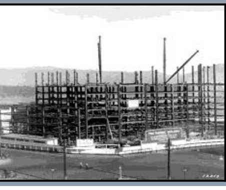



METALS WEEKLY

A Weekly Report on Metals


OUTLOOK

In the coming week, economic data from US in the form of industrial production and empire manufacturing numbers are expected to come in largely on the higher side. Federal Reserve is expected to keep interest rate unchanged at 0.25 percent; however the market might be looking at any other indication that might come in especially when the quantitative easing program ends in June. Housing data is expected to come in mixed with housing starts declining while building permits increasing. Data from Euro zone is also expected to come in largely positive but concerns about peripheral European nations would remain after the recent downgrades.

Industrial metals carry a very good correlation with equity markets. Over a 120 day period, the correlation between Copper and Dow Jones is 0.9, indicating that both Dow Jones and Copper prices move largely in tandem. In the short time frame this correlation though modestly lower (0.6) still holds. And given the uncertainty, in the near term equity markets might remain under pressure. Overall, given the drastic decline in such a short time, pullback on the higher side might be witnessed but given the lower level of demand, as is being indicated by continued inventory build-up for metals like copper and zinc, base metal prices might remain under pressure.

TECHNICAL RECOMMENDATIONS*

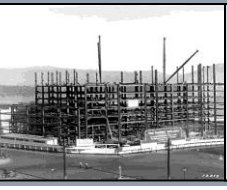
Commodity	Series	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
LME Aluminum	**Fwd**	2363	2432	2488	2545	2613	2682	2738	**Sideways**
MCX Aluminum	**Mar-11**	107.7	110.3	112.3	114.4	116.9	119.5	121.5	**Sideways**
LME Copper	**Fwd**	7884	8438	8814	9190	9744	10298	10674	**Sell at 9350-9450 TP 8610 SL 9650**
MCX Copper	**Apr-11**	365.1	388.4	405.2	422.1	445.3	468.6	485.4	**Sell at 428-31 TP 415 SL 438**
LME Lead	**Fwd**	2075	2227	2327	2427	2579	2730	2830	**Sell at 2475-500 TP 2325 SL 2580**
MCX Lead	**Mar-11**	97.1	102.9	107.3	111.7	117.5	123.3	127.7	**Sell at 113-114 TP 108 SL 118**
LME Nickel	**Fwd**	20773	23037	24493	25950	28213	30477	31933	**Sell at 26750-27000 SL 24850 SL**
MCX Nickel	**Mar-11**	957.8	1054.	1117.	1180.	1277.	1374.	1437.	**Sell at 1215-20 TP 1175/55 SL 1242**
LME Zinc	**Fwd**	1917	2073	2174	2275	2431	2587	2688	**Sell at 2330-60 TP 2220 SL 2450**
MCX Zinc	**Mar-11**	87.5	94.0	98.5	103.0	109.4	115.9	120.4	**Sell at 105-106 TP 100 SL 110**
Steel NCDEX	**Apr-11**	26630	26920	27160	27390	27690	27980	26630	**Sell at 27350-450 TP 27000 SL 27850**
MCX Iron Ore	**Mar-11**	6655	6732	6800	6867	6945	7022	7090	**Trading range 7100-6700**
ICEX Iron Ore	**Mar-11**	7969	8009	8058	8106	8147	8187	8236	**Trading range 8240-8000**

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

Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
14/03/2011 12:00	IN	Monthly Wholesale Prices YoY%	FEB	7.80%	8.23%
14/03/2011 15:30	EC	Euro-Zone Ind. Prod. sa (MoM)	JAN	0.30%	-0.10%
15/03/2011 18:00	US	Empire Manufacturing	MAR	16.1	15.43
15/03/2011 23:45	US	FOMC Rate Decision	15-Mar	0.25%	0.25%
17/03/2011 18:45	US	Industrial Production	FEB	0.60%	-0.10%

For all the data releases; click here




METALS WEEKLY

A Weekly Report on 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	2599	2625	2500	2545	-2.12	158,376	-5.38	3,371	-35.99
	Copper	9875.5	9922	8992	9190	-7.12	266,793	24.17	3,264	-10.43
	Lead	2625	2629.75	2378	2427	-7.72	53,930	18.02	1,731	-4.26
	Nickel	28700	29020	25300	25950	-9.90	47,042	35.19	1,586	15.60
	Zinc	2486	2486	2229	2275	-7.56	152,344	82.30	4,228	23.99
MCX Futures (`/Kg)	Aluminium	116.55	117.4	112.8	114.4	-1.72	33,073	61.43	2,192	50.14
	Copper	449.4	451.7	411.6	422.05	-5.95	723,923	70.69	23,125	5.39
	Lead	118.45	118.95	108.75	111.65	-6.02	117,972	63.93	3,687	28.20
	Nickel	1301.6	1311.7	1151.9	1180.4	-9.35	337,210	69.26	8,984	17.44
	Zinc	111.05	111.35	100.4	102.95	-7.75	175,286	102.68	8,080	41.83

