



# METALS WEEKLY

A Weekly Report on Metals



## OUTLOOK

All the asset markets, be it commodities, equities or currencies have become quite volatile owing to re-emergence of Euro Zone debt crisis and developments relating to this. On Friday, both Germany and France came together to back ECB in its measures to bailout Greece. This sent Euro paring some of its losses. In the coming week also Euro might trade higher initially and thereby might lead to some pull back in base metal prices. But unless some concrete measures come up, Euro is expected to remain under pressure. Also commensurate with the fact that PMI numbers from Euro Zone along with ZEW survey numbers are expected to come in lower indicating slowing economic activity.

Concerns about economic recovery however continue to remain given the patchy data in the recent past. From US, both the existing home sales and new home sales are expected to come in lower while only the durable goods orders might come in positive. Federal Reserve is expected to leave interest rates unchanged at 0.25 percent and the economic assessment might be similar as was in the previous meet where in the Fed is expecting the second half to the year would remain strong. Volumes were on the higher side in the week gone by indicating strength on the downside. Overall, base metal prices might witness some pull back on the higher side initially, however given the expectation of firm dollar index and largely weak economic data, they are expected to remain on the lower side.

TECHNICAL RECOMMENDATIONS*									
Commodity	Series	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
<a href="#">LME Aluminium</a>	Fwd	2372	2448	2496	2545	2621	2697	2745	Sell at 2570-80 TP 2465/2430 SL 2650
MCX Aluminium	June-11	107.0	110.0	111.6	113.1	116.1	119.1	120.7	Sell at 114.5-115.5 TP 112/110 SL 117.5
<a href="#">LME Copper</a>	Fwd	8526	8695	8895	9095	9264	9434	9634	Sell at 9200-240 TP 8800 Strict SL 9350
MCX Copper	June-11	385.0	391.9	399.1	406.2	413.1	420.0	427.2	Sell at 408-410 TP 398/395 Strict SL 414
<a href="#">LME Lead</a>	Fwd	2218	2321	2386	2450	2554	2657	2722	Sell at 2480-90 TP 2380/2320 SL 2560
MCX Lead	June-11	99.8	104.4	106.8	109.3	113.8	118.4	120.8	Sell at 111-112 TP 107/105 SL 115
<a href="#">LME Nickel</a>	Fwd	19892	20708	21167	21625	22442	23258	23717	Sell at 21950-22100 TP 20200 SL 22850
MCX Nickel	June-11	899.2	934.1	954.1	974.1	1009.0	1043.9	1063.9	Sell at 988-92 TP 955/935 SL 1010
<a href="#">LME Zinc</a>	Fwd	2051	2115	2152	2188	2253	2317	2354	Sell at 2215-25 TP 2110 SL 2290
MCX Zinc	June-11	92.4	95.0	96.5	98.0	100.7	103.3	104.8	Sell at 99-100 TP 96.5/95 SL 102
<a href="#">Steel NCDEX</a>	July-11	29440	29860	30260	30670	31080	31500	31900	Sideways

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

## Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
21/06/2011 14:30	GE	ZEW Survey (Current Situation)	JUN	90	91.5
21/06/2011 14:30	EC	ZEW Survey (Econ. Sentiment)	JUN	6.1	13.6
21/06/2011 19:30	US	Existing Home Sales	MAY	4.80M	5.05M
22/06/2011 22:00	US	FOMC Rate Decision	22-Jun	0.25%	0.25%
23/06/2011 13:30	EC	PMI Manufacturing	JUN A	53.8	54.6
24/06/2011 18:00	US	Durable Goods Orders	MAY	1.60%	-3.60%

