



# METALS WEEKLY

A Weekly Report on Metals



## OUTLOOK

Base metal prices are witnessing divergence in performance. Within the sector, some of the metals are touching three year highs while some are making 2011 lows. This is indicating that instead of the macro factors, individual fundamentals are having an upper hand. Volatility has also increased indicating that indecisiveness in the market. In the past five weeks, copper prices witnessed opposite movements in subsequent week (i.e., up in one week and down in another). 30 day correlation of copper with Dow Jones which was close to 0.6 couple of months of ago has moved close to 0 (precisely 0.04) reiterating divergences.

On Monday, both LME and Chinese market would remain closed on account of Labour Day. ISM numbers from US is expected to indicate moderation and regional manufacturing numbers previously also indicated moderation. Factory orders however are expected to come in higher. The key to watch would be the payrolls data from US. The expectation is the job additions would continue though at a slower pace thereby keeping the unemployment rate unchanged at 8.8 percent. In the May meeting both the BOE and ECB is expected to keep interest rates unchanged at 0.5 and 1.25 percent respectively. Economic data as a whole is expected to come in mixed. On the fundamental front, most of the metals continue to witness increase in stocks and lower level of cancelled warrant ratio (especially for lead and zinc) is indicating continued build-up of stocks in the near term. Overall, volatility and divergence in performance might continue to remain in the near term.

TECHNICAL RECOMMENDATIONS*									
Commodity	Series	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
<a href="#">LME Aluminium</a>	Fwd	2643	2673	2720	2768	2797	2826	2874	Buy at 2730-50 TP 2830/75 SL 2650
MCX Aluminium	May-11	118.1	119.1	121.0	122.8	123.9	124.9	126.8	Buy at 121-22 TP 127 SL 118
<a href="#">LME Copper</a>	Fwd	8925	9110	9215	9320	9505	9690	9795	Sell below 9200 TP 8950/9700 SL 9450
MCX Copper	June-11	378.6	395.4	405.6	415.8	432.6	449.4	459.6	Trading range 400-425
<a href="#">LME Lead</a>	Fwd	2324	2390	2440	2491	2557	2622	2673	Sell at 2500-2520 TP 2375 SL 2610
MCX Lead	May-11	103.0	107.1	109.8	112.6	116.6	120.7	123.4	Sell at 114-115 TP 110/107 SL 118
<a href="#">LME Nickel</a>	Fwd	24983	25417	26133	26850	27283	27717	28433	Trading range 25200-27900
MCX Nickel	May-11	1131.5	1149.7	1176.3	1202.8	1221.1	1239.3	1265.9	Trading range 1225-1165
<a href="#">LME Zinc</a>	Fwd	2078	2145	2196	2247	2314	2381	2432	Sell 2300-30 TP 2200/2150 SL 2410.
MCX Zinc	May-11	92.0	95.9	98.5	101.1	105.0	108.9	111.5	Sell at 102-103 TP 98.5/95 SL 106.5
<a href="#">Steel NCDEX</a>	May-11	28120	28290	28450	28610	28780	28950	29110	Sideways
<a href="#">MCX Iron Ore</a>	May-11	6474	6592	6789	6986	7104	7222	7419	Trading Range 6850-7200
<a href="#">ICEX Iron Ore</a>	May-11	7855	7859	7863	7867	7871	7875	7879	Trading Range 7850-8050

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

## Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
03/05/2011 19:30	US	Factory Orders	MAR	1.70%	-0.10%
05/05/2011 16:30	UK	BOE ANNOUNCES RATES	5-May	0.50%	0.50%
05/05/2011 17:15	EC	ECB Announces Interest Rates	5-May	1.25%	1.25%
06/05/2011 18:00	US	Change in Nonfarm Payrolls	APR	180K	216K
06/05/2011 18:00	US	Unemployment Rate	APR	8.80%	8.80%

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	2735	2778.5	2701.75	2767.5	0.82	80,315	-31.54	3,308	13.48
	Copper	9518	9585	9295	9320	-3.97	99,309	-50.58	2,021	-43.75
	Lead	2560	2571.25	2455	2491	-4.23	22,127	-58.83	1,007	34.63
	Nickel	26510	27000	25850	26850	-0.19	14,674	-58.28	446	-45.81
	Zinc	2330	2330	2212	2247	-4.79	82,089	-10.21	3,155	35.18
MCX Futures (₹/Kg)	Aluminium	122.65	123.05	120.15	122.8	0.16	10,481	813.78	3,264	732.65
	Copper	439.25	439.25	412.25	415.8	-5.55	176,272	313.36	26,277	249.20
	Lead	117.9	117.9	111.1	112.55	-4.58	28,729	408.21	5,115	221.29
	Nickel	1212	1212.8	1168	1202.8	-1.14	87,120	372.25	5,789	128.81
	Zinc	106.05	106.3	99.8	101.05	-5.07	50,257	593.58	11,690	477.28