MARKET OVERVIEW

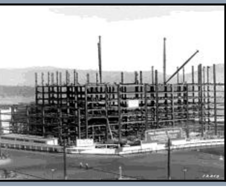
- Base metal prices tumbled after concerns erupted about ongoing economic recovery. Downgrades of peripheral European nations along with weak copper imports data from China were the key reasons for decline in prices. Equity markets also tumbled with earthquake in Japan only adding to the pressure
- Nickel was the top loser among the base metal pack as it ended with losses of nearly 10 percent. Since it is the top performer among the base metal pack (year-to-date) participants booked profits along with build-up of shorts, Aluminium however continue to remain resilient given its low volatile nature and stable fundamentals and thereby losses were limited to two percent
- Except for aluminium and nickel all the base metal witnessed increase in stocks on London Metal Exchange indicating weak physical demand for the metal

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	**Previous Week**	**This Week**	**Change**	**% Change**
Copper	73590	69360	-4230	-5.75%
Zinc	18840	17485	-1355	-7.19%
Aluminum	16720	16530	-190	-1.14%

COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	**Previous Week**	**This Week**	**Change**	**% Change**
Copper	447.2	419.5	-27.7	-6.19%





Commodity Futures Trading Commission (CFTC) Report- Copper

According to **US CFTC data on Copper**, participants continue to trim there position on price rise and increasingly adding positions on the short side. On the non-commercial side, long positions declined along with increase in short positions indicating bias on the lower side. Hedgers also trimmed there positions on both the side of the market. Overall, decline in overall positions was witnessed.

CFTC Report - Copper (In contracts)				
Non-Commercial	3/1/2011	3/8/2011	Change	% Change
Long	50320	49103	-1217	-2.42%
Short	23701	24793	1092	4.61%
Spreading	11022	8954	-2068	-18.76%
Commercial				
Long	70162	67688	-2474	-3.53%
Short	98113	93617	-4496	-4.58%
Total				
Long	131504	125745	-5759	-4.38%
Short	132836	127364	-5472	-4.12%

INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	425300	425875	575	0.14%
Zinc	719225	734075	14850	2.06%
Aluminium	4606200	4590300	-15900	-0.35%
Lead	291500	288250	-3250	-1.11%
Nickel	129858	128424	-1434	-1.10%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	83271	85029	1758	2.11%

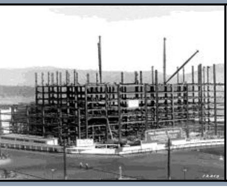
SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	157765	158254	489	0.31%
Zinc	341046	346673	5627	1.65%
Aluminium	420059	421727	1668	0.40%

ECONOMIC REVIEW

- Euro-zone was back in focus as Moody's downgraded both Spain and Greece thereby indicating that the economic conditions in peripheral European nations is still weak and thereby concerns would continue to linger
- Chinese trade balance in the month of February slipped into deficit, the first such instance in seven years. This was on the back of weak export growth while import growth continues to remain strong. However this might have been largely owing to long holiday on account of Lunar New Year. Industrial production numbers continue to remain strong while the inflation though above the comfort levels of central bank
- Michigan confidence data from US came in lower indicating that concerns still continue to linger about the economic recovery while the advance retail sales came in higher than expected in the month of February. Dollar index got a boost from weaker euro, because of concerns about peripheral European nations, thereby adding to the pressure on commodity prices
- Bank of England left interest rate unchanged at 0.5 percent as the central bank might still wait for concrete evidence that the recovery is strong before raising rates
- **Base metals carry a very good correlation with equity markets. Over a 120 day period, the correlation between copper and Dow Jones is 0.9, indicating that both Dow Jones and Copper prices move largely in tandem. However in the near term, the correlation has declined modestly to 0.6 percent but it is still considered to be good. Overall, assuming other things constant, if equity markets decline then base metal prices might also decline.**

Equity Indices	Last Week	This Week	% Change
Dow Jones Ind. Avg.	12169.88	12044.40	-1.03%
S&P 500 Index	1321.15	1304.28	-1.28%
FTSE 100 Index	5990.39	5828.67	-2.70%
Nikkie 225	10693.66	10254.43	-4.11%
Shanghai Composite	2942.31	2933.80	-0.29%
Sensex	18486.45	18174.09	-1.69%

Currency	Last Week	This Week	% Change
Dollar Index	76.4	76.776	0.49%
EUR/USD	1.3987	1.3903	-0.60%
GBP/USD	1.6269	1.6082	-1.15%
USD/INR	44.9875	45.2425	0.57%