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	2615	2648	2523.5	2545	-2.83	140,904	20.37	4,350	23.06
	Copper	8930	9234	8864.75	9095	1.76	189,303	12.60	2,308	-37.04
	Lead	2535.25	2593	2425	2450	-3.73	33,946	-23.14	1,198	-10.53
	Nickel	22750	22800	21525	21625	-5.36	31,726	46.97	721	-32.05
	Zinc	2255	2281	2180	2188	-2.97	68,791	-1.13	1,784	-28.50
MCX Futures (₹/Kg)	Aluminium	116.55	117.6	113.05	113.1	-3.13	26,773	26.62	3,397	-5.38
	Copper	401	412.9	398.85	406.2	1.15	631,321	10.89	22,805	-27.45
	Lead	114.15	115.9	108.9	109.3	-4.33	86,979	-6.35	3,353	30.31
	Nickel	1023.2	1023.9	969	974.1	-4.90	296,510	12.24	16,741	40.03
	Zinc	101	101.8	97.65	98	-3.02	93,347	12.90	7,154	6.55

## MARKET OVERVIEW

- Base metal prices continued to drift lower given the concerns about debt crisis in Euro zone along with weak economic data. Losses amounted to anywhere between three to five percent
- Nickel prices underperformed the entire base metal pack on the back of weak demand as prices ended lower by nearly 5 percent. Copper prices outperformed the entire base metal pack on the back of continued supply concerns given the ongoing strike in Chile
- On London Metal Exchange, copper, nickel and aluminium witnessed draw-down of stocks while lead and zinc witnessed net build-up of stocks. Warehouses in China witnessed build-up of copper and zinc stocks while aluminium witnessed draw-downs

## SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	68600	68770	170	0.25%
Zinc	17320	17105	-215	-1.24%
Aluminum	17110	16965	-145	-0.85%

## COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	405.2	410.3	5.1	1.26%



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

According to **US CFTC data on Copper**, across the segments positions increased. On the non-commercial side, the bias remained on the long side while on the non-commercial side, the producers hedged more of their output and same was witnessed with users. Overall, both long and short positions increased but long positions outpaced shorts.

CFTC Report - Copper (In contracts)				
Non-Commercial	6/7/2011	6/14/2011	Change	% Change
<b>Long</b>	30044	31122	1078	3.59%
<b>Short</b>	20316	20388	72	0.35%
<b>Spreading</b>	13295	14715	1420	10.68%
<b>Commercial</b>				
<b>Long</b>	65602	71608	6006	9.16%
<b>Short</b>	74150	80534	6384	8.61%
<b>Total</b>				
<b>Long</b>	108941	117445	8504	7.81%
<b>Short</b>	107761	115637	7876	7.31%

## INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	477925	470825	-7100	-1.49%
Zinc	865825	868250	2425	0.28%
Aluminium	4645925	4602425	-43500	-0.94%
Lead	322200	322700	500	0.16%
Nickel	112926	111396	-1530	-1.35%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	80732	80208	-524	-0.65%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	83275	87310	4035	4.85%
Zinc	401875	403467	1592	0.40%
Aluminium	308635	292808	-15827	-5.13%



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## ECONOMIC REVIEW

- Inflation in China accelerated at fastest pace in three years as CPI in the month of May came in at 5.5 percent. Industrial production grew by 13.3 percent while the retail sales moderated to 16.9 percent. Commensurate with the fact is that both loans and money supply grew at a slower pace indicating moderation in growth. Chinese central bank however continued with its monetary tightening stance and increased reserve ratio by 50 bps
- India's May month inflation also came in higher at 9.06 percent thereby prompting RBI to increase interest rates by 25bps. This marks tenth increase after the start rate hike cycle started and now repo rate stands at 7.5 percent
- US economic data in the form of empire manufacturing indicated contraction in activity, the first such instance since November 2010, same was witnessed in case of Philadelphia Fed manufacturing activity. Housing data however was the only silver lining wherein it came in better than expected. Dollar index's major move however was owing to movement in Euro. After trading higher for most part of the week, the gains were limited to 0.26 percent
- S&P downgraded Greece's credit rating to CCC from B; the lowest rated in the World, given the increased prospect of default. Concerns and developments on this front have been very dynamic thereby making all the asset markets quite volatile. Euro traded largely lower, however, as reports resolution being soon brought cropped in, it trimmed some of its losses of end lower by 0.3 percent

