



METALS WEEKLY

A Weekly Report on Metals



OUTLOOK

In the coming week, base metal prices might remain subdued initially as Chinese markets would remain closed for first couple of days of week. Funds thereby might remain on sidelines before deciding on the course of direction for the second quarter.

European Central Bank is expected to increase interest rates this week and if materializes would be the first rate hike from ECB after the financial crisis. Inflation in the region escalated to 2.6 percent as against comfort levels of 2 percent and thereby rate hikes seem eminent. Factory orders and industrial production in Germany is expected to continue to indicate growth. This might keep the Euro higher and the dollar index thereby might remain under pressure. On the other hand, Bank of England is expected to keep interest rates unchanged at 0.50 percent. No major economic data from US is due to be released except for jobless claims which are expected to decline. Overall, economic data is largely expected to indicate continued economic recovery. However on the fundamental front, lead and zinc are witnessing pick-up in demand and thereby basis has been declining. Copper's cancelled warrant ratio on LME is declining indicating that stocks might continue to witness build-up and thereby lower demand in the near term.

TECHNICAL RECOMMENDATIONS*									
Commodity	Series	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
LME Aluminium	Fwd	2538	2566	2599	2631	2660	2688	2721	Buy at 2590-2610 TP 2725 SL 2530
MCX Aluminium	Apr-11	113.5	114.7	115.9	117.0	118.2	119.4	120.6	Buy at 115-116 TP 119/121 SL 113
LME Copper	Fwd	8718	8991	9175	9360	9632	9905	10089	Sell at 9450-550 TP 9200/9000 SL 9720
MCX Copper	Apr-11	390.2	403.5	411.8	420.0	433.4	446.7	455.0	Sell at 424-427 TP 416/411 SL 434
LME Lead	Fwd	2499	2550	2624	2698	2748	2799	2873	Buy at 2650-70 TP 2750/890 SL 2580
MCX Lead	Apr-11	116.2	117.6	120.2	122.8	124.2	125.6	128.2	Buy at 121-122 TP 124.5/128 SL 118
LME Nickel	Fwd	23158	24227	24913	25600	26668	27737	28423	Sell at 26000-200 TP 24950 SL 26800
MCX Nickel	Apr-11	1038.0	1087.7	1120.7	1153.8	1203.4	1253.1	1286.1	Sell at 1170-75 TP 1140/1130 SL 1195
LME Zinc	Fwd	2245	2276	2333	2390	2421	2452	2509	Buy at 2350-70 TP 2450/520 SL 2290
MCX Zinc	Apr-11	100.8	102.2	104.3	106.5	107.9	109.3	111.4	Buy at 104-105 TP 109/111 SL 102
Steel NCDEX	Apr-11	26600	27170	27940	28700	29280	29850	30620	Buy at 28200-300 TP 29000 SL 27750
MCX Iron Ore	Apr-11	6063	6177	6396	6614	6729	6843	7062	Trading Range 6470-6800 Positive Bias
ICEX Iron Ore	Apr-11	7327	7398	7532	7665	7737	7808	7942	Trading Range 7800-7550 Positive Bias

*NOTE: The calls shown above are purely WEEKLY Recommendations

Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
06/04/2011 15:30	GE	Factory Orders MoM (sa)	FEB	0.50%	2.90%
07/04/2011 15:30	GE	Industrial Production MoM (sa)	FEB	0.50%	1.80%
07/04/2011 16:30	UK	BOE ANNOUNCES RATES	7-Apr	0.50%	0.50%
07/04/2011 17:15	EC	ECB Announces Interest Rates	7-Apr	1.25%	1.00%

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	2640	2656	2595	2631	-0.38	125,254	-23.31	3,617	-32.24
	Copper	9705.25	9720.25	9263.25	9360	-3.36	170,557	-3.34	3,939	21.61
	Lead	2674	2724.5	2600	2698	1.05	36,858	-15.53	841	-10.15
	Nickel	27050	27050	25295	25600	-5.36	25,178	-15.49	1,033	35.03
	Zinc	2379	2395	2307	2390	0.55	69,777	-25.17	2,518	-10.20
MCX Futures (₹/Kg)	Aluminium	117.55	118.3	115.95	117	-0.81	10,618	271.78	1,917	113.00
	Copper	438.5	438.5	416.9	420	-4.35	491,375	6.77	27,084	41.47
	Lead	120.7	122.95	118.95	122.8	0.95	41,415	285.29	6,692	154.16
	Nickel	1220	1220	1137.3	1153.8	-5.85	107,150	495.54	10,820	426.26
	Zinc	107.1	107.1	103.55	106.5	-0.93	52,464	323.68	8,126	162.13