## MARKET OVERVIEW

- Huge volatility in base metal prices was witnessed, which was largely unexpected, despite the week being truncated (LME was opened just for three days)
- Divergence however continued within the pack. Aluminium prices ended marginally higher while limited losses were witnessed in nickel prices. However other metals continued to face pressure on the back of higher stocks on London Metal Exchange
- Except for nickel all the metals witnessed build- up of stocks on London Metal Exchange. On Shanghai however Copper stocks declined by 7.8 percent thereby taking the total stocks to lowest levels in ten months. Zinc stocks however rose to record levels of 394,361 tonnes

### SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	71680	70060	-1620	-2.26%
Zinc	17395	17025	-370	-2.13%
Aluminum	16625	16615	-10	-0.06%

### COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	439.8	416.55	-23.25	-5.29%



# METALS WEEKLY

A Weekly Report on Metals



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

According to **US CFTC data on Copper**, liquidation of positions continued for second consecutive week. On the non-commercial side, long positions declined by more than three percent and hedgers along trimmed there positions. Overall, long positions declined by higher percentage then the short positions.

CFTC Report - Copper (In contracts)				
Non-Commercial	4/19/2011	4/26/2011	Change	% Change
Long	43667	42076	-1591	-3.64%
Short	18608	18398	-210	-1.13%
Spreading	9168	10218	1050	11.45%
<b>Commercial</b>				
Long	63739	62977	-762	-1.20%
Short	90632	89403	-1229	-1.36%
<b>Total</b>				
Long	116574	115271	-1303	-1.12%
Short	118408	118019	-389	-0.33%

## INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	456275	463650	7375	1.62%
Zinc	814300	821375	7075	0.87%
Aluminium	4603075	4612050	8975	0.19%
Lead	304625	308375	3750	1.23%
Nickel	117942	117384	-558	-0.47%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	83019	83190	171	0.21%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	139076	128268	-10808	-7.77%
Zinc	389628	394631	5003	1.28%
Aluminium	393069	382966	-10103	-2.57%



# METALS WEEKLY

A Weekly Report on Metals



## ECONOMIC REVIEW

- S&P downgraded its outlook on Japan sovereign debt to negative from stable. This downgrade was largely owing to concerns about the fiscal deficit of the government, which might balloon owing to reconstruction costs
- Federal Reserve of US left interest rate unchanged at 0.25 percent and would complete even the bond buying program of \$600 billion as per the schedule. The central bank however revised its economic growth forecasts lower while the inflation forecasts higher. This kept the dollar index under pressure and it touched three year lows thereby supporting to a certain extent supporting commodity prices
- US economy grew by 1.8 percent in the first quarter of 2011 as against expectation of two percent. Consumer confidence however improved along with continued improvement in housing data. Both the new home sales and pending home sales came in better than expectation
- Inflation in the Euro zone rose to 2.8 percent as against target rate of close to two percent. This raised expectation the rate hikes from ECB might continue ahead as well thereby sending the euro higher. Euro ended the week with gains of 1.7 percent. UK's economy grew by 0.5 percent in the first quarter of 2011 as against contraction by similar percentage in the prior quarter. GBP moved higher and ended with gains of more than a percent
- Divergence movement was witnessed in equity markets as well. US equity markets touched the highest levels since 2008 on the back of stronger corporate earnings

Equity Indices	Last Week	This Week	% Change
<b>Dow Jones Ind. Avg.</b>	12505.99	12810.54	2.44%
<b>S&amp;P 500 Index</b>	1337.38	1363.61	1.96%
<b>FTSE 100 Index</b>	6018.30	6069.90	0.86%
<b>Nikkie 225</b>	9682.21	9849.74	1.73%
<b>Shanghai Composite</b>	3010.52	2911.51	-3.29%
<b>Sensex</b>	19602.23	19135.26	-2.38%

Currency	Last Week	This Week	% Change
<b>Dollar Index</b>	74.108	72.933	-1.59%
<b>EUR/USD</b>	1.4561	1.4807	1.69%
<b>GBP/USD</b>	1.6509	1.6707	1.20%
<b>USD/INR</b>	44.3675	44.2194	-0.33%

Bonds	Last Week	This Week	Change (in bps)
<b>US 10 year bond</b>	3.3907	3.2863	-10.4
<b>German 10 year bond</b>	3.26	3.239	-2.1
<b>India 10 year bond</b>	8.102	8.131	2.9



# METALS WEEKLY

A Weekly Report on Metals



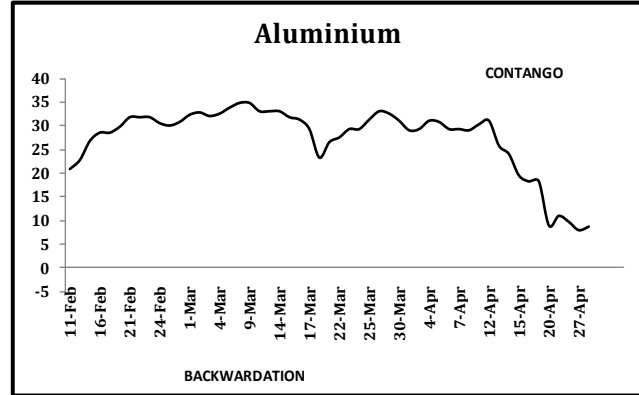
## ALUMINIUM

Aluminium prices touched near three year highs thereby outperforming most of the other base metals. As per Brazil Aluminium Association, Brazil's consumption of aluminium products could rise by 13 percent to 1.3 million tonnes. Brazil is also the seventh largest producer of aluminum churning out close to 1.5 million tonnes a year.