Equity Indices	Last Week	This Week	% Change
<b>Dow Jones Ind. Avg.</b>	11951.91	12004.36	0.44%
<b>S&amp;P 500 Index</b>	1270.98	1271.50	0.04%
<b>FTSE 100 Index</b>	5765.80	5714.94	-0.88%
<b>Nikkie 225</b>	9514.44	9351.40	-1.71%
<b>Shanghai Composite</b>	2705.14	2642.82	-2.30%
<b>Nifty</b>	5485.80	5366.40	-2.18%

Currency	Last Week	This Week	% Change
<b>Dollar Index</b>	74.795	74.988	0.26%
<b>EUR/USD</b>	1.4347	1.4306	-0.29%
<b>GBP/USD</b>	1.6227	1.6194	-0.20%
<b>USD/INR</b>	44.7214	44.8662	0.32%

Bond Yields	Last Week	This Week	Change (in bps)
<b>US 10 year bond</b>	2.9693	2.9445	-2.5
<b>German 10 year bond</b>	2.961	2.959	-0.2
<b>India 10 year bond</b>	8.265	8.258	-0.7



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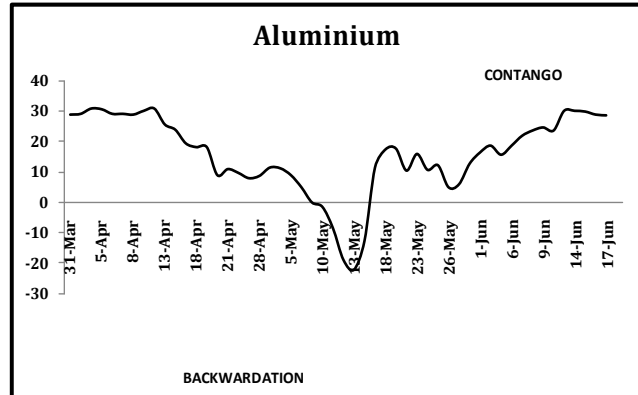
## ALUMINIUM

At the end of the May month aluminium stocks at three of the major Japanese ports increased by 6,300 tonnes to 225,400 tonnes. On the industry front, Norsk Hydro indicated that financing deals were driving aluminium prices higher.

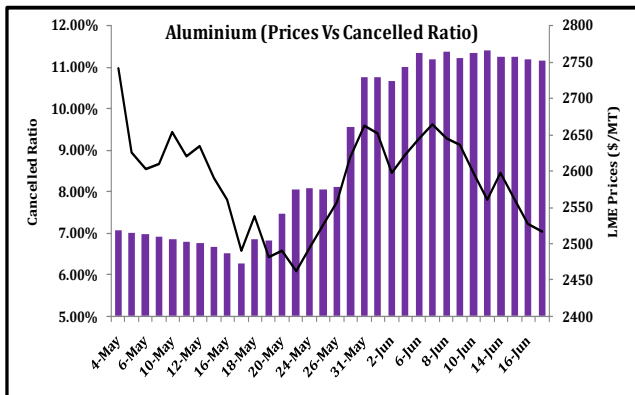
Cancelled warrant ratio continues to remain one of the highest among the base metal pack and thereby stocks might continue to witness draw-downs in the near term. However concerns about economic recovery are adding to pressure on prices.