MARKET OVERVIEW

- Base metal prices ended mixed with lead and zinc ended modestly higher while others ended largely on the lower side. Economic data from US came in largely positive and equity markets were also buoyant but concerns about demand being weak from China kept prices under pressure
- Lead was the top performer among the base metal pack as it ended with gains of nearly a percent on the back of strong automobile sales while nickel underperformed the entire base metal pack as it ended lower by nearly 6 percent
- Stocks of all the metals from London Metal Exchange witnessed draw-downs except for zinc which witnessed modest build-up

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	72210	70690	-1520	-2.10%
Zinc	18250	17870	-380	-2.08%
Aluminum	16670	16540	-130	-0.78%

COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	440.85	425.15	-15.7	-3.56%



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Commodity Futures Trading Commission (CFTC) Report- Copper

According to **US CFTC data on Copper**, long build-up of positions along with unwinding of short positions was witnessed on the non-commercial side, thereby indicating bias on the long side. Buying side hedgers however unwound long position while producers seem to be hedging more of their output. Overall, both long and short positions increased with bias on the short side.

CFTC Report - Copper (In contracts)				
Non-Commercial	3/22/2011	3/29/2011	Change	% Change
Long	44489	47672	3183	7.15%
Short	22667	20628	-2039	-9.00%
Spreading	9826	9496	-330	-3.36%
Commercial				
Long	65641	63696	-1945	-2.96%
Short	88918	92690	3772	4.24%
Total				
Long	119956	120864	908	0.76%
Short	121411	122814	1403	1.16%

INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	439275	438850	-425	-0.10%
Zinc	735275	736225	950	0.13%
Aluminium	4602950	4592075	-10875	-0.24%
Lead	283975	281500	-2475	-0.87%
Nickel	124254	123948	-306	-0.25%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	84725	84829	104	0.12%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	172222	161916	-10306	-5.98%
Zinc	363033	370720	7687	2.12%
Aluminium	411438	410772	-666	-0.16%



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ECONOMIC REVIEW

- Employment report from US indicated that acceleration in job additions in the month of March. Non-farm payrolls increased by 216K better than expected. Private payrolls also increased at an accelerated pace thereby bringing down the unemployment rate to 8.8 percent, lowest level in two years
- ISM manufacturing numbers and prices paid also accelerated indicating continued buoyant manufacturing activity in US. Improvement in the labour market and strong manufacturing numbers is indicating that economic growth is taking hold
- US equity markets also touched two year highs before ending the week with gains of more than one percent. Dollar index however ended lower by half a percent thereby to a certain extent supporting commodity prices
- Manufacturing numbers from China indicated continued growth though the pace has moderated. This is commensurate with fact that various measures like increase in interest rates are being taken to avoid overheating and fuelling inflation
- Euro remain buoyant as unemployment in the largest nation of the region, Germany, came in at 7.1 percent as against 7.2 percent in the prior month thereby raising expectation of increase in policy rates
- Equity markets across the globe largely remained positive on the back of improving economic outlook. Indian equity markets ended with gains of more than 5 percent for second consecutive week thereby outperforming most of the other global majors. Foreign flows have started flowing back into the markets thereby supporting equity markets and also sending the rupee appreciating by 0.2 percent

Equity Indices	Last Week	This Week	% Change
Dow Jones Ind. Avg.	12220.59	12376.72	1.28%
S&P 500 Index	1313.80	1332.41	1.42%
FTSE 100 Index	5900.76	6009.92	1.85%
Nikkie 225	9536.13	9708.39	1.81%
Shanghai Composite	2977.81	2967.41	-0.35%
Sensex	18486.45	19420.39	5.05%

Currency	Last Week	This Week	% Change
Dollar Index	76.217	75.833	-0.50%
EUR/USD	1.4088	1.4237	1.06%
GBP/USD	1.6042	1.6111	0.43%
USD/INR	44.675	44.585	-0.20%



