



METALS WEEKLY

A Weekly Report on Metals



NOTE: On Saturday, activity in Indian markets, in terms of price performance, usually remains quite tepid as international markets remain closed. However on Apr 8 i.e., today, substantial price appreciation was witnessed in all the metal prices. This has disturbed the parity price with LME. So next week prices might come back to parity at any point in time.

OUTLOOK

China, World's largest consumer of industrial metals, would release a whole host of data this week and would be the key and might make the base metal prices quite volatile. The economy is expected to have grown by 9.4 percent in the first quarter of 2011 as against 9.8 percent in the prior quarter. But we reiterate that a moderately lower growth for the economy would be positive as that would get it on to more sustainable long term growth and hard landing might be avoided. Inflation is however expected to come in higher and that might have lead to pre-emptive move by the central bank to raise interest rates.

Industrial production and capacity utilization from US are also expected to come in higher. Michigan confidence might have also increased given the improvement in the job market being witnessed. ZEW surveys from Euro zone are expected to remain unchanged while the industrial production might have accelerated. Overall, given the expectation of largely positive economic data, base metal prices might remain on the higher side.

TECHNICAL RECOMMENDATIONS*									
Commodity	Series	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
LME Aluminium	Fwd	2558	2590	2651	2712	2744	2776	2837	Buy at 2670-90 TP 2840 SL 2610
MCX Aluminium	Apr-11	114.4	115.4	117.3	119.2	120.1	121.1	123.0	Buy at 118-119 TP 123 SL 116
LME Copper	Fwd	8803	9034	9454	9875	10105	10336	10756	Buy at 9600-700 TP 9915/10150 SL 9400
MCX Copper	Apr-11	398.7	407.1	423.6	440.0	448.5	456.9	473.4	Buy at 434-37 TP 452 SL 426
LME Lead	Fwd	2562	2627	2739	2850	2916	2981	3093	Buy at 2780-810 TP 2980 SL 2690
MCX Lead	Apr-11	117.6	119.7	123.7	127.7	129.9	132.0	136.0	Buy at 130-131 TP 136 SL 127
LME Nickel	Fwd	23299	24175	25887	27600	28475	29351	31063	Buy at 26600-800 TP 27600 SL 26000
MCX Nickel	Apr-11	1052.4	1087.5	1152.8	1218.2	1253.2	1288.3	1353.6	Buy at 1198-1205 TP 1245 SL 1175
LME Zinc	Fwd	2276	2328	2431	2534	2586	2638	2741	Buy at 2460-85 TP 2575/2650 SL 2380
MCX Zinc	Apr-11	102.5	104.3	107.7	111.1	112.8	114.6	118.0	Buy at 111-112 TP 115/118 SL 108
Steel NCDEX	Apr-11	26750	27280	27650	28030	28550	29080	29450	Sideways
MCX Iron Ore	Apr-11	6193	6352	6640	6928	7087	7246	7534	Buy at 6800 TP 7150/7200 SL 6620
ICEX Iron Ore	Apr-11	7183	7366	7601	7835	8019	8202	8437	Trading Range 7700 - 8100

*NOTE: The calls shown above are purely WEEKLY Recommendations

Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
12/04/2011 18:00	US	Trade Balance	FEB	-\$44.3B	-\$46.3B
15/04/2011 07:30	CH	Real GDP YoY	1Q	9.40%	9.80%
15/04/2011 07:30	CH	Consumer Price Index (YoY)	MAR	5.20%	4.90%
15/04/2011 07:30	CH	Industrial Production (YoY)	MAR	14.00%	14.90%
15/04/2011 18:45	US	Industrial Production	MAR	0.50%	-0.10%

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	2635	2715	2622	2712	3.08	118,420	-16.70	3,277	25.51
	Copper	9367.5	9915	9264	9875	5.50	165,213	-16.30	2,854	-26.44
	Lead	2706	2870	2693	2850	5.63	41,526	-3.88	943	-16.18
	Nickel	25700	27638	25050	27600	7.81	40,481	25.20	1,540	1.72
	Zinc	2394	2535	2380	2534	6.03	95,298	19.21	2,507	27.13
MCX Futures (₹/Kg)	Aluminium	116.7	119.25	116.4	119.15	1.88	21,112	98.07	2,019	5.71
	Copper	419	440.5	415.6	440	4.99	481,468	-2.40	18,166	-33.06
	Lead	122.35	128	121.85	127.7	4.20	101,137	141.87	7,867	19.20
	Nickel	1149.1	1222.9	1122.5	1218.2	5.88	257,711	139.05	7,843	-26.74
	Zinc	106.15	111.2	106.05	111.05	4.52	110,440	108.91	7,222	-10.49

