



# METALS WEEKLY

A Weekly Report on Metals



## OUTLOOK

All manufacturing numbers from the major nations along with developments on the Greece's bailout front would be keenly watched. Both the Dallas Fed manufacturing activity and Richmond Fed manufacturing activity from US are expected to have contracted in the month of June. US's ISM manufacturing numbers are also expected to come in lower. All this is indicating that manufacturing activity is slowing down and also commensurate with the fact that Fed has revised its economic growth forecast lower.

Chinese PMI numbers are also expected to indicate moderation in growth as measures of monetary tightening takes hold. Euro zone data is expected to indicate continued tough economic conditions as confidence measures are expected to deteriorate. Dollar index ended the week gone by on a positive note and might remain buoyant but new flows on Greece front would be keenly watched. On the fundamental front, cancelled warrant ratio of lead and zinc, have moved substantially higher indicating that demand is picking up for the metal and thereby more stocks might leave the warehouses. This might limit the downside for prices of these metals.

TECHNICAL RECOMMENDATIONS*									
Commodity	Series	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
<a href="#">LME Aluminium</a>	Fwd	2407	2449	2474	2500	2541	2583	2608	Sell below 2490 TP 2380 SL 2550
MCX Aluminium	July-11	109.7	111.1	112.0	112.9	114.2	115.6	116.5	Sell below 110.7 TP 108/105 SL 113
<a href="#">LME Copper</a>	Fwd	8670	8785	8915	9045	9160	9275	9405	Trading Range 9280-8900
MCX Copper	Aug-11	395.3	399.9	405.7	412.0	416.1	420.7	426.5	Trading Range 420-400
<a href="#">LME Lead</a>	Fwd	2259	2327	2454	2580	2648	2716	2843	Buy at 2515-25 TP 2610/2680 SL 2430
MCX Lead	July-11	103.3	106.1	111.0	116.1	118.6	121.4	126.3	Buy at 112-113 TP 117/119 SL 109
<a href="#">LME Nickel</a>	Fwd	20428	20883	21516	22150	22604	23059	23692	Trading Range 21800-23100
MCX Nickel	July-11	942.0	958.0	981.4	1004.8	1020.8	1036.8	1060.2	Trading Range 1025-965
<a href="#">LME Zinc</a>	Fwd	2075	2116	2185	2254	2295	2336	2405	Buy at 2220-30 TP 2315/2360 SL 2150
MCX Zinc	July-11	94.6	96.2	98.9	101.5	103.1	104.7	107.4	Buy at 100-100.75 TP 103/105 SL 97.50
<a href="#">Steel NCDEX</a>	July-11	29030	29450	29960	30470	30890	31310	31820	Trading Range 29870-30800

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

## Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
27/06/2011 20:00	US	Dallas Fed Manufacturing Activity	JUN	-3.2	-7.4
28/06/2011 19:30	US	Richmond Fed Manufacturing Index	JUN	-3	-6
29/06/2011 19:30	US	Pending Home Sales MoM	MAY	2.50%	-11.60%
01/07/2011 06:30	CH	PMI Manufacturing	JUN	51.5	52
01/07/2011 19:30	US	Construction Spending MoM	MAY	0.10%	0.40%
01/07/2011 19:30	US	ISM Manufacturing	JUN	51.8	53.5

For all the data releases; [click here](#)



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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	2542	2557	2490	2500	-1.77	145,116	-7.80	4,273	-35.14
	Copper	9067.5	9145	8900	9045	-0.55	181,541	-14.62	2,089	-26.44
	Lead	2432	2590	2395.5	2580	5.31	55,490	35.75	1,685	-15.71
	Nickel	21600	22425	21337	22150	2.43	28,682	-20.76	700	-37.83
	Zinc	2192	2267.5	2157.5	2254	3.02	81,439	1.51	1,749	-47.79
MCX Futures (₹/Kg)	Aluminium	114	114.65	112.4	112.85	-1.23	1,828	40.62	708	110.09
	Copper	410.8	414.9	404.5	411.45	-0.12	68,420	51.35	9,397	79.95
	Lead	110.25	116.5	108.85	115.85	4.89	9,908	76.55	1,630	148.48
	Nickel	983.5	1013.4	974	1004.8	1.87	27,373	20.49	3,068	8.22
	Zinc	99.05	102.1	97.85	101.5	2.22	8,884	52.78	1,273	-12.93