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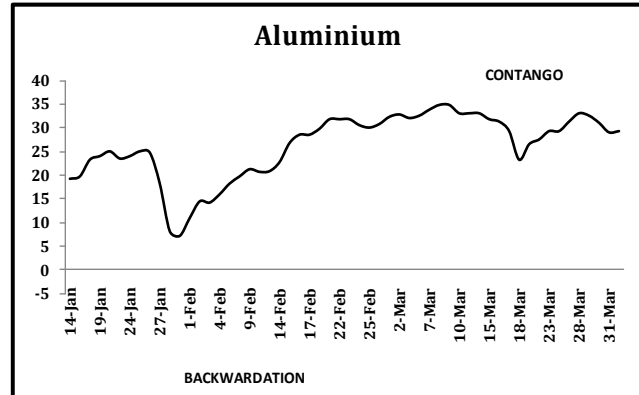
ALUMINIUM

Production of aluminium which was halted last year as the nation geared up to meet energy saving requirement deadline. Reports indicated that nearly a million tonnes of annual smelting capacity might have returned on stream. This had a negative impact on the metal price.

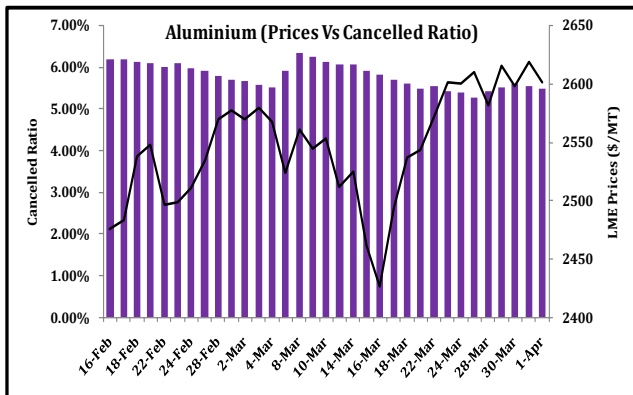
The basis on LME also moved higher i.e., the discount in the cash market has moved back to average levels.

BASIS CHART

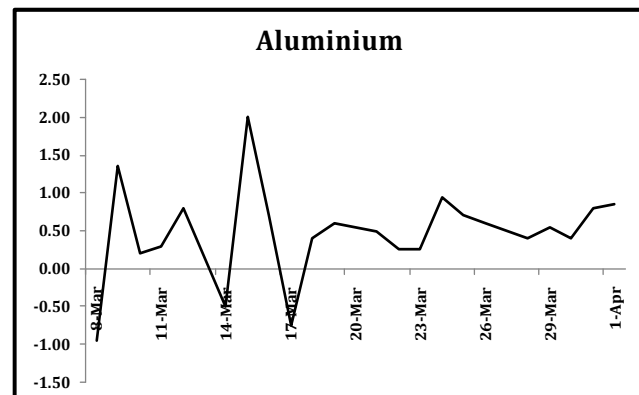
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}

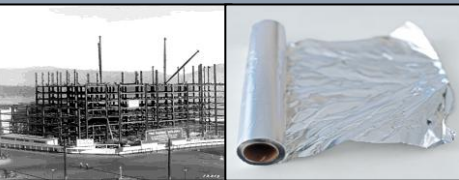


CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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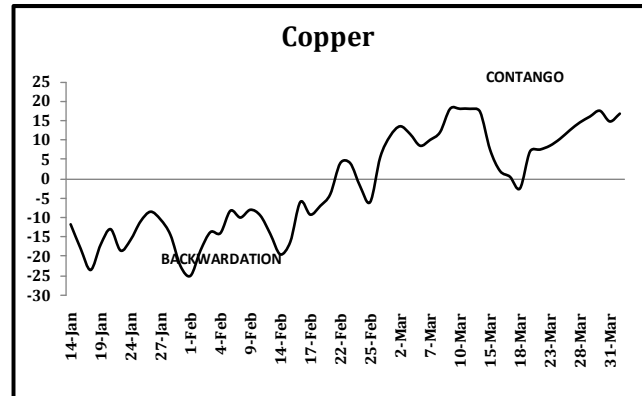
COPPER

Japan's, second biggest copper smelter, Sumitomo Metal Mining indicated that its output would decline by 10 percent to 360,000 tonnes largely owing to maintenance of plant, which lead to no production for two weeks.