MARKET OVERVIEW

- Base metal prices ended with gains of anywhere between three to eight percent on the back of weak dollar index and largely positive economic data. Stronger rupee however limited the gains of metal prices in Indian markets. Equity markets were also largely supportive
- Nickel was the top gainer among the base metal pack as short covering along with stronger demand in spot market supported prices to trade higher. Aluminium prices however ended with gains of nearly two percent
- London Metal Exchange warehouses witnessed draw-downs of inventory for all the metals except for copper which continued to witness build-up. Copper and aluminium stocks from Chinese warehouses also witnessed net-draw downs

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	70690	72520	1830	2.59%
Zinc	17870	18415	545	3.05%
Aluminum	16540	16630	90	0.54%

COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	425.15	449.5	24.35	5.73%



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Commodity Futures Trading Commission (CFTC) Report- Copper

According to **US CFTC data on Copper**, on the non-commercial side, long unwinding along with build-up of short positions was witnessed. This might be the reason that prices declined substantially at the start of the week. On the commercial side, both long and short unwinding was witnessed. Overall, unwinding of positions on both long and short side was witnessed.

CFTC Report - Copper (In contracts)				
Non-Commercial	3/29/2011	4/5/2011	Change	% Change
Long	47672	46268	-1404	-2.95%
Short	20628	23884	3256	15.78%
Spreading	9496	9591	95	1.00%
Commercial				
Long	63696	61166	-2530	-3.97%
Short	92690	89006	-3684	-3.97%
Total				
Long	120864	117025	-3839	-3.18%
Short	122814	122481	-333	-0.27%

INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	438850	444175	5325	1.21%
Zinc	736225	735975	-250	-0.03%
Aluminium	4592075	4581775	-10300	-0.22%
Lead	281500	277550	-3950	-1.40%
Nickel	123948	121224	-2724	-2.20%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	84829	84498	-331	-0.39%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	161916	154229	-7687	-4.75%
Zinc	370720	374284	3564	0.96%
Aluminium	410772	407473	-3299	-0.80%



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ECONOMIC REVIEW

- Chinese central bank raised interest rates by 25 bps. This is the fourth rate hike since last year and has also been accompanied by many rounds of hike in reserve ratio to drain excess liquidity from the system. High inflation levels is prompting the central bank to raise interest rates
- European central bank raised interest rates by 25 bps thereby marking the first rate hike since late 2008. Inflation of the euro-zone came in at 2.6 percent for the month of March as against comfort level of 2 percent thereby leading to rate hike. However peripheral European nations continue to face problems and the political situation in the Portugal also lead Moody's to downgrade its credit rating further. Reports even indicated that Portugal has applied for bailout from the European Union
- Dollar index ended lower by a percent as Euro rallied and moved higher by 1.7 percent on the back of rate hike. Federal Reserve Chairman indicated that the Fed might act if the inflation turns out to be more than transitory. But the expectation is that they might not increase interest rates this year, thereby putting pressure on dollar
- Bank of England left interest rate unchanged at 0.50 percent and the amount of bond buying was also left unchanged. The government has already announced austerity measures in the budget released last month and thereby might has avoided monetary tightening as that would provide double blow to the economic recovery
- Foreign flows in India remained strong thereby sending the Indian rupee appreciating by more than a percent. Weak dollar index provided further support to rupee

Equity Indices	Last Week	This Week	% Change
Dow Jones Ind. Avg.	12376.72	12380.05	0.03%
S&P 500 Index	1332.41	1328.17	-0.32%
FTSE 100 Index	6009.92	6055.75	0.76%
Nikkie 225	9708.39	9768.08	0.61%
Shanghai Composite	2967.41	3030.02	2.11%
Sensex	19420.39	19451.45	0.16%

Currency	Last Week	This Week	% Change
Dollar Index	75.833	75.066	-1.01%
EUR/USD	1.4237	1.4483	1.73%
GBP/USD	1.6111	1.6383	1.69%
USD/INR	44.585	44.077	-1.14%



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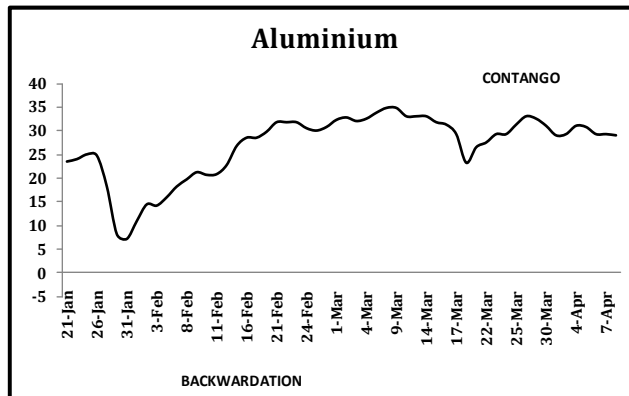
ALUMINIUM

Aluminium demand continues to remain strong but the market has largely remained surplus. This has even pushed the stocks on LME warehouses near life-time highs. The basis continues to remain at average levels thereby giving no clear indication.