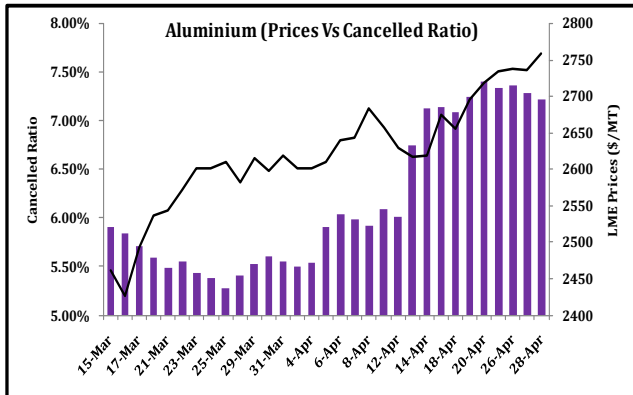
The basis currently stands at \$9/tonne as against close to \$25/tonne on an average. This is indicating that the demand for the metal in the physical market is strong and thereby is leading to trimming of discount in the cash prices.

### BASIS CHART

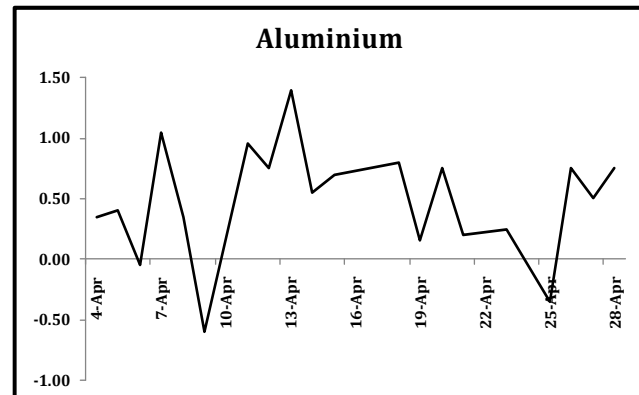
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



### CANCELLED WARRANT RATIO ON LME



### CALENDAR SPREAD ON MCX





# METALS WEEKLY

A Weekly Report on Metals



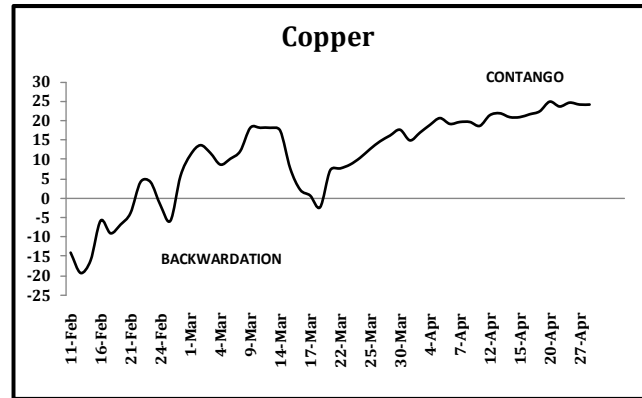
## COPPER

Japan's exports of refined copper fell by 16 percent in March to 50,258 tonnes. This marks the sixth consecutive decline. Output in the nation also slid by 3.7 percent in March to 68,620 tonnes the biggest decline in 17 months. This is largely owing to disruption in production owing to devastating earthquake.

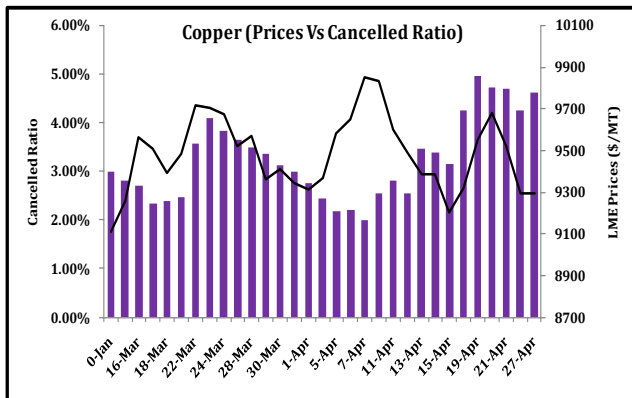
The cancelled warrant ratio continues to remain uneven and thereby is giving no clear indication. Also the basis continues to remain at average levels thereby indicating stable activity.