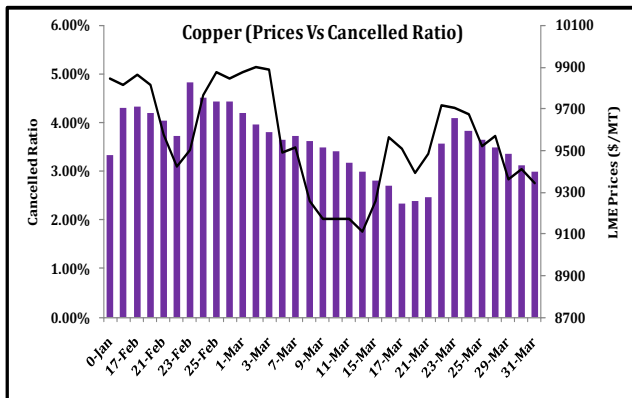
The cancelled warrant ratio continues to remain at lower levels indicating that stocks might actually witness build-up in the near term.

BASIS CHART

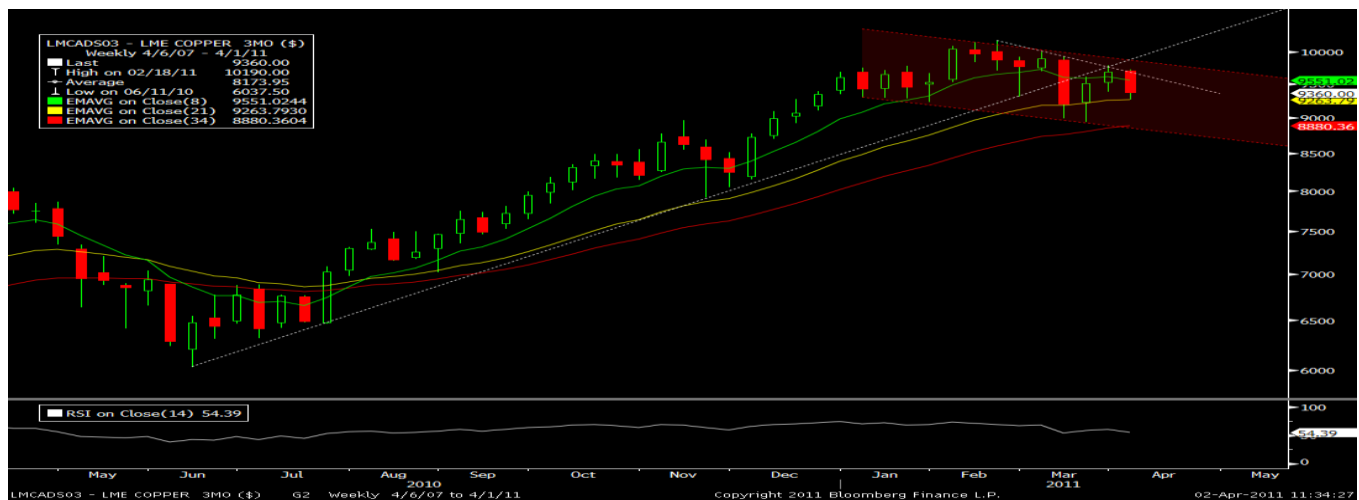
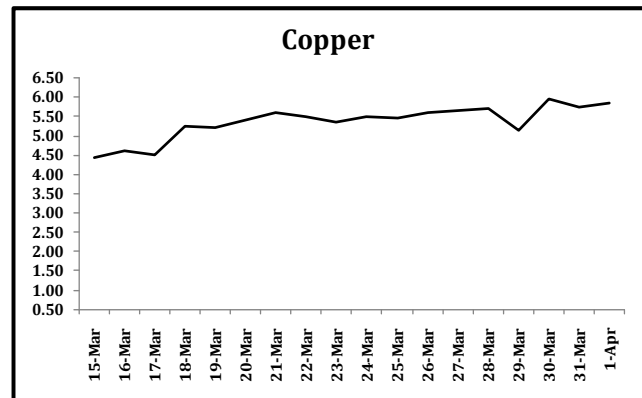
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



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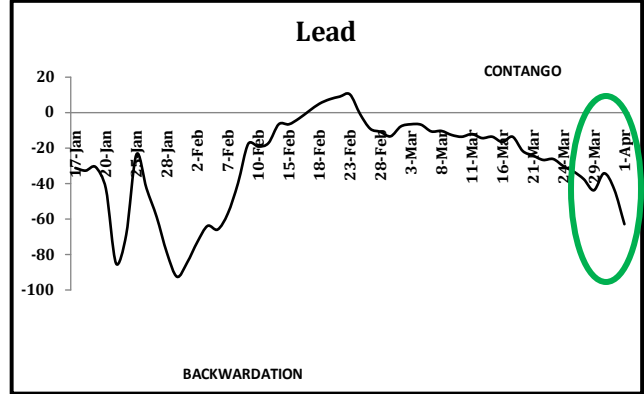
LEAD

Automobile sales in emerging markets continue to remain higher. Brazil reported automobile sales growth of 11 percent and preliminary numbers from Indian companies are also indicating strong sales.