METALS WEEKLY

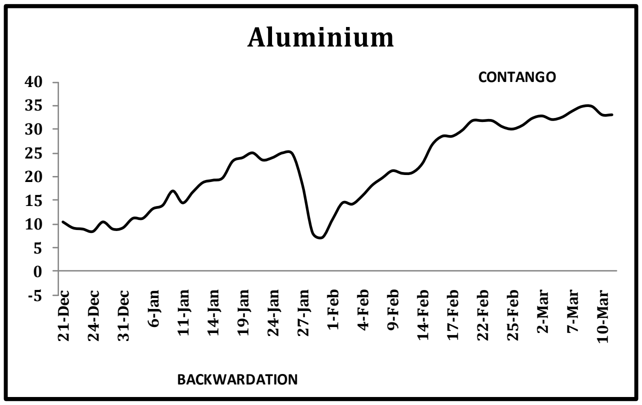
A Weekly Report on Metals


ALUMINIUM

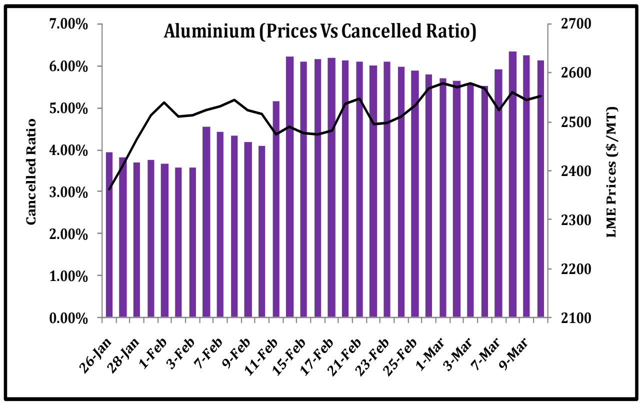
Aluminium prices outperformed the entire base metal pack and thereby losses were limited. This is largely owing to less volatile and relatively stable fundamentals of the metal. On the fundamental front, aluminium stocks held at major Japanese ports fell by 5.7 percent to 208,100 tonnes indicating lower import volumes.

The cancelled warrant ratio of the metal remains strong indicating that stocks might continue tow witness decline in the near term.

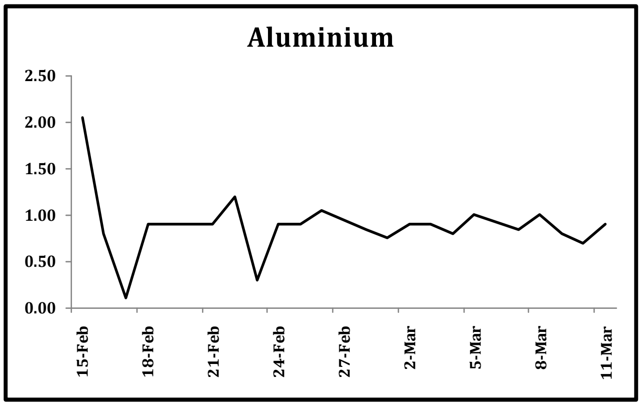
BASIS CHART
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)

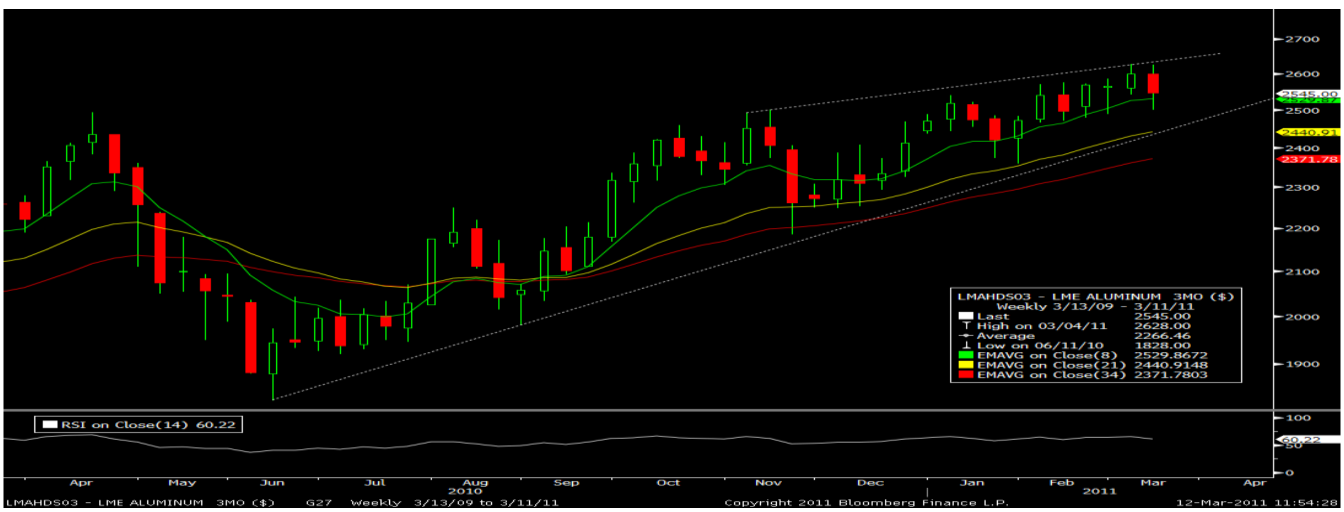


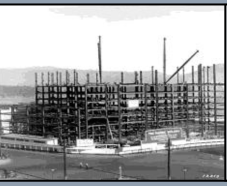
CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX







METALS WEEKLY

A Weekly Report on Metals

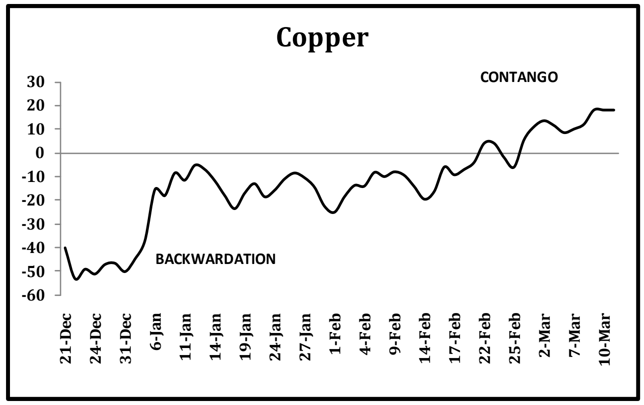
COPPER

Copper prices declined drastically after the Chinese copper imports indicated either moderation in demand or higher supplies in World's largest consumer of the metals. February month imports tumbled by 35 percent to 235,469 tonnes, the lowest level since January 2009.

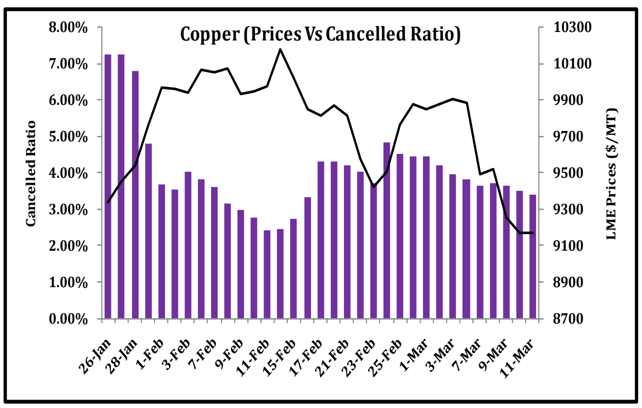
The basis for the metal continues to remain in contango indicating that spot is trading at a discount to forwards and thereby weak demand for the metal. Though stocks have declined in the past few days, the lower level of cancelled warrant ratio continues to indicate weak demand for the metal.

BASIS CHART

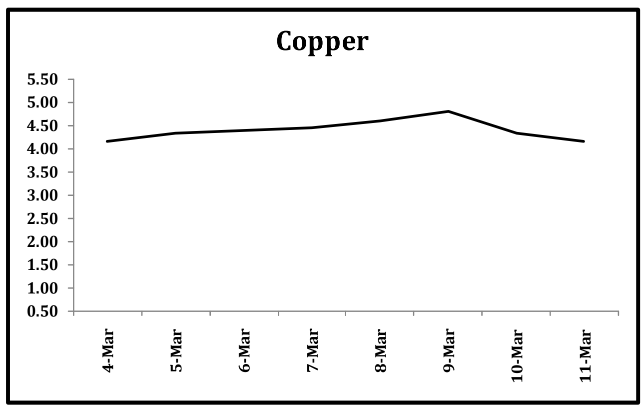
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)