### BASIS CHART

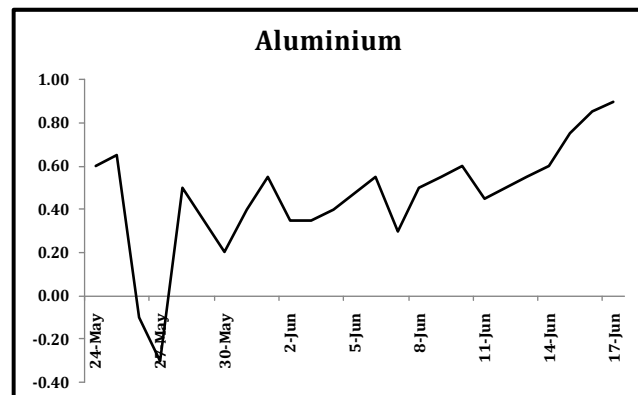
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}

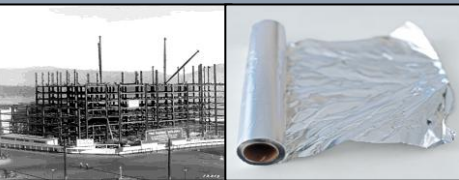


### CANCELLED WARRANT RATIO ON LME



### CALENDAR SPREAD ON MCX





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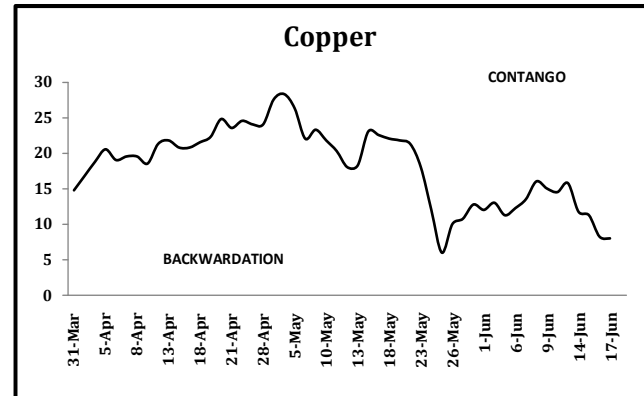
## COPPER

Strike by contract workers at El Tinite continued almost fourth week running thereby raising concerns that the output will be hit. The company has indicated it is operating at capacity of 70 percent. It has also said that production loss of about 7,000 tonnes is already witnessed and if the strike continues, it would hit the output further.

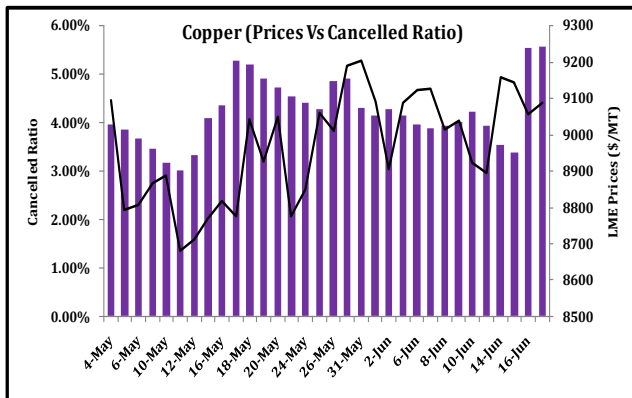
Cancelled warrant ratio has also moved higher in the past couple of days thereby indicating downside might remain limited.