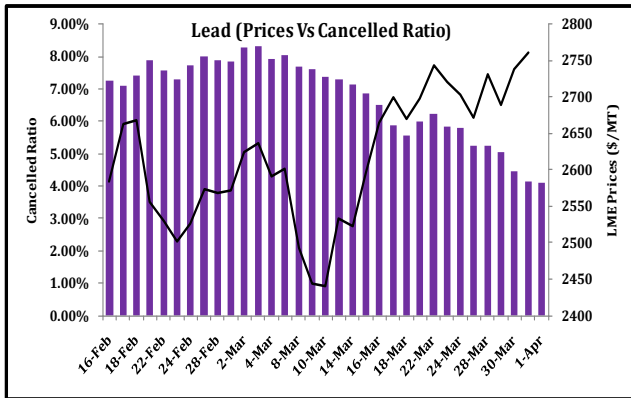
Lead market is in backwardation and the basis has moved to -\$63/tonne indicating that spot market is commanding a premium of nearly 2 percent. This would be largely owing to strong demand for the metal in the physical market.

BASIS CHART

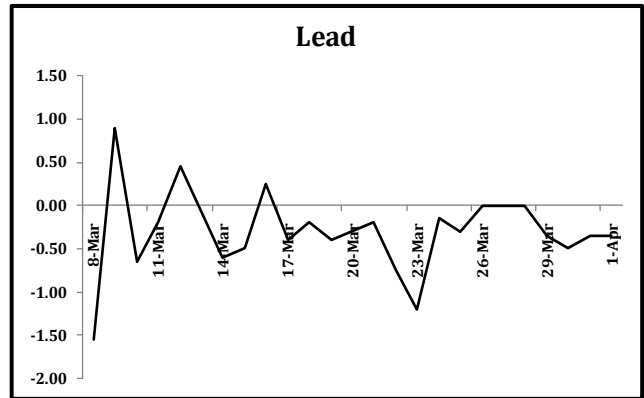
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



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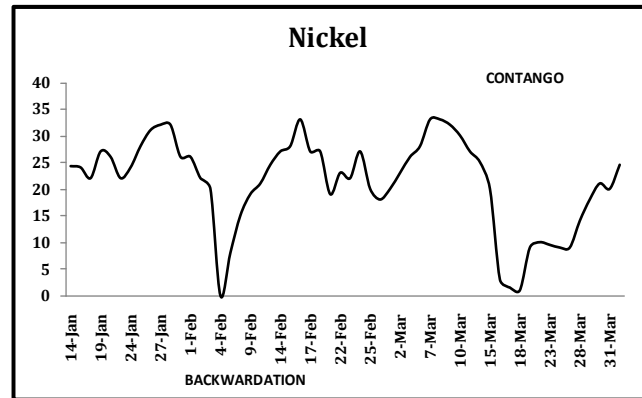
NICKEL

Pacific Metals Company of Japan indicated that the timing of the start of operations at its nickel plant remain uncertain. The plant got affected from earthquake and Tsunami that hit the World's third largest economy. The plant had a capacity of 44,000 tonnes of nickel. However given the macro concerns like slowing manufacturing activity, nickel prices remained under pressure.

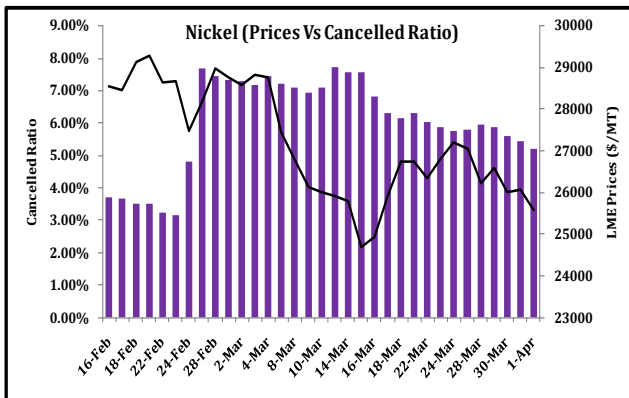
The cancelled warrant ratio largely remains at average levels thereby giving no clear indication about further inventory movement.