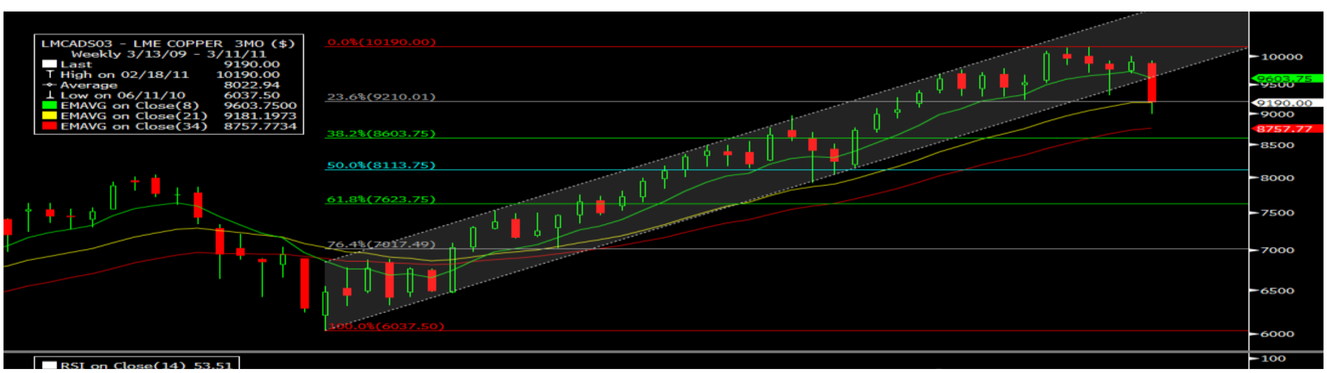


CANCELLED WARRANT RATIO ON LME



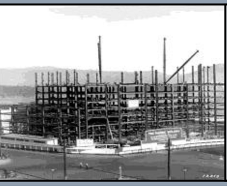
CALENDAR SPREAD ON MCX





TECHNICALS: Copper prices traded completely lower on last week by reversing the previous trend. It made a high of 9922 then low of 8992 and settled lower at 9190 levels. It was down by 7.12% on last week. Closing of the candle renders downside movements for the coming week. Last week prices have made a trend channel breakout on the lower side allowing the prices to trade lower. The principle of Fibonacci retracement states that prices have breached the crucial support at 9210 levels which is 23.6% retracement of the range (6037-10190) levels. On sustained trade below is likely to trade lower and has potential for the prices to test 8604 levels. The volume indicator analysis suggesting downside movements as volumes has increased from 0.214M to 0.267M contracts. It means volumes have increased on falling markets. The momentum indicator RSI 14 weekly closed at 0.535 levels and showing lower potential for the coming week. However a mild correction on the higher side may be expected before resuming its downtrend.

Conclusion: We expect prices to trade lower and recommend selling at the higher levels.



METALS WEEKLY

A Weekly Report on Metals

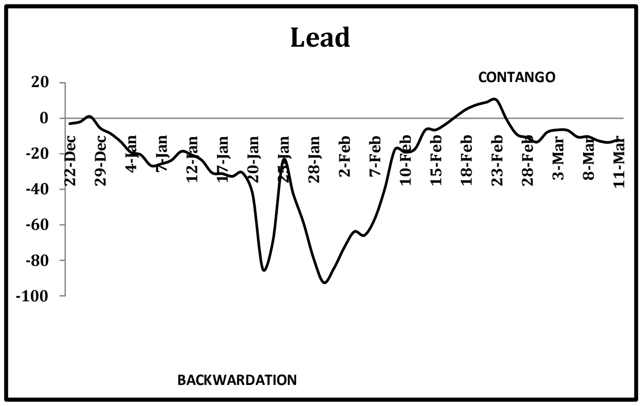
LEAD

In India, car sales hit a record high of 1.89 lakh units in the month of February. This is growth of 23 percent YoY as increasing disposable income along with anticipation of hike in excise duty lead to soaring demand. But broad macro dynamics along with decline in other metals sent lead prices lower.

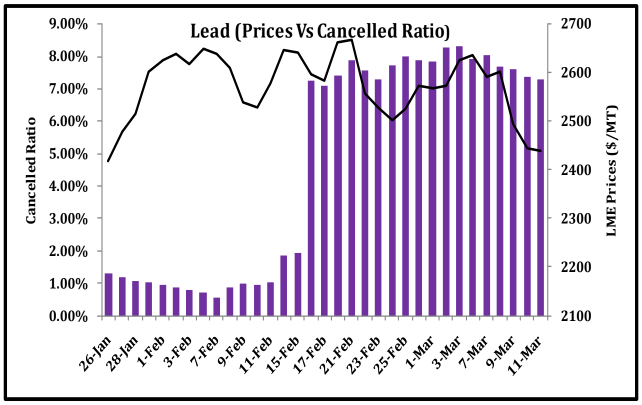
The cancelled warrant ratio though moderating continues to remain near the 8 percent levels and the basis is also in negative indicating higher spot prices than forwards.

BASIS CHART

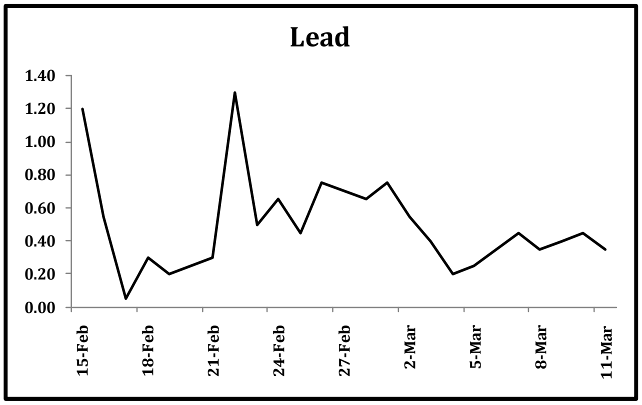
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