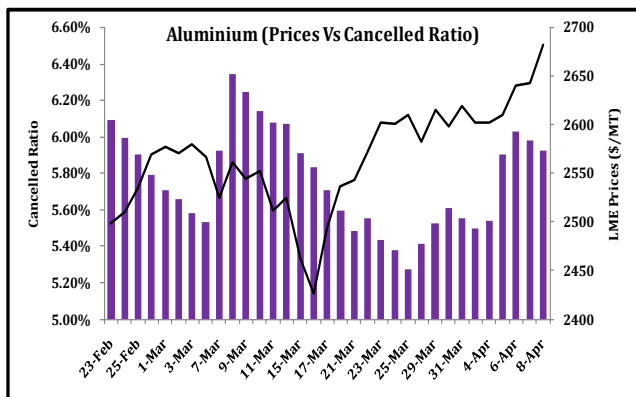
On the industry front, Norsk Hydro, one of the prominent aluminum producers, said that aluminium demand is rising steadily and could swipe out the oversupply.

BASIS CHART

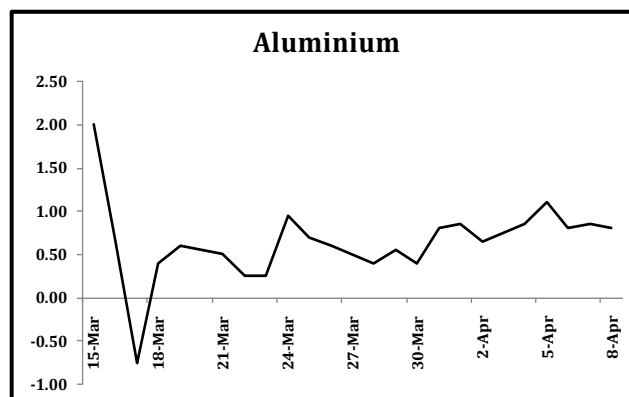
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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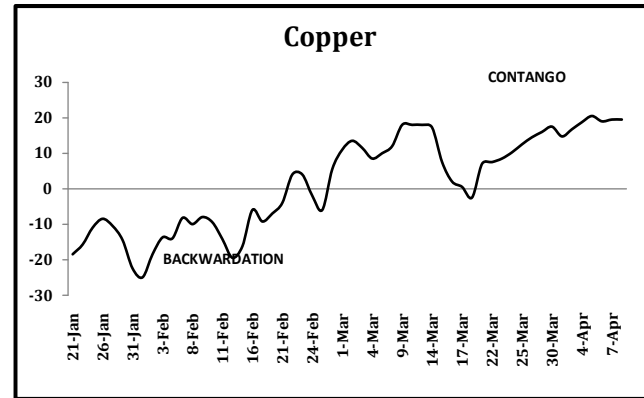
COPPER

Rio Tinto said that the global copper market would remain in deficit of half a million tonnes this year and the shortage may extend beyond 2013. This is higher than expectation of deficit of 435,000 tonnes by International Copper Study Group. GFMS also indicated that the copper market was in deficit of 235,000 tonnes in the second half of 2010.

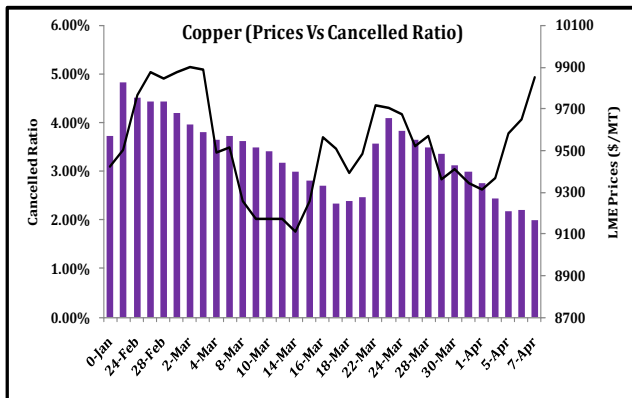
In the near term however, stocks might continue to witness build-up on LME as cancelled warrant ratio remains on the lower side.