## BASIS CHART

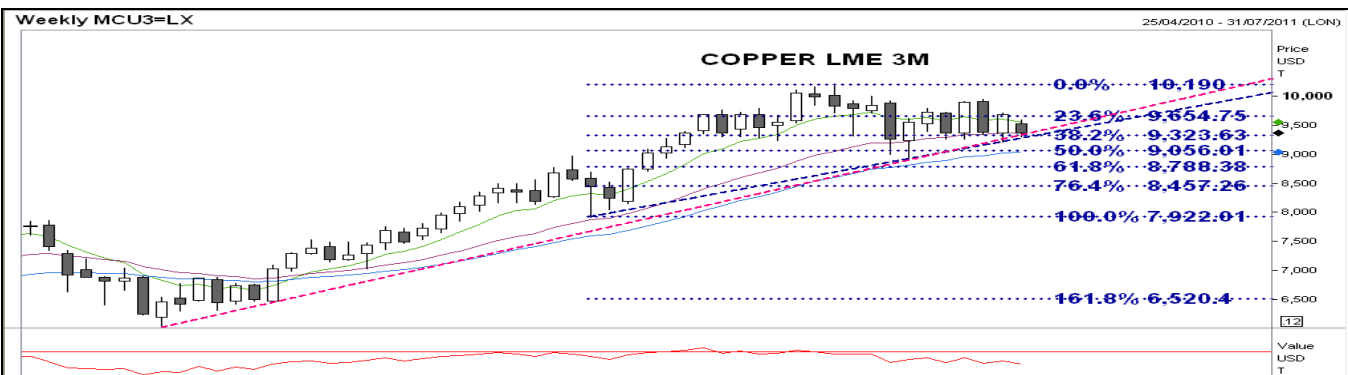
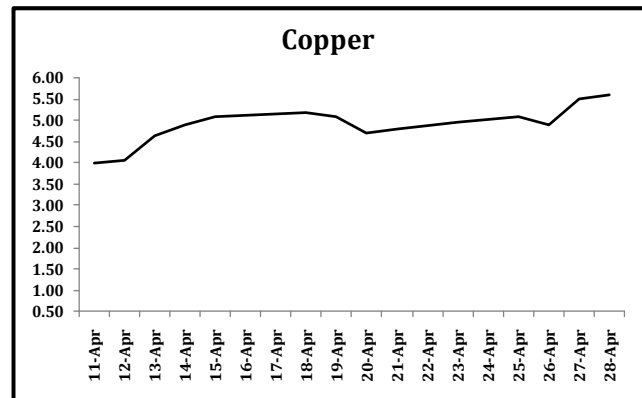
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



## CANCELLED WARRANT RATIO ON LME



## CALENDAR SPREAD ON MCX



**TECHNICALS:** Copper prices traded lower on last week by reversing the previous trend. It made a high of 9585 then low of 9285 and before settling lower at 9371 levels. Closing of the candle renders downside movements for the prices. Prices are witnessing **"Trend Line"** support at 9270 levels. On sustained trade above is likely to remain higher. Prices are witnessing important support at 9200 levels (previous swing lows). On breach and sustained trade below is likely to trade further lower side and potential to test 8950 levels. Prices are also witnessing medium term **"Trend Line"** support at 9300 levels. On sustained trade above is likely to trade higher. The principle of **"Fibonacci Retracement"** states that prices are witnessing support at 9300 levels which is 38.2% retracement of the range 7920-10040. On breach and sustained trade below is likely to test 9050 levels which is 50% retracement of the above mentioned range. The momentum indicator RSI 14 Weekly is trading at 0.520 levels and suggesting lower potential. However, we expect prices to trade lower if markets breach and sustains below 9200 levels.



# METALS WEEKLY

A Weekly Report on Metals



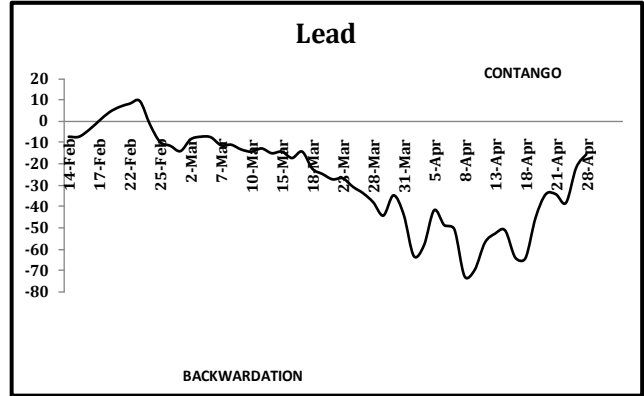
## LEAD

Lead stocks continue to witness net build-up of stocks and thereby price continues to remain under pressure. The cancelled warrant ratio continues to remain below one percent of total stocks and thereby inventory might continue to witness build-up.

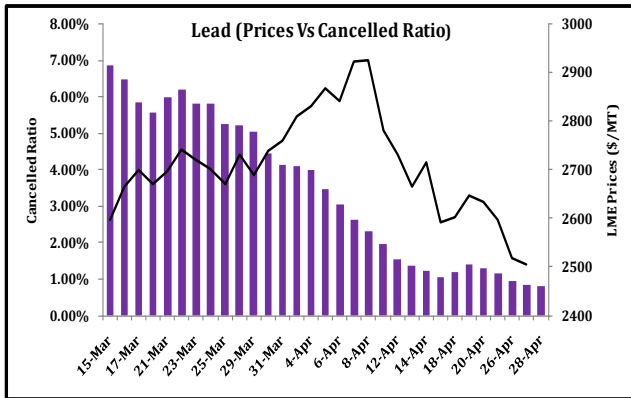
Lead market though continues to remain in backwardation the premium in spot prices has declined from \$72/tonne to \$20/tonne thereby is indicating downward bias for prices.