METALS WEEKLY

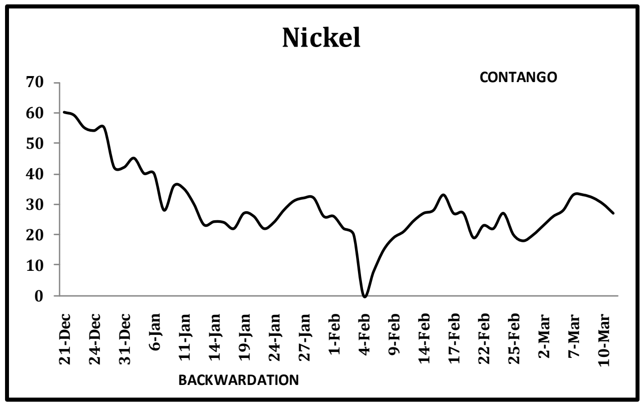
A Weekly Report on Metals

NICKEL

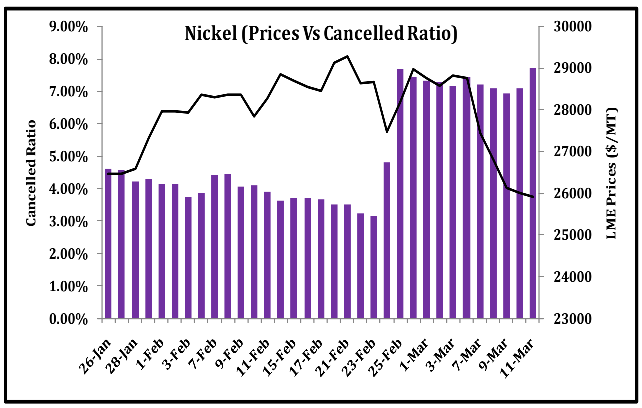
In China, refined nickel output rose by 46.5 percent (YoY) to 38,886 tonnes in the first two months of this year. February's output tumbled 23.4 percent to 16,871 tonnes.

The cancelled warrant ratio has however bounced back strongly. At close to 8 percent it stands at highest among all the base metals thereby indicating that stocks might continue to witness decline in the near term. The basis has also declined, though modestly, indicating downside from here on might be limited.

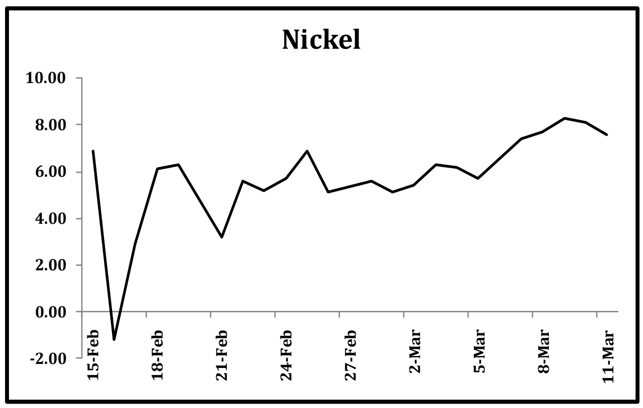
BASIS CHART
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)

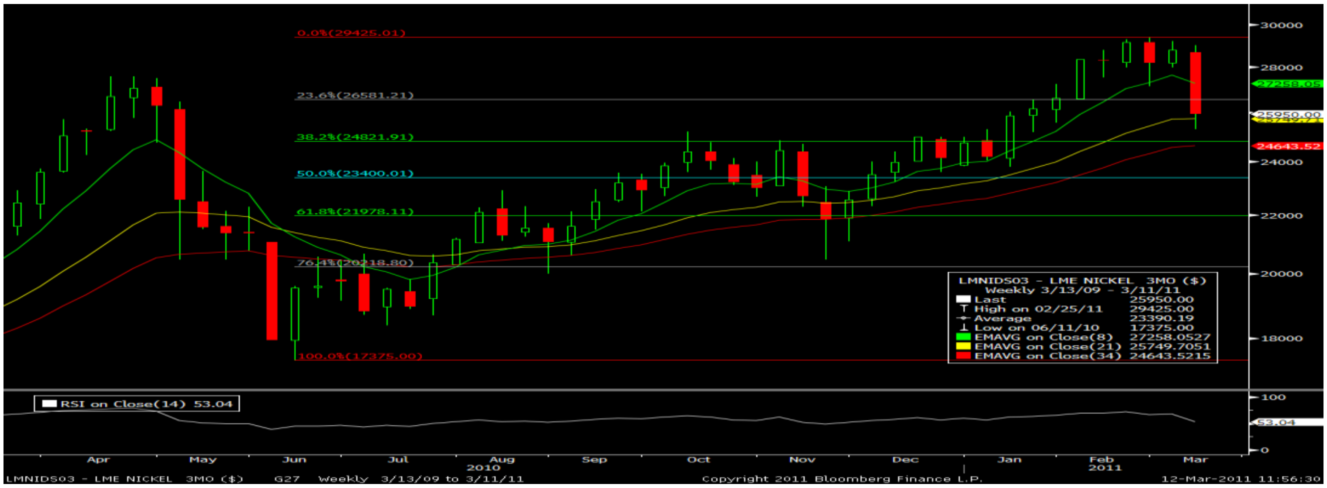


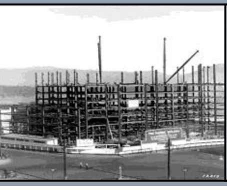
CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX








METALS WEEKLY

A Weekly Report on Metals

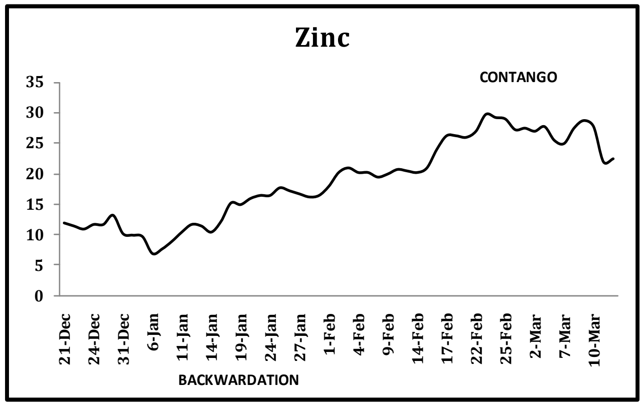

ZINC

Zinc was the one of the top losers among the base metal pack as it has relatively weak fundamentals compared to other base metals.