BASIS CHART

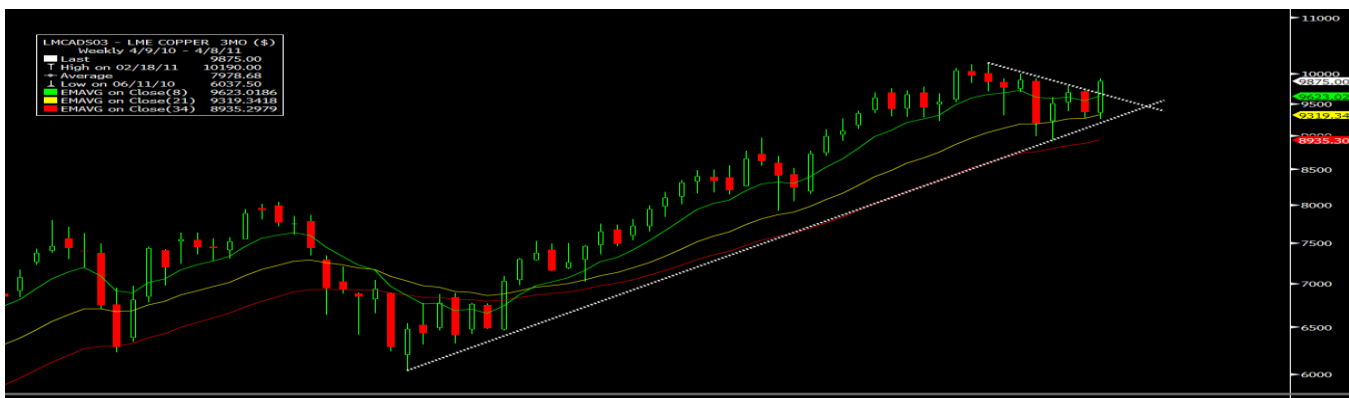
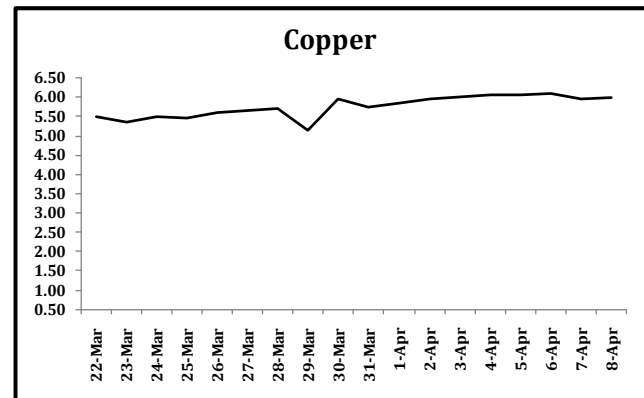
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



TECHNICALS: Copper prices traded initially lower and recovered all the losses at the end of the week by reversing the previous trend. It made a low of 9264 then high of 9915 before settling higher at 9875 levels. It was up by 1.74% on last week. Closing of the candle renders bullish movements for the coming week. Prices are witnessing "Trend Line" support at 9265 levels. On sustained trade above is likely to trade higher. Prices have breached the "Trend Line" resistance at 9665 levels. On sustained trade above is likely to trade further highs. The Moving Average principle suggesting upside movements as prices are trading well above the short and medium term EMA's of (9, 21&34) weeks. The momentum indicator RSI 14 is trading at 0.607 levels and suggesting upside movements. However a mild correction on the lower side may be expected before resuming its uptrend.

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



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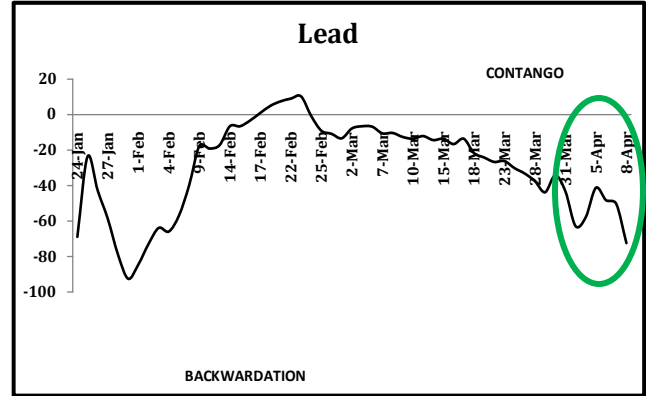
LEAD

Ivernia, has indicated that it would close down its operations for an indefinite period. Concerns about environment have resulted in such decision and the company is key producer of lead, the material used prominently in making batteries. The company accounts for nearly 2 percent of the global mined production.