## BASIS CHART

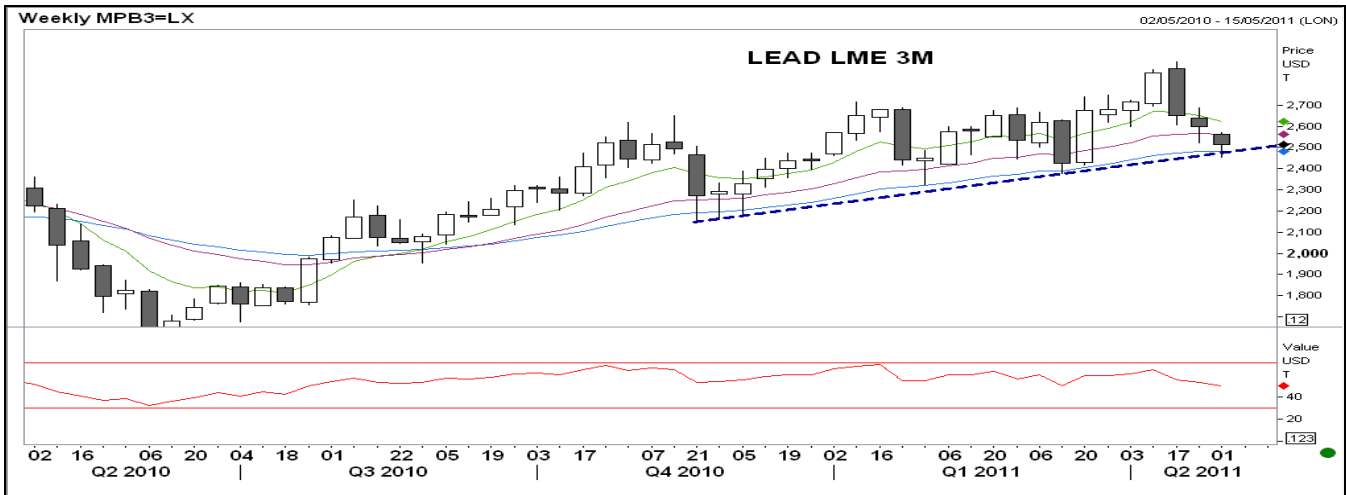
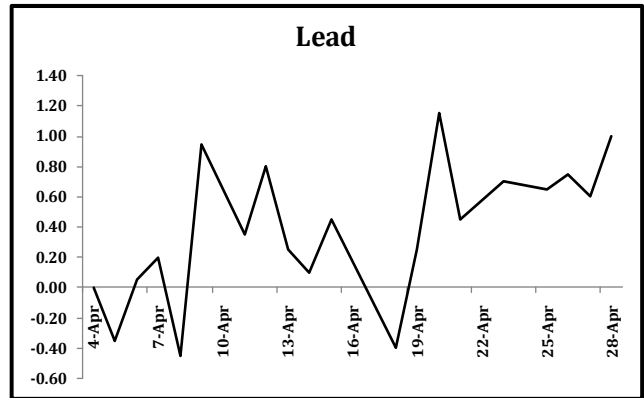
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



## CANCELLED WARRANT RATIO ON LME



## CALENDAR SPREAD ON MCX





# METALS WEEKLY

A Weekly Report on Metals



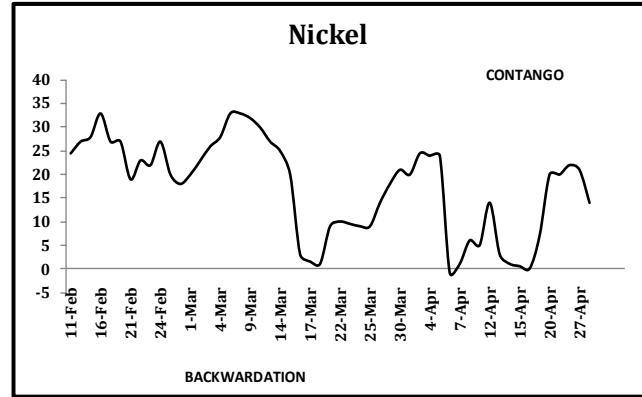
## NICKEL

Norilsk Nickel, world's largest producer of nickel, reported that its first quarter output remained flat at 71,000 tonnes. Nickel demand this year is expected to remain higher while the supply growth continues to get hindered. In fact, the nickel market is expected to remain largely balanced or might even turn to deficit this year.

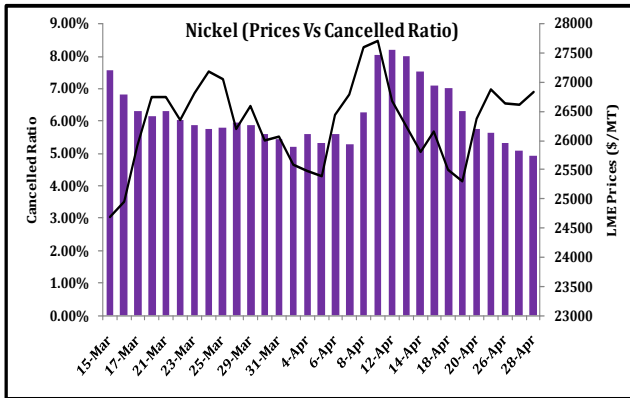
Cancelled warrant ratio continues to remain largely at average levels of 5 percent of total stocks on London Metal Exchange.