BASIS CHART

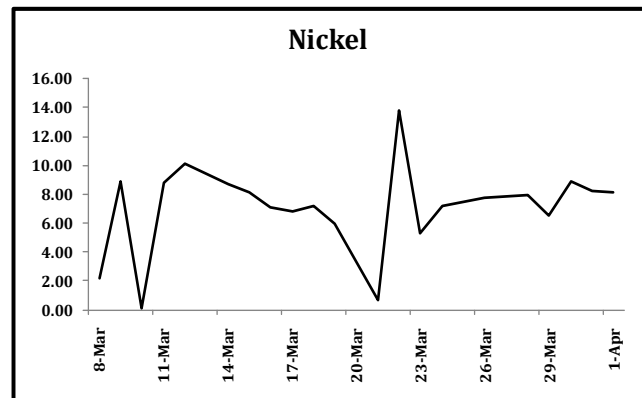
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



TECHNICALS: Nickel prices traded lower on last week by reversing the previous trend. It made a high of 27050 then low of 25295 before settling lower at 25600 levels. It was down by 5.32% on last week. Closing of the candle renders downside movements. Prices are witnessing support at 25200 levels (previous swing highs). On breach and sustained trade below would confirm further bearishness. The principle of Fibonacci retracement states that prices are witnessing crucial support at 24938 levels which is 50% retracement of the range 20450-29425 levels. On breach and sustained trade below is likely to trade lower and potential for the prices the next support of 23880 which is 61.8% retracement of the above mentioned range. The momentum indicator RSI 14 weekly is trading at 0.506 levels and suggesting bearish movements. 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 resistance levels.



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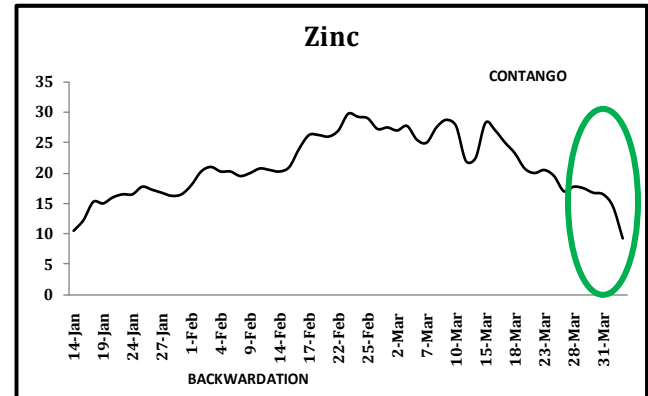
ZINC

In Japan, many companies were affected on the back of devastating earthquake. However Dowa Mining Holdings Company indicated that it would resume operations in the early April. The plant has the capacity of 200,000 tonnes a year of capacity and accounts for nearly 65 percent of zinc production capacity.

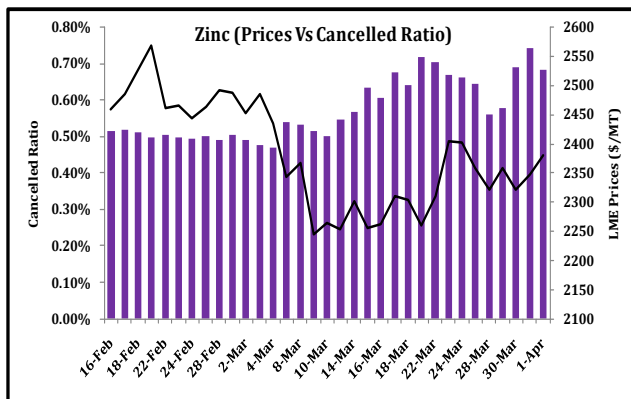
However the demand for the metal also seems to be picking up and thereby the discount in the spot prices has declined by 50 percent to \$10/tonne.