## MARKET OVERVIEW

- Divergence in performance of base metals was witnessed in the week gone by, as two of them ended lower while the others ended with gains. This is indicating that fundamentals like inventory movement and premiums of each metal is having an upper hand
- Lead was the top gainer among the base metal pack as it ended with gains of more than five percent on the back of reports of lower output in China and indications of pick-up in demand. Aluminum prices however underperformed the pack as it ended with losses of nearly two percent
- Except for copper, all the metals witnessed draw-down of stocks from London Metal Exchange warehouses. Warehouses in China also witnessed decline in stocks of all the metals

## SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	68770	68640	-130	-0.19%
Zinc	17105	17255	150	0.88%
Aluminum	16965	17075	110	0.65%

## COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	410.3	409.85	-0.45	-0.11%



# METALS WEEKLY

A Weekly Report on Metals



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

According to US CFTC data on Copper, commercial and non-commercial side seems to be witnessing opposite positions. On the non-commercial side long unwinding along with shorting was witnessed. On the hedgers part of the market, however more users seem to hedge their requirement. Overall, addition in long positions outpaced shorts.

CFTC Report - Copper (In contracts)				
Non-Commercial	6/14/2011	6/21/2011	Change	% Change
Long	31122	30500	-622	-2.00%
Short	20388	20735	347	1.70%
Spreading	14715	15542	827	5.62%
Commercial				
Long	71608	73946	2338	3.26%
Short	80534	80593	59	0.07%
Total				
Long	117445	119988	2543	2.17%
Short	115637	116870	1233	1.07%

## INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	470825	473700	2875	0.61%
Zinc	868250	867225	-1025	-0.12%
Aluminium	4602425	4544725	-57700	-1.25%
Lead	322700	321750	-950	-0.29%
Nickel	111396	109872	-1524	-1.37%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	80208	79441	-767	-0.96%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	87310	80792	-6518	-7.47%
Zinc	403467	400949	-2518	-0.62%
Aluminium	292808	270495	-22313	-7.62%



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## A Weekly Report on Metals



### ECONOMIC REVIEW

- US Federal Reserve left interest rates unchanged at 0.25 percent and complete its bond buying program of \$600 billion as per the schedule. However it acknowledged that recovery is progressing more slowly than was earlier expected. The economy is now expected to grow by 2.7 to 2.9 percent as against earlier projections of 3.1 to 3.3 percent. Durable goods orders from US came in better than expected along with slightly lower existing and new home sales
- Euro Area has been giving very mixed indication as to the economic conditions. ZEW survey numbers of the current situation, PMI numbers along with industrial orders came in lower while the IFO numbers from Germany of the economic assessment came in better than expected. This is indicating that bigger nations of the Euro zone continue to do well while the concerns about peripheral European nations linger. Euro ended the week lower with losses of 0.8 percent
- Equity markets ended mixed. US markets reversed there previous week's gains and ended lower with losses of half a percent. Emerging markets like India and China however ended higher with gains of anywhere between two to four percent. Concerns about economic recovery supported bond prices to move higher thereby sending the yields lower

Equity Indices	Last Week	This Week	% Change
Dow Jones Ind. Avg.	12004.36	11934.58	-0.58%
S&P 500 Index	1271.50	1268.45	-0.24%
FTSE 100 Index	5714.94	5697.72	-0.30%
Nikkie 225	9351.40	9678.71	3.50%
Shanghai Composite	2642.82	2746.21	3.91%
Nifty	5366.40	5471.25	1.95%

Currency	Last Week	This Week	% Change
Dollar Index	74.988	75.665	0.90%
EUR/USD	1.4306	1.4188	-0.82%
GBP/USD	1.6194	1.5959	-1.45%
USD/INR	44.8662	44.995	0.29%