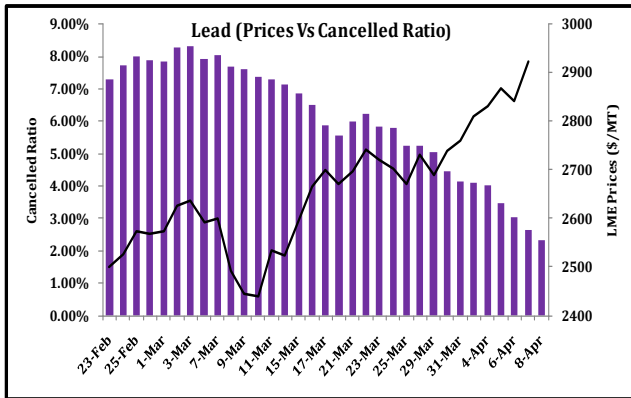
Lead market continues to remain in backwardation and the basis has widened further to \$73/tonne indicating continued strong demand for the metal.

BASIS CHART

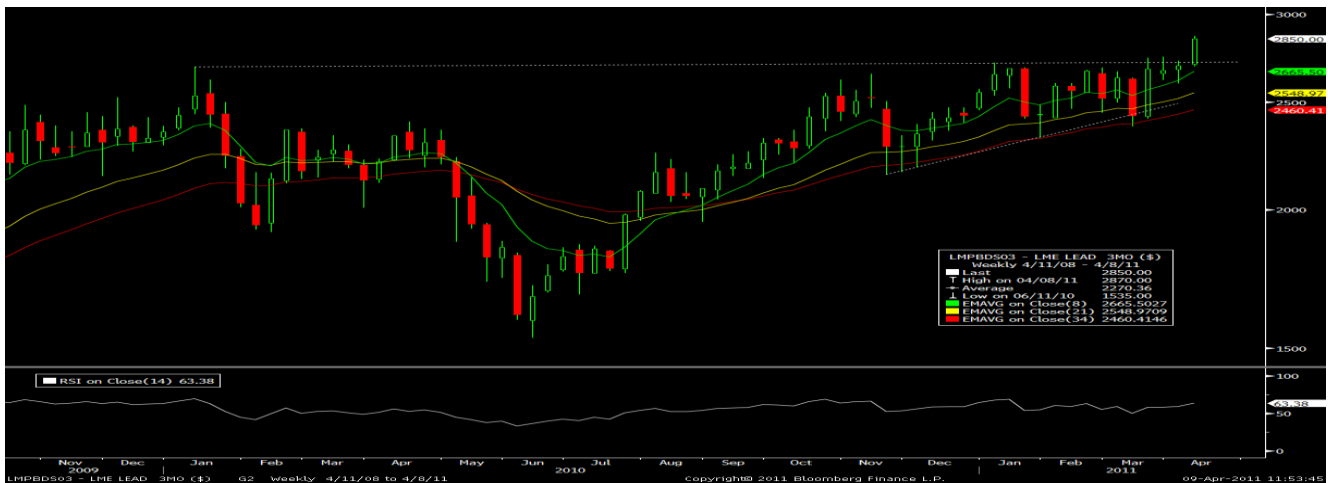
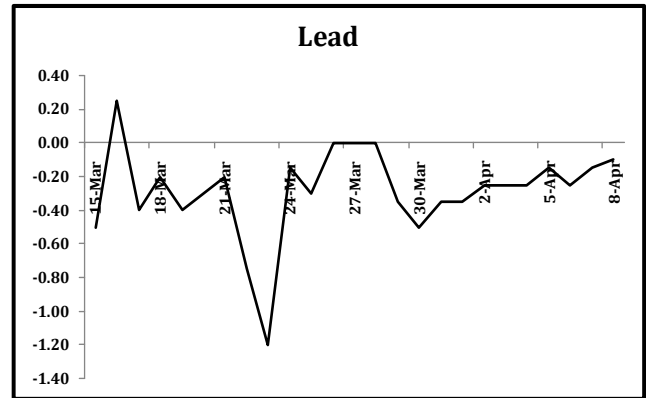
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CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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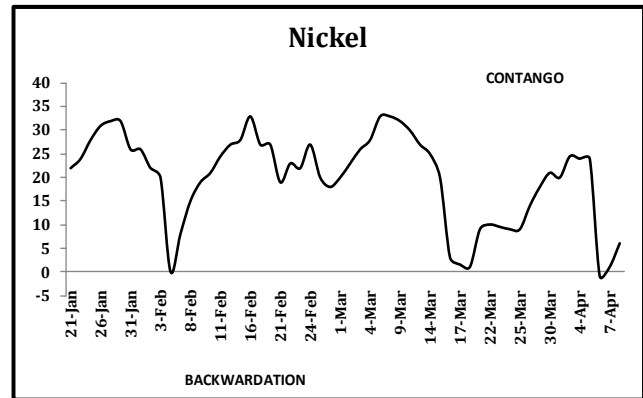
NICKEL

Nickel stocks on London Metal Exchange witnessed draw-downs of 2,725 tonnes thereby marking sixth consecutive week of net decline.