BASIS CHART

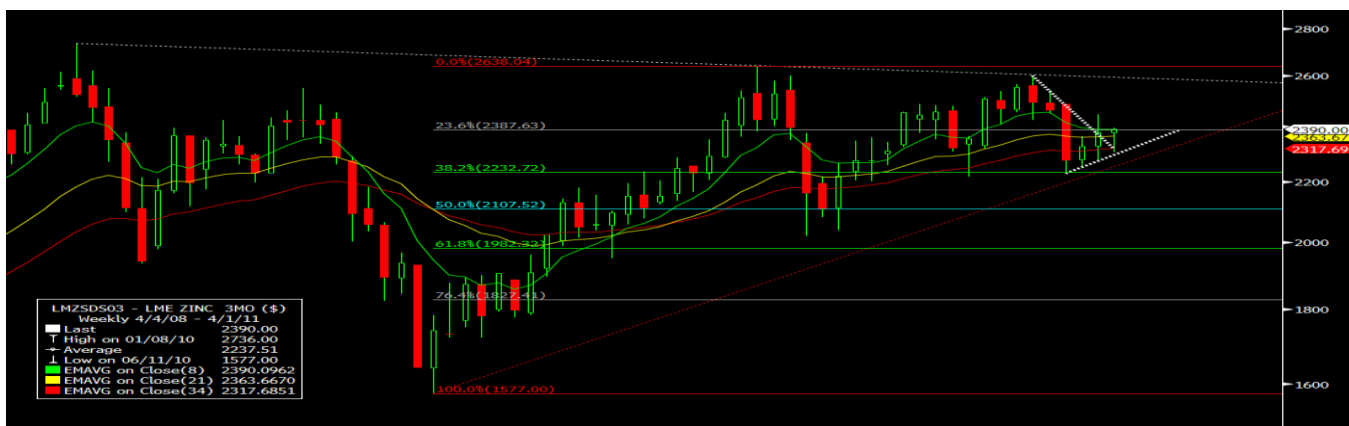
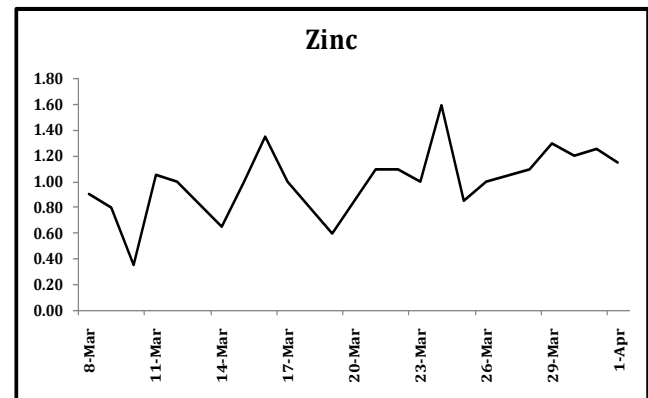
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



TECHNICALS: Zinc prices traded higher on last week by continuing the previous trend. It made a low of 2307 then high of 2395 and before settling higher at 2390 levels. Closing of the candle renders bullish trend is still intact. Prices are witnessing key trend line support at 2305 levels. On sustained trade above is likely to remain higher. Prices have breached the trend line resistance at 2320 levels. On sustained trade above would lead the prices to further highs. The principle of Fibonacci retracement states that prices have breached the resistance at 2360 levels which is 23.6% retracement of the range 1577-2638 levels. On sustained trade above may escort the prices to origin point in the near future. The momentum indicator RSI 14 Weekly is trading at 0.524 levels and suggesting upside movements. However a mild correction on the lower side is expected before resuming its uptrend. **Conclusion:** We expect prices to trade higher and recommend buying at support levels.



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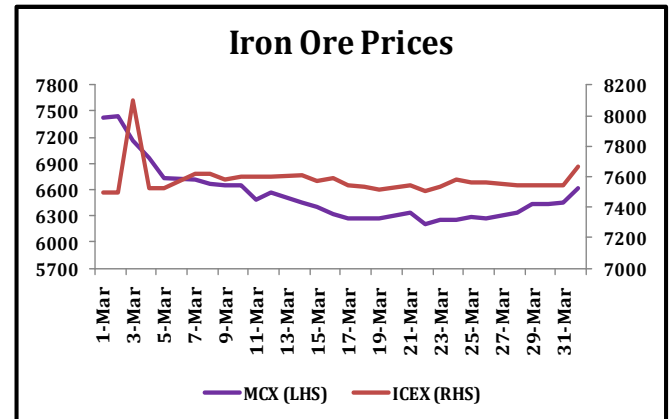
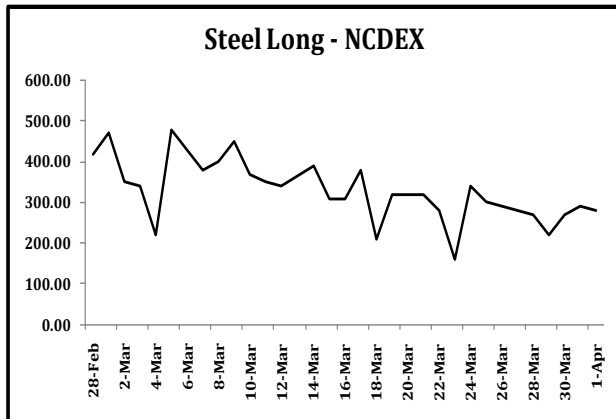