## BASIS CHART

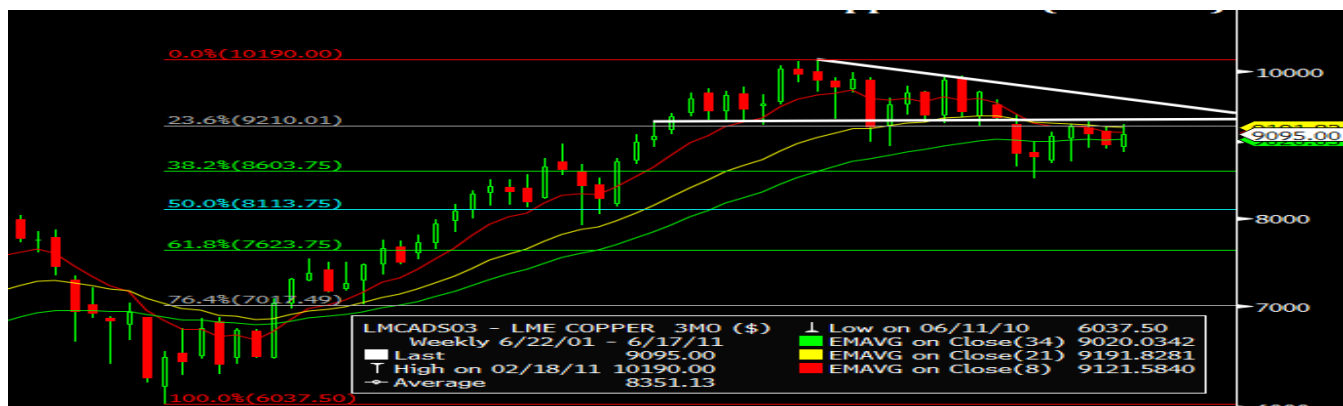
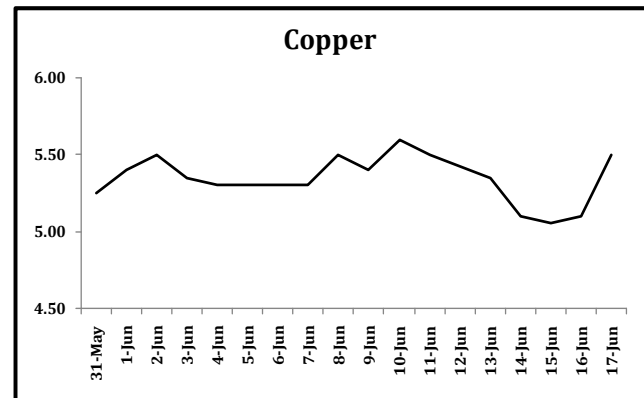
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



## CANCELLED WARRANT RATIO ON LME



## CALENDAR SPREAD ON MCX



**TECHNICALS:** Copper prices traded higher on last week by reversing the previous trend. It made a low of 8864.75 then high of 9234 before settling at 9095 levels. Closing of the candle renders indecisive movements for the week. However prices are witnessing resistance at 9280 levels (previous swing lows). On sustained trade below is likely to remain lower. The **Moving Average** principle suggesting lower potential as short and medium term EMA's of (8, 21) weeks are resisting the prices. Only on sustained trade below is likely to trade lower. Incase markets breach and sustains above the above mentioned moving averages then we may expect limited fall. The principle of **Fibonacci Retracement** states that prices are witnessing resistance at 9210 levels which is 23.6% retracement of the range 6037.5-10190 levels. On sustained trade below is likely to remain lower. So based on all the above factors we still expect prices to trade lower and recommend selling at resistance levels with strict stop losses.



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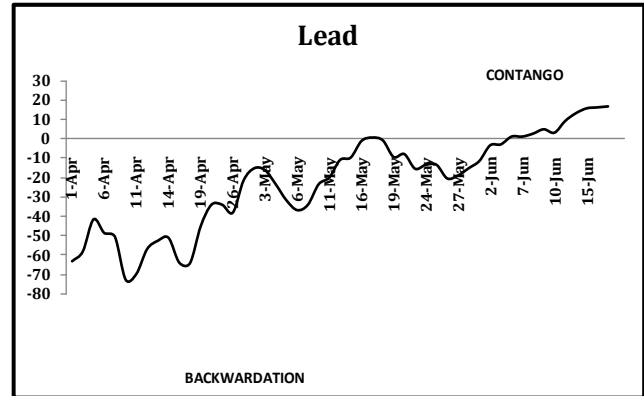
## LEAD

Lead pollution in eastern China poisoned more than 100 people thereby raising concerns that Chinese government might crack down on heavy metal polluter consuming companies.

