 18:15	EC	ECB Announces Interest Rates	3-Mar	1.00%	1.00%
03/03/2011 19:00	US	Initial Jobless Claims	26-Feb	- -	391K
03/03/2011 19:00	US	Continuing Claims	19-Feb	- -	3790K
03/03/2011 19:00	US	Nonfarm Productivity	4Q F	2.60%	2.60%
03/03/2011 19:00	US	Unit Labor Costs	4Q F	-0.60%	-0.60%
03/03/2011 20:30	US	ISM Non-Manufacturing Composite	FEB	59.7	59.4
04/03/2011 19:00	US	Change in Nonfarm Payrolls	FEB	174K	36K
04/03/2011 19:00	US	Change in Private Payrolls	FEB	175K	50K
04/03/2011 19:00	US	Change in Manufacturing Payrolls	FEB	28K	49K
04/03/2011 19:00	US	Unemployment Rate	FEB	9.10%	9.00%
04/03/2011 20:30	US	Factory Orders	JAN	2.20%	0.20%




METALS WEEKLY

A Weekly Report on Base Metals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