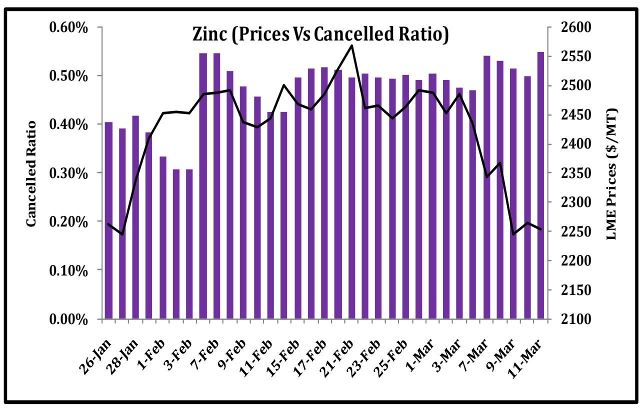
Zinc output in China in the first couple months of 2011 declined by 12.7 percent (YoY) to 799,000 tonnes. However this did not translate in to price rise as overall the market continues to have ample supplies. The cancelled warrant ratio at half a percent continues to indicate tepid movement for inventory ahead.

BASIS CHART

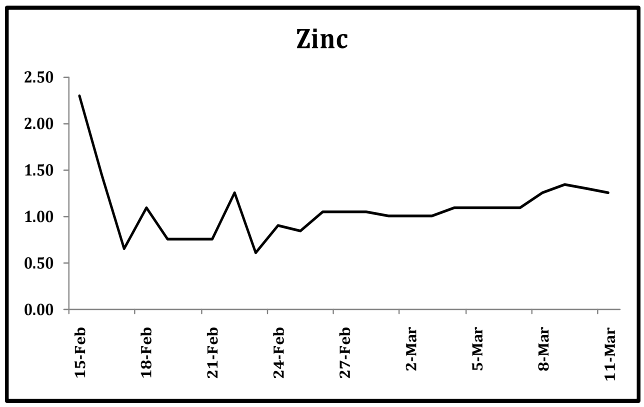
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)



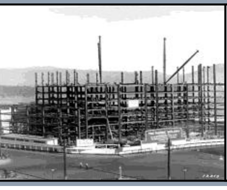
CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



TECHNICALS: Zinc prices traded completely lower on last week by continuing the previous trend. It made a high of 2486 then low of 2229 and settled lower at 2275 levels. It was down by 7.56% on last week. Closing of the candle renders downside movements to be continued for the coming week. Prices are witnessing trend line resistance at 2490 levels. Prices have breached the key trend line support at 2355 levels. On sustained trade below is likely to trade lower. The principle of Fibonacci retracement states that prices are witnessing support at 2233 levels which is 38.2% retracement of the range (1577-2638). On breach and sustained trade below is likely to trade lower and potential to test 2108 levels which is 50% retracement of the above mentioned range. The volume indicator analysis suggesting downside movements as volumes has increased from 0.0835M to 0.152M contracts. It means volumes have increased on falling markets. The momentum indicator RSI 14 Weekly is settled at 0.471 levels and suggesting lower potential for the prices. However a mild correction on the higher side may be expected before resuming its down trend. Overall, we expect prices to trade lower and recommend selling at higher levels.