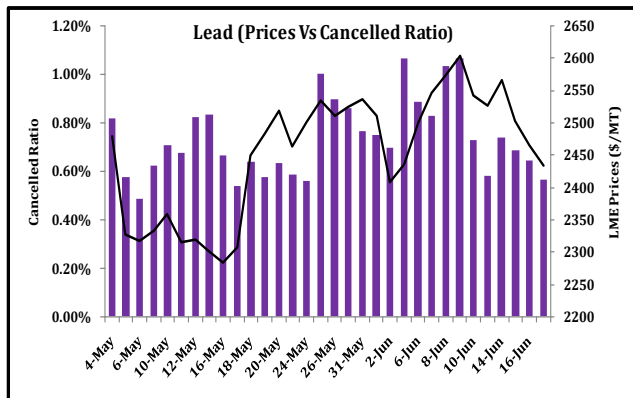
Lead market has moved back into contango and the basis stands at close to \$20/tonne indicating lower demand, which is also commensurate with fact that stocks are witnessing net build-up on LME and thereby might continue weigh on prices.

### BASIS CHART

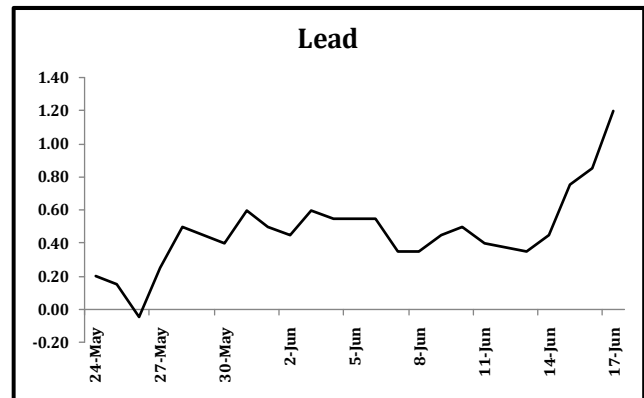
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### CANCELLED WARRANT RATIO ON LME



### CALENDAR SPREAD ON MCX





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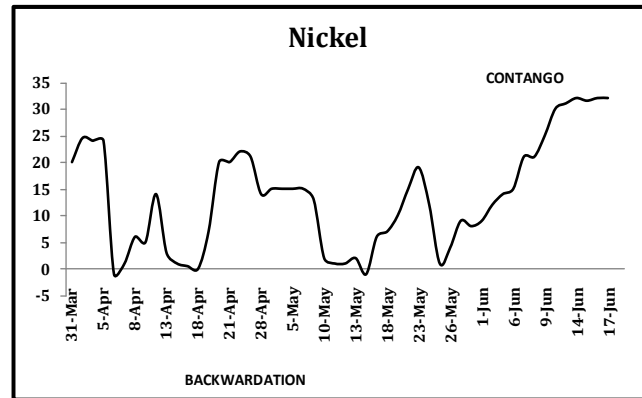
## NICKEL

Nickel has been underperforming as demand from the largest consumer, China, is expected to decline. Power shortages are impacting the steel mills the most and thereby are leading to lower demand for nickel, which is prominently used in making stainless steel.

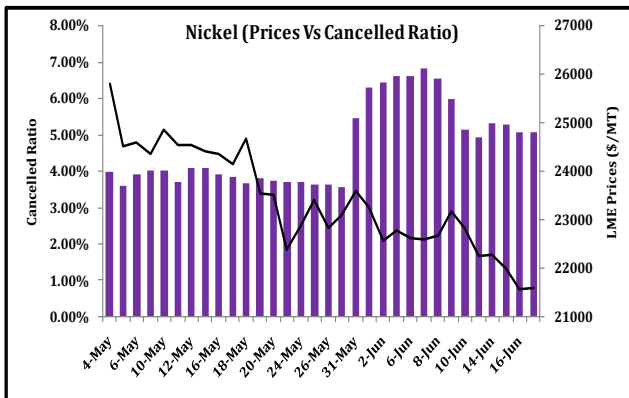
Basis has moved further higher and stands at \$30/tonne indicating widening discount in cash prices as against forwards and thereby would weigh on nickel prices.