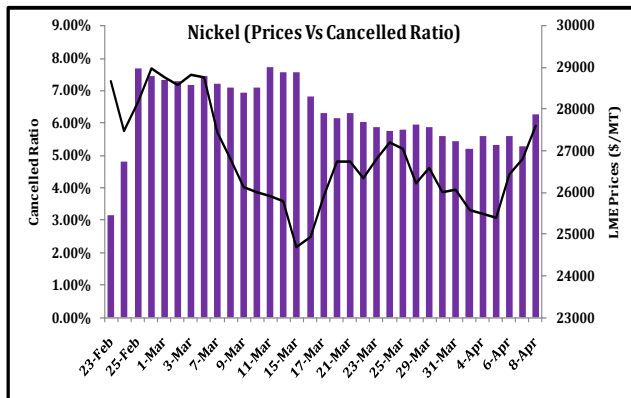
The cancelled warrant ratio has also moved higher indicating that stocks might continue to witness draw-down in the near term and good demand for the metal. The market though moved back into contango, the discount in cash market continues to remain at lower.

BASIS CHART

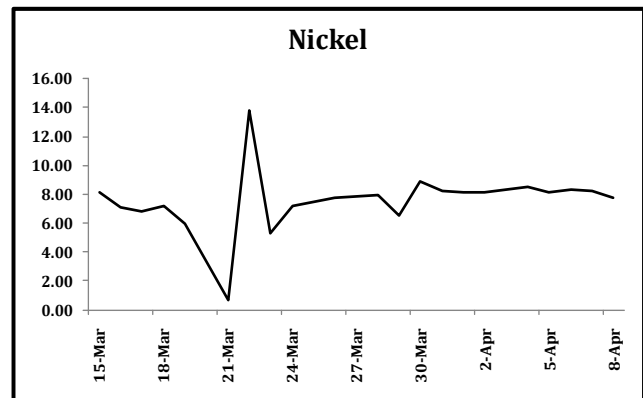
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CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



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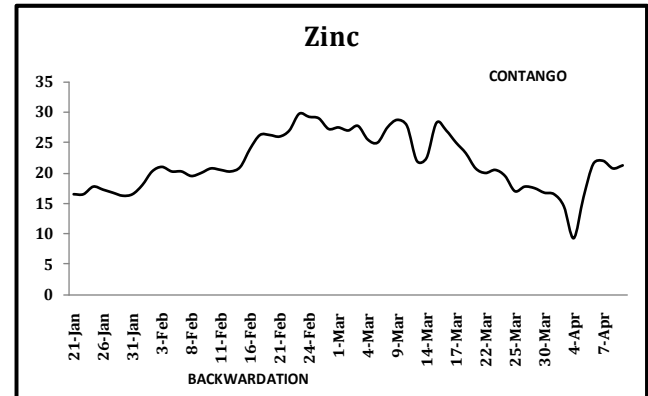
ZINC

Hindustan zinc's output in the last quarter of the fiscal year 2011 amounted to 194,000 tonnes. This is 29 percent higher than a year earlier.

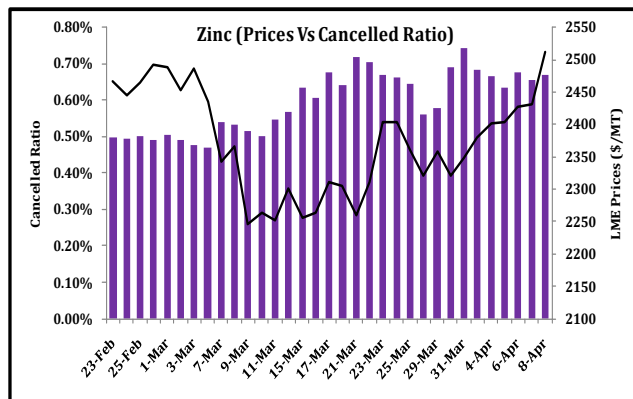
Inventory movement might however continue to remain tepid as cancelled warrant ratio at 0.60 percent is the lowest level among all the base metals. But economic data is expected to come in largely positive and thereby would support zinc prices to move higher.