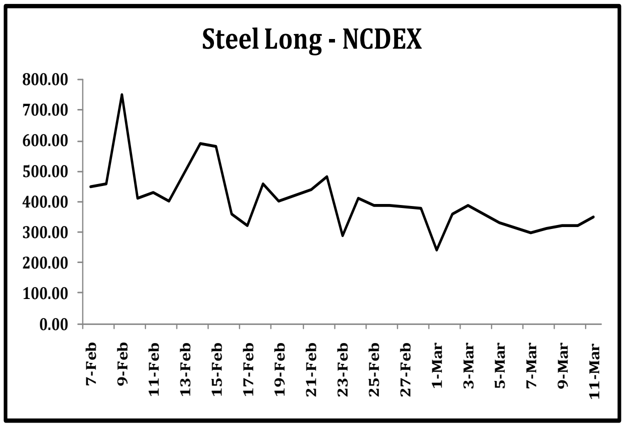


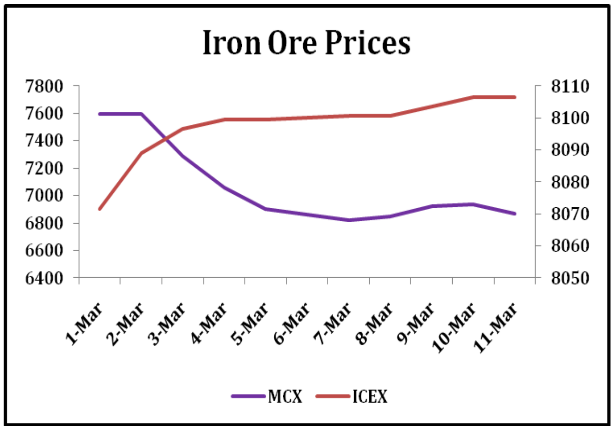
STEEL & IRON ORE

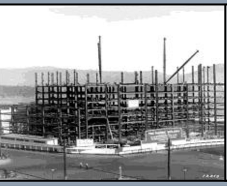
Commodity	Exchange	Contract	Open	High	Low	Close	Close % Change	Volume (in lots)	Volume % Change	Open interest (in lots)	OI % Change
IRON ORE	MCX	Mar-11	6913	6955	6810	6862	-0.55%	64	-77.70%	15	-6.25%
	ICEX	Mar-11	8076	8139	8050	8106	-0.09%	290	-31.60%	18	50.00%
IRON ORE ($/DMT)	THE STEEL INDEX		170.7	170.7	167.4	167.4	-4.25%	-	-	-	-
STEEL LONG	NCDEX	Mar-11	27710	27750	27220	27400	-1.08%	32,210	25.58%	26,020	9.93%

- Iron ore prices continued there downward movement and prices remained at two month lows as demand from China remained weak and stocks on Chinese ports remained high (The Steel Index)
- Iron ore stocks at Chinese ports remained at nearly 80 million tonnes which is close to 13 percent to the total annual production of the country. Steel prices were also on a downwards trajectory thereby reducing the off take for the raw material used in making steel
- In Indian markets however remain limited to half a percent on MCX while on ICEX the prices ended largely flat and iron ore exports from the country declined to 75.11 million tonnes during April-January of the current fiscal, a lower quantity compared to prior year owing to ban from Karnataka
- Overall, iron ore prices might continue to remain weak till the demand from China really picks up
- Steel Long prices on NCDEX after largely consolidating in the initial part, ended lower by one percent as spot market activity remained tepid. Going ahead also prices might continue to remain under pressure, as industrial production data showed decline in capital goods output thereby indicating delay in capex cycle

CALENDAR SPREAD









DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date Time	Region	Event	Period	Survey	Prior
14/03/2011 12:00	IN	Monthly Wholesale Prices YoY%	FEB	7.80%	8.23%
14/03/2011 15:30	EC	Euro-Zone Ind. Prod. sa (MoM)	JAN	0.30%	-0.10%
15/03/2011 15:30	GE	ZEW Survey (Current Situation)	MAR	86	85.2
15/03/2011 15:30	EC	ZEW Survey (Econ. Sentiment)	MAR	- -	29.5
15/03/2011 15:30	GE	ZEW Survey (Econ. Sentiment)	MAR	16	15.7
15/03/2011 18:00	US	Empire Manufacturing	MAR	16.1	15.43
15/03/2011 18:00	US	Import Price Index (MoM)	FEB	0.90%	1.50%
15/03/2011 18:30	US	Total Net TIC Flows	JAN	$35.0B	$48.2B
15/03/2011 18:30	US	Net Long-term TIC Flows	JAN	$55.0B	$65.9B
15/03/2011 19:30	US	NAHB Housing Market Index	MAR	17	16
15/03/2011 23:45	US	FOMC Rate Decision	15-Mar	0.25%	0.25%
15/03/2011	JN	BOJ Target Rate	15-Mar	0.10%	0.10%
16/03/2011 15:30	EC	Euro-Zone CPI (MoM)	FEB	0.40%	-0.70%
16/03/2011 18:00	US	Housing Starts	FEB	570K	596K
16/03/2011 18:00	US	Building Permits	FEB	570K	562K
17/03/2011 12:00	IN	India REPO Cutoff Yld	17-Mar	6.75%	6.50%
17/03/2011 12:00	IN	Cash Reserve Ratio	17-Mar	6.00%	6.00%
17/03/2011 12:00	IN	Reverse Repo Rate	17-Mar	5.75%	5.50%
17/03/2011 18:00	US	Consumer Price Index (MoM)	FEB	0.40%	0.40%
17/03/2011 18:00	US	Initial Jobless Claims	12-Mar	390K	397K
17/03/2011 18:00	US	Continuing Claims	5-Mar	3750K	3771K
17/03/2011 18:45	US	Industrial Production	FEB	0.60%	-0.10%
17/03/2011 18:45	US	Capacity Utilization	FEB	76.50%	76.10%
17/03/2011 19:30	US	Leading Indicators	FEB	1.00%	0.10%
17/03/2011 19:30	US	Philadelphia Fed.	MAR	29.7	35.9

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