Bond Yields	Last Week	This Week	Change (in bps)
US 10 year bond	2.9445	2.8636	-8.1
German 10 year bond	2.959	2.834	-12.5
India 10 year bond	8.258	8.251	-0.7



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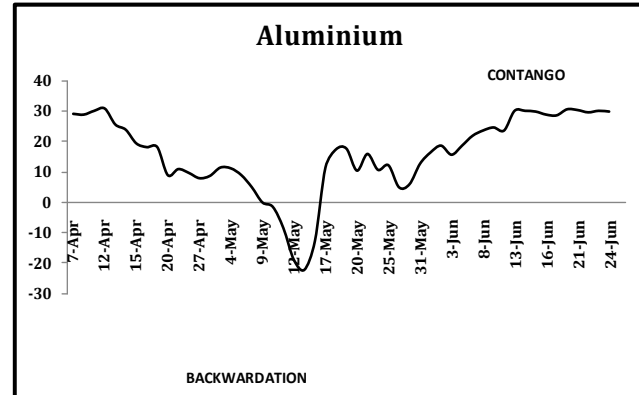
## ALUMINIUM

Aluminium prices remained under pressure and ended lower with losses of nearly a percent despite draw-down of inventories.

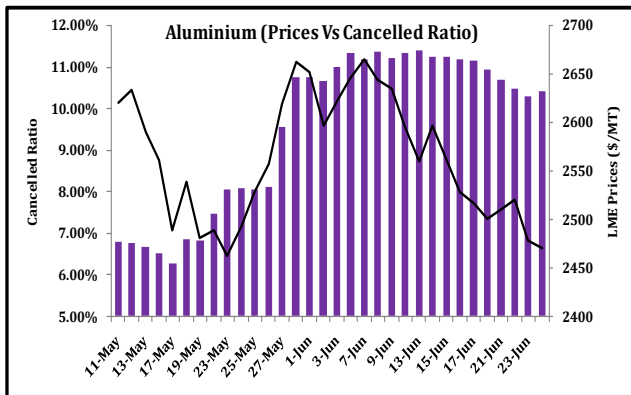
London Metal Exchange is revamping its warehousing rules and thereby has raised fears that more stocks might flood into market as nearly 60-80 percent of the total stocks are believed to be tied up in financing deals. Cancelled warrant ratio however continues to remain stable at 10 percent of total stocks.

### BASIS CHART

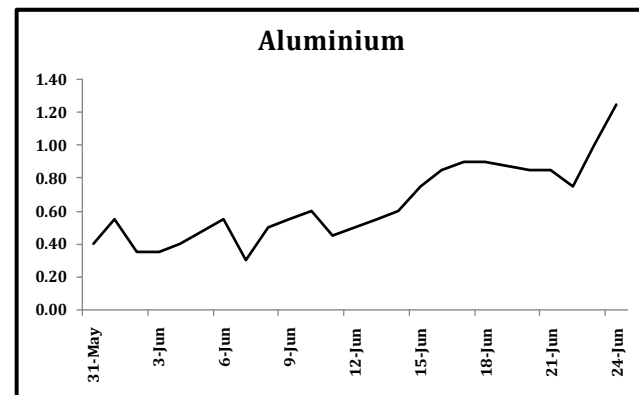
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



### CANCELLED WARRANT RATIO ON LME



### CALENDAR SPREAD ON MCX



**TECHNICALS:** Aluminium prices traded lower for the third consecutive week continuing the previous trend. It made a high of 2557 then low of 2490 and settled lower at 2500 levels. It was down by 1.77% on last week. The principle of Fibonacci Retracement states that prices are witnessing support at 2430 levels which is 38.2% retracement of the range 1828-2803 levels. On breach and sustained trade below may escort prices to further downside and potential to test 2315 levels (50% retracement) of the above mentioned range in the near future. Prices have breached the Trend Line resistance last week and currently trading below suggesting lower potential for the prices. The Moving Average principle also suggests lower potential as prices