BASIS CHART

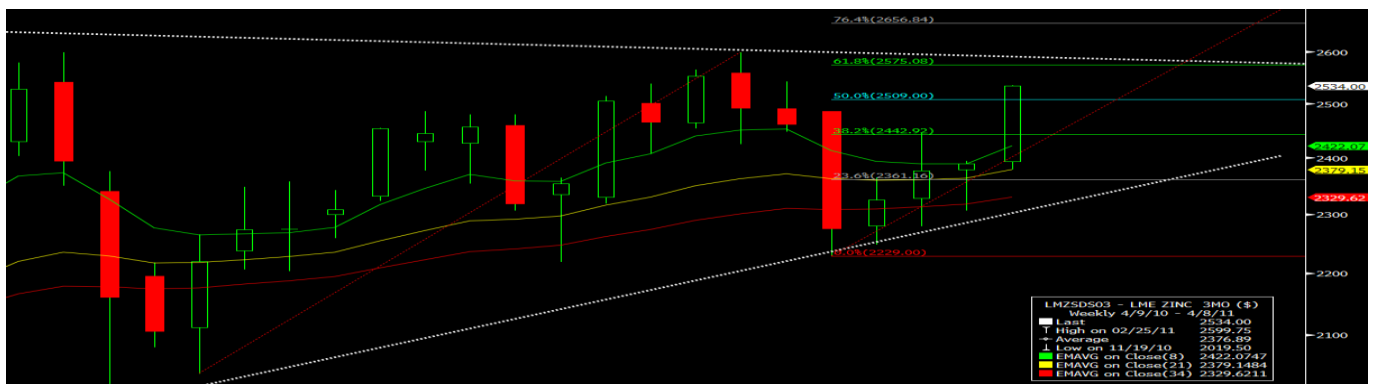
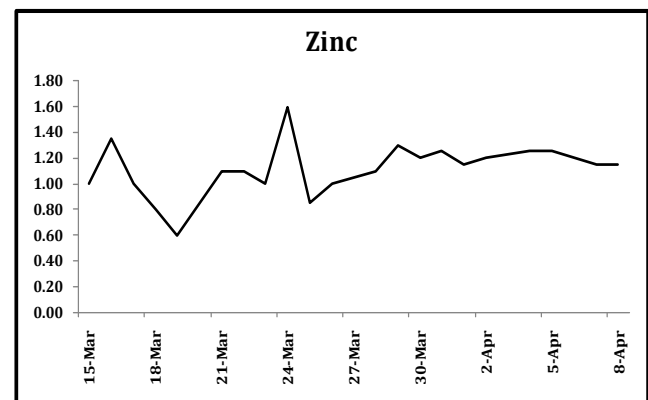
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



TECHNICALS: Zinc prices traded completely higher on last week by continuing the previous trend. It made a low of 2380 then high of 2535 and before settling higher at 2534 levels. Closing of the candle renders bullish trend is still intact. It was up by 6.05% on last week. Prices have breached the key resistance at 2486 levels (previous swing highs). Prices are witnessing trend line resistance at 2590 levels. On breach and sustained trade above would lead the prices to further highs. The principle of Fibonacci projections states that prices have breached the crucial resistance at 2520 levels which is 50% projections of the range 2040-2600-2229 levels. On sustained trade above is likely to witness the next resistance at 2575 levels which is 61.8% retracement of the above mentioned range. The moving average principle also suggesting upside as prices are trading well above the short and medium term EMA's of (8, 21&34) weeks. The momentum indicator RSI 14 Weekly is trading at 0.586 levels and suggesting upside movements. However a mild correction on the lower side is expected before resuming its uptrend.



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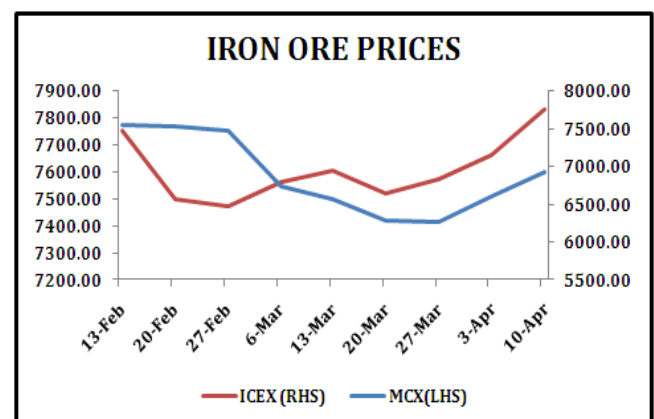
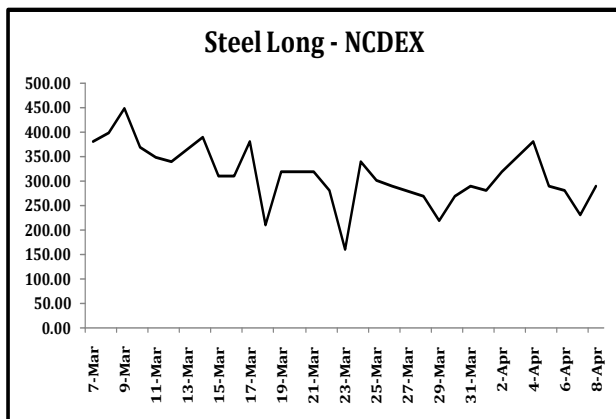