STEEL & IRON ORE

Commodity	Exchange	Contract	Open	High	Low	Close	Close % Change	Volume (in lots)	Volume % Change	Open interest (in lots)	OI % Change
IRON ORE	MCX	Apr-11	6292	6625	6292	6614	5.50%	160	-29.52%	8	-42.86%
	ICEX	Apr-11	7470	7675	7470	7665	1.33%	62	-84.26%	24	0.00%
IRON ORE (\$/DMT)	THE STEEL INDEX		167.4	173.9	167.4	173.9	4.51%	-	-	-	-
STEEL LONG	NCDEX	Apr-11	27830	29090	27750	28700	3.16%	94,910	43.37%	43,800	-22.24%

- Iron ore prices rose by 4.5 percent to end the week at \$174 per Dry Metric Tonne on the back of restocking by China. On MCX to prices rose by more than 5 percent while gains on ICEX were limited to 1.3 percent
- In China, stocks of imported iron ore rose by 0.8 percent to end at 79.85 tonnes. This is the first week in a month when imports would have increased indicating that restocking might have begun
- On the supply side concerns remained especially for material from India. India's iron ore export fell by 18 percent to 85.43 million tonnes in April to February period. The exports from the country are expected to remain tight as key exporter state Karnataka continued to ban shipments for eighth straight month. Overall, iron ore prices might continue to remain positive
- After long consolidation, steel long prices rose by more than 3 percent on the back of disruption in production owing to power shortages. Pace of project implementation also accelerated thereby increasing the demand for the metal. Overall, steel prices might remain buoyant however the gains might remain limited

CALENDAR SPREAD





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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
04/04/2011	14:00	UK	PMI Construction	MAR	54.5	56.5
04/04/2011	14:30	EC	Euro-Zone PPI (MoM)	FEB	0.80%	1.50%
05/04/2011	13:25	GE	PMI Services	MAR F	60.1	60.1
05/04/2011	13:30	EC	PMI Composite	MAR F	57.5	57.5
05/04/2011	13:30	EC	PMI Services	MAR F	56.9	56.9
05/04/2011	14:00	UK	PMI Services	MAR	52.5	52.6
05/04/2011	14:30	EC	Euro-Zone Retail Sales (MoM)	FEB	0.00%	0.40%
05/04/2011	19:30	US	ISM Non-Manufacturing Composite	MAR	60	59.7
06/04/2011	14:00	UK	Industrial Production (MoM)	FEB	0.40%	0.50%
06/04/2011	14:00	UK	Manufacturing Production (MoM)	FEB	0.50%	1.00%
06/04/2011	14:30	EC	Euro-Zone GDP s.a. (QoQ)	4Q F	0.30%	0.30%
06/04/2011	15:30	GE	Factory Orders MoM (sa)	FEB	0.50%	2.90%
07/04/2011	15:30	GE	Industrial Production MoM (sa)	FEB	0.50%	1.80%
07/04/2011	16:30	UK	BOE ANNOUNCES RATES	7-Apr	0.50%	0.50%
07/04/2011	17:15	EC	ECB Announces Interest Rates	7-Apr	1.25%	1.00%
07/04/2011	18:00	US	Initial Jobless Claims	2-Apr	385K	388K
07/04/2011	18:00	US	Continuing Claims	26-Mar	3700K	3714K
08/04/2011	11:30	GE	Current Account (EURO)	FEB	12.0B	7.2B
08/04/2011	19:30	US	Wholesale Inventories	FEB	1.20%	1.10%

PREPARED BY:

Sundeep Jain – Fundamental Analyst - sundeep.jain@karvy.com

Sandeep K – Technical Analyst – sandeepkumar.k@karvy.com



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