### BASIS CHART

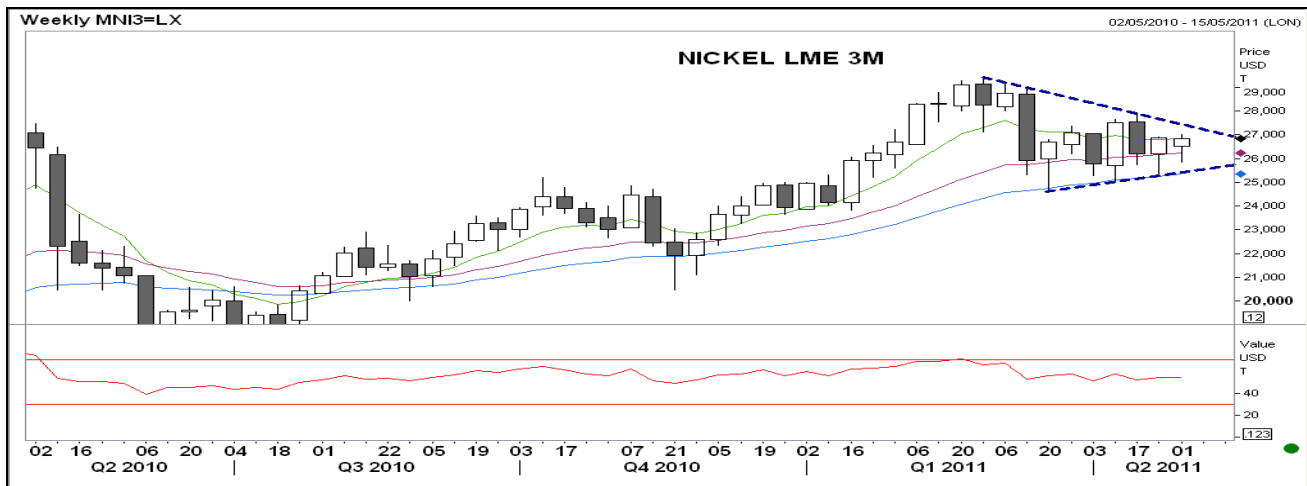
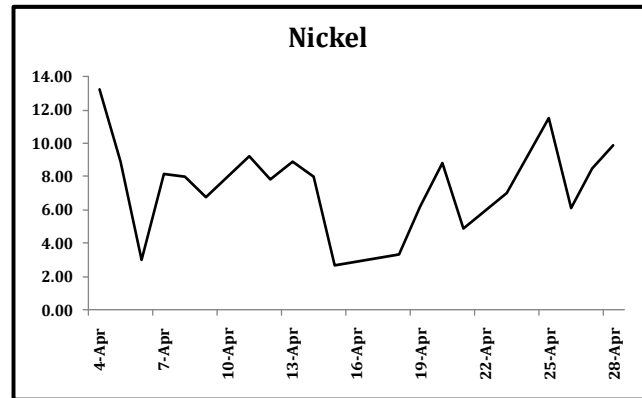
(LME 3 MTH FWD-LME CASH PRICES) (\$/Tonnes)



### CANCELLED WARRANT RATIO ON LME



### CALENDAR SPREAD ON MCX





# METALS WEEKLY

A Weekly Report on Metals



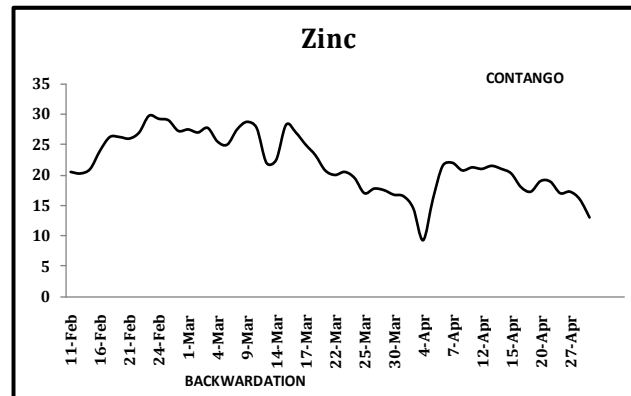
## ZINC

Zinc prices continue to remain under pressure on the back of higher stocks. Prices have touched 2011 lows thereby making it underperformer of the week.

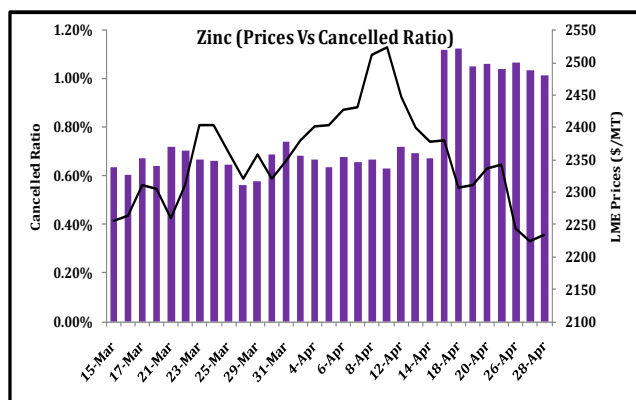
In fact, zinc stocks continue to witness huge pile-up of inventory London Metal Exchange thereby taking the total stocks to highest level since 1995. Zinc stocks in China also witnessed increase in stocks by 5,003 tonnes thereby taking the total stocks to record levels of 394,631 tonnes.

### BASIS CHART

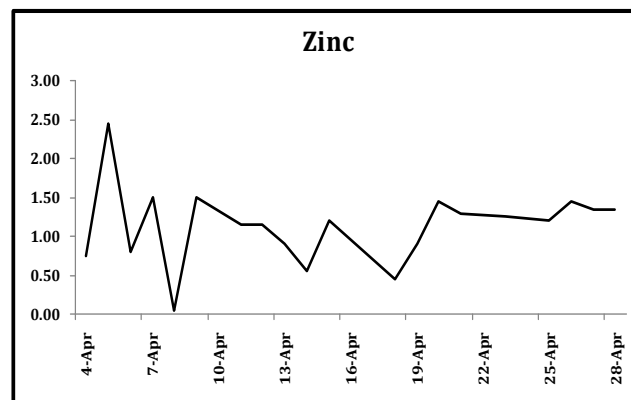
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



### 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 2330 then low of 2212 and settled at 2265 levels. Closing of the candle renders downside movements to be continued for the coming week. Last week prices have breached the **"Trend Line"** support at 2320 levels. On sustained trade below is likely to remain lower. Prices are witnessing support at 2220 levels (previous swing lows). On breach and sustained trade below is likely to remain lower. The principle of **"Fibonacci Retracement"** states that prices are witnessing crucial support at 2230 levels which is 38.2% retracement of the range 1577-2638.75 levels. On breach and sustained trade below is likely to test 2100 levels. The **"Moving Average"** principle suggesting downside movements as prices are trading well below the short and medium term EMA's of (8, 21&34) weeks. Another momentum indicator **"RSI 14 Weekly"** is trading at 0.457 levels and showing lower potential. However a mild correction on the higher side may be expected before resuming its down trend.



# METALS WEEKLY

A Weekly Report on Metals

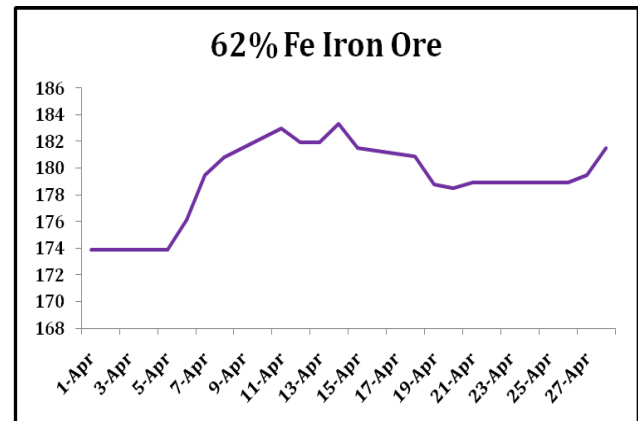
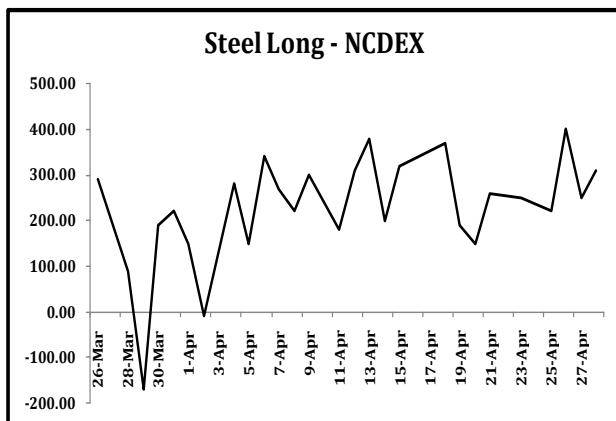


## STEEL & IRON ORE

Commodity	Exchange	Contract	Open	High	Low	Close	Close % Change	Volume (in lots)	Volume % Change	Open interest (in lots)	OI % Change
IRON ORE	MCX	May-11	6710	7025	6710	6986	4.46%	56	43.59%	6	0.00%
	ICEX	May-11	7871	7871	7863	7867	3.90%	70	0.00%	4	0.00%
IRON ORE (\$/DMT)	THE STEEL INDEX		178.9	181.5	178.9	181.5	1.50%	-	-	-	-
STEEL LONG	NCDEX	May-11	28640	28790	28460	28610	-0.56%	41,920	-50.46%	49,980	-3.08%

- Iron ore prices reversed previous week losses to end the week with gains of 1.5 percent at \$181.5/Dry Metric Tonne. On MCX however prices gained nearly 4 percent
- This again is indicating that demand is coming in at lower levels from World's largest consumer China. However substantial gains were not witnessed as caution continues to prevail among the large buyers. Concerns about lower supplies from India also supported prices to move higher
- Sesa Goa is expecting sales volume to rise by 15 to 20 percent in the current fiscal year. Lifting of ban on shipments from Karnataka is expected to contribute to higher volumes
- Iron ore demand in India is expected to pick-up ahead as buying by companies might start to rebuild stocks ahead of the monsoon season and thereby prices might continue to remain supportive
- China's daily output of crude steel in the mid of April came in at 1.904 million tonnes. This is down by 1.5 percent in the first 10 days of the month

### CALENDAR SPREAD





# METALS WEEKLY

A Weekly Report on Metals



## DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
2/5/2011	13:25	GE	PMI Manufacturing	APR F	61.7	61.7
2/5/2011	13:30	EC	PMI Manufacturing	APR F	57.7	57.7
2/5/2011	19:30	US	Construction Spending MoM	MAR	0.40%	-1.40%
2/5/2011	19:30	US	ISM Manufacturing	APR	59.5	61.2
2/5/2011	19:30	US	ISM Prices Paid	APR	83	85
3/5/2011	11:00	IN	India REPO Cutoff Yield	3-May	7.00%	6.75%
3/5/2011	11:00	IN	Cash Reserve Ratio	3-May	6.00%	6.00%
3/5/2011	11:00	IN	Reverse Repo Rate	3-May	6.00%	5.75%
3/5/2011	14:00	UK	PMI Manufacturing	APR	57.2	57.1
3/5/2011	14:30	EC	Euro-Zone PPI (MoM)	MAR	0.70%	0.80%
3/5/2011	19:30	US	Factory Orders	MAR	1.90%	-0.10%
4/5/2011	2:30	US	Total Vehicle Sales	APR	13.00M	13.06M
4/5/2011	2:30	US	Domestic Vehicle Sales	APR	9.86	9.94M
4/5/2011	13:30	EC	PMI Composite	APR F	57.8	57.8
4/5/2011	13:30	EC	PMI Services	APR F	56.9	56.9
4/5/2011	14:00	UK	PMI Construction	APR	55.4	56.4
4/5/2011	14:30	EC	Euro-Zone Retail Sales (MoM)	MAR	0.10%	-0.10%
4/5/2011	17:45	US	ADP Employment Change	APR	193K	201K
4/5/2011	19:30	US	ISM Non-Manufacturing Composite	APR	57.4	57.3
5/5/2011	15:30	GE	Factory Orders MoM (sa)	MAR	0.40%	2.40%
5/5/2011	16:30	UK	BOE ANNOUNCES RATES	5-May	0.50%	0.50%
5/5/2011	17:15	EC	ECB Announces Interest Rates	5-May	1.25%	1.25%
5/5/2011	18:00	US	Nonfarm Productivity	1Q P	1.00%	2.60%
5/5/2011	18:00	US	Initial Jobless Claims	30-Apr	410K	429K
5/5/2011	18:00	US	Continuing Claims	23-Apr	3637K	3641K
6/5/2011	15:30	GE	Industrial Production MoM (sa)	MAR	0.50%	1.60%
6/5/2011	18:00	US	Change in Nonfarm Payrolls	APR	190K	216K
6/5/2011	18:00	US	Change in Private Payrolls	APR	200K	230K
6/5/2011	18:00	US	Change in Manufacturing Payrolls	APR	20K	17K
6/5/2011	18:00	US	Unemployment Rate	APR	8.80%	8.80%

### PREPARED BY:

Sundeep Jain – Fundamental Analyst - [sundeep.jain@karvy.com](mailto:sundeep.jain@karvy.com)

Sandeep K – Technical Analyst – [sandeepkumar.k@karvy.com](mailto:sandeepkumar.k@karvy.com)



# METALS WEEKLY

## A Weekly Report on Metals



To unsubscribe please mail us at [commodity@karvy.com](mailto:commodity@karvy.com)

### Disclaimer

The report contains the opinions of the author, which are not to be construed as investment advice. The author, directors and other employees of Karvy and its affiliates cannot be held responsible for the accuracy of the information presented herein or for the results of the positions taken based on the opinions expressed above. The above mentioned opinions are based on the information which is believed to be accurate and no assurance can be given for the accuracy of this information. There is risk of loss in trading in derivatives. The author, directors and other employees of Karvy and its affiliates cannot be held responsible for any losses in trading.

Commodity derivatives trading involve substantial risk. The valuation of underlying may fluctuate, and as a result, clients may lose entire of their original investment. In no event should the content of this research report be construed as an express or an implied promise, guarantee or implication by or from Karvy Comtrade that you will profit or that losses can or will be limited in any manner whatsoever. Past results are no indication of future performance. Information provided on this report is intended solely for informative purposes and is obtained from sources believed to be reliable. Information is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted.

We do not offer any sort of portfolio advisory, portfolio management or investment advisory services. The reports are only for information purpose and not to be construed as investment advices.

For Detailed disclaimer please go to following URL's:

<http://www.karvycomtrade.com/disclaimer.asp>

<http://www.karvycomtrade.com/riskDisclaimer.asp>