STEEL & IRON ORE

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	6630	6958	6511	6928	4.94%	136	-15.53%	8	0.00%
	ICEX	Apr-11	7550	7968	7550	7835	2.26%	349	164.39%	23	-4.17%
IRON ORE (\$/DMT)	THE STEEL INDEX		173.9	180.8	173.9	180.8	3.96%	-	-	-	-
STEEL LONG	NCDEX	Apr-11	28670	28700	27800	28030	-2.23%	54,120	-45.79%	38,920	-10.03%

- Iron Ore prices moved higher and ended with gains of nearly 5 percent on MCX while the gains on ICEX were limited to the extent of 2.26 percent. 62% Fe Iron Ore prices (The Steel Index) also moved higher by 4 percent to end at \$180.8/DMT
- In India, Supreme Court lifted ban of iron ore shipments from Karnataka with effect from April 20. India is world's third largest exporter and Karnataka is the key exporting region. Higher customs duty would however keep the price of Indian ore higher in the international market
- Vale, the world's largest iron ore producer, expects iron ore output of 320 million tonnes this year. This would be slightly higher from previous year. The company expects the iron ore market to remain tight for the next twelve months
- Steel Long prices on NCDEX declined by more than 2 percent on the back of profit booking of the strong rally been witnessed in the past few days. Iron ore prices in domestic market might decline as supply from Karnataka might increase the availability of the material thereby weighing on steel prices as well.

CALENDAR SPREAD





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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
10/04/2011	07:30	CH	Trade Balance (USD)	MAR	-\$3.35B	-\$7.30B
10/04/2011	07:30	CH	Exports YoY%	MAR	23.40%	2.40%
10/04/2011	07:30	CH	Imports YoY%	MAR	20.60%	19.40%
11/04/2011	11:00	IN	Industrial Production YoY	FEB	5.10%	3.70%
12/04/2011	11:30	GE	Consumer Price Index (MoM)	MAR F	0.50%	0.50%
12/04/2011	14:00	UK	CPI (MoM)	MAR	0.60%	0.70%
12/04/2011	14:30	GE	ZEW Survey (Current Situation)	APR	85.2	85.4
12/04/2011	14:30	EC	ZEW Survey (Econ. Sentiment)	APR	--	31
12/04/2011	14:30	GE	ZEW Survey (Econ. Sentiment)	APR	10.6	14.1
12/04/2011	18:00	US	Import Price Index (MoM)	MAR	2.00%	1.40%
12/04/2011	18:00	US	Trade Balance	FEB	-\$44.3B	-\$46.3B
13/04/2011	11:30	GE	Wholesale Price Index (MoM)	MAR	1.20%	1.40%
13/04/2011	14:30	EC	Euro-Zone Ind. Prod. sa (MoM)	FEB	0.70%	0.30%
13/04/2011	18:00	US	Advance Retail Sales	MAR	0.50%	1.00%
13/04/2011	19:30	US	Business Inventories	FEB	0.80%	0.90%
14/04/2011	18:00	US	Initial Jobless Claims	9-Apr	380K	382K
14/04/2011	18:00	US	Continuing Claims	2-Apr	3703K	3723K
14/04/2011	18:00	US	Producer Price Index (MoM)	MAR	1.10%	1.60%
15/04/2011	07:30	CH	Real GDP YoY	1Q	9.40%	9.80%
15/04/2011	07:30	CH	Consumer Price Index (YoY)	MAR	5.20%	4.90%
15/04/2011	07:30	CH	Producer Price Index (YoY)	MAR	7.20%	7.20%
15/04/2011	07:30	CH	Industrial Production (YoY)	MAR	14.00%	14.90%
15/04/2011	07:30	CH	Retail Sales (YoY)	MAR	16.50%	11.60%
15/04/2011	12:00	IN	Monthly Wholesale Prices YoY%	MAR	8.39%	8.31%
15/04/2011	14:30	EC	Euro-Zone CPI (MoM)	MAR	1.30%	0.40%
15/04/2011	14:30	EC	Euro-Zone Trade Balance sa	FEB	-3.6B	-3.3B
15/04/2011	18:00	US	Empire Manufacturing	APR	17.8	17.5
15/04/2011	18:30	US	Total Net TIC Flows	FEB	--	\$32.5B
15/04/2011	18:30	US	Net Long-term TIC Flows	FEB	--	\$51.5B
15/04/2011	18:45	US	Industrial Production	MAR	0.50%	-0.10%
15/04/2011	18:45	US	Capacity Utilization	MAR	77.40%	76.30%
15/04/2011	19:25	US	U. of Michigan Confidence	APR P	69	67.5

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