### BASIS CHART

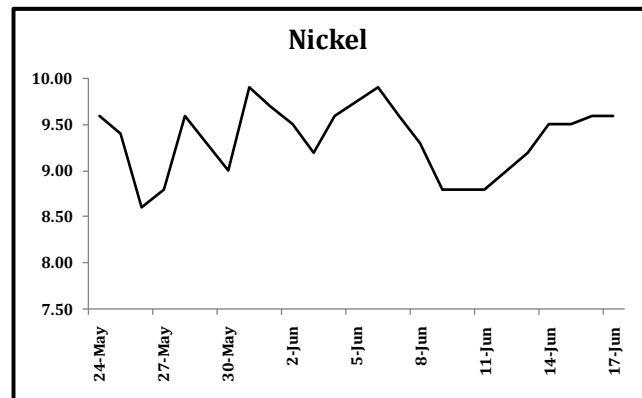
(LME 3 MTH FWD-LME CASH PRICES) (\$/Tonnes)



### CANCELLED WARRANT RATIO ON LME



### CALENDAR SPREAD ON MCX



**TECHNICALS:** Nickel prices traded completely lower on last week by continuing the previous trend. It made high of 22800 then low of 21525 before settling lower at 21625 levels. It was down by 5.4% on last week. Prices have breached the Lower **Pennant** last week and suggesting the prices to move towards southward direction. The principle of **Fibonacci Retracement** states that prices have breached the crucial support at 21980 levels which is 61.8% retracement of the range 17375-29425 levels. On sustained trade below is likely to trade lower and potential to test 20200 levels which are 76.4% retracement of the above mentioned range. The **Moving Average** principle suggesting lower potential as prices are trading well below the short and medium term EMA's of (8,21&34) weeks. The momentum indicator **RSI 14 Weekly** is trading at 0.361 levels and still suggesting lower potential for prices.



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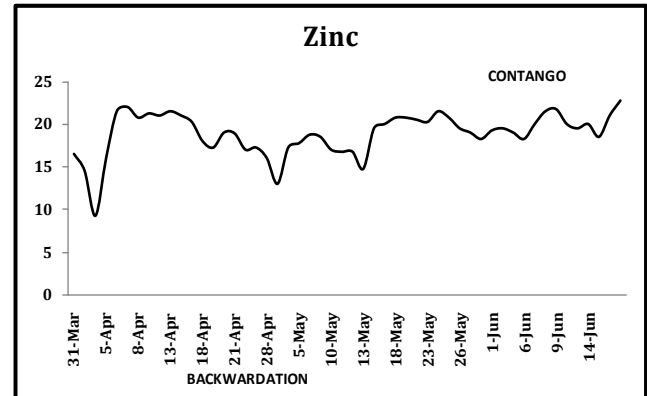


## ZINC

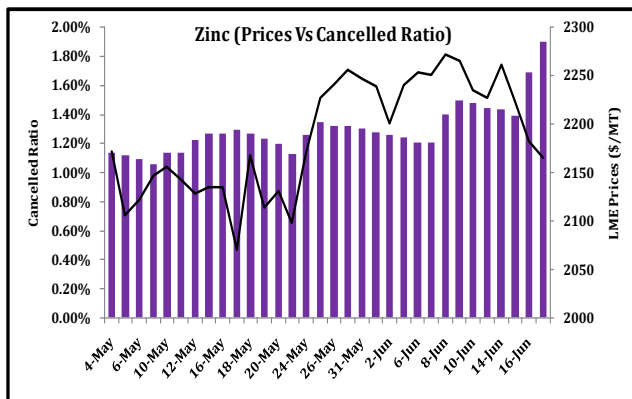
Zinc prices ended lower with losses of nearly three percent and stocks on London Metal Exchange continue to witness net build-up of stocks. Warehouses in China also witnessed net addition of stocks. Cancelled warrant ratio though have moved modestly higher continues to remain one of the lowest among the base metal pack while the basis remains at average levels.

### BASIS CHART

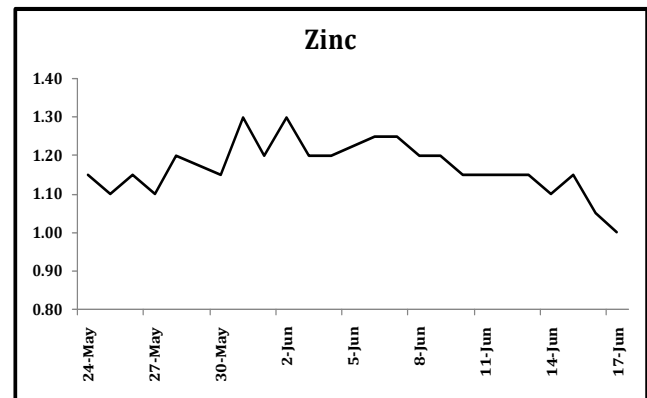
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### CANCELLED WARRANT RATIO ON LME



### CALENDAR SPREAD ON MCX





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## STEEL LONG NCDEX

Commodity	Exchange	Contract	Open	High	Low	Close	Close % Change	Volume (in lots)	Volume % Change	Open interest (in lots)	OI % Change
IRON ORE (\$/DMT)	THE STEEL INDEX		172.3	174.2	172.3	173.6	0.29%	-	-	-	-
STEEL LONG	NCDEX	Jun-11	31050	31090	30270	30670	-1.19%	62,710	-22.75%	40,880	20.70%

Steel long prices ended lower with losses of more than a percent and ingot prices in spot markets slipped. July contract on NCDEX ended lower at 30,670/tonne. Volumes were however on the lower side indicating less strength in the market on the downside. Iron ore prices moved higher 0.3 percent to end at \$173.6./Dry Metric Tonne. However given the strong demand for iron ore, the prices might remain higher. This makes the bias for steel prices still higher.

## DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
20/06/2011	05:20	JN	Merchandise Trade Balance Total	MAY	-¥710.1B	-¥463.7B
20/06/2011	11:30	GE	Producer Prices (MoM)	MAY	0.10%	1.00%
21/06/2011	14:30	GE	ZEW Survey (Current Situation)	JUN	90	91.5
21/06/2011	14:30	EC	ZEW Survey (Econ. Sentiment)	JUN	6.1	13.6
21/06/2011	14:30	GE	ZEW Survey (Econ. Sentiment)	JUN	-3	3.1
21/06/2011	19:30	US	Existing Home Sales	MAY	4.80M	5.05M
22/06/2011	14:00	UK	Bank of England Minutes			
22/06/2011	14:30	EC	Industrial New Orders SA (MoM)	APR	1.00%	-1.80%
22/06/2011	19:30	EC	Euro-Zone Consumer Confidence	JUN A	-10.4	-9.8
22/06/2011	22:00	US	FOMC Rate Decision	22-Jun	0.25%	0.25%
23/06/2011	13:00	GE	PMI Manufacturing	JUN A	57	57.7
23/06/2011	13:00	GE	PMI Services	JUN A	55.7	56.1
23/06/2011	13:30	EC	PMI Composite	JUN A	55.2	55.8
23/06/2011	13:30	EC	PMI Manufacturing	JUN A	53.8	54.6
23/06/2011	13:30	EC	PMI Services	JUN A	55.3	56
23/06/2011	18:00	US	Initial Jobless Claims	18-Jun	412K	--
23/06/2011	18:00	US	Continuing Claims	11-Jun	3668K	--
23/06/2011	19:30	US	New Home Sales	MAY	310K	323K
24/06/2011	18:00	US	Durable Goods Orders	MAY	1.60%	-3.60%
24/06/2011	18:00	US	GDP QoQ (Annualized)	1Q T	1.90%	1.80%
24/06/2011	18:00	US	Personal Consumption	1Q T	2.20%	2.20%
24/06/2011	18:00	US	GDP Price Index	1Q T	1.90%	1.90%
24/06/2011		GE	Retail Sales (MoM)	MAY	0.70%	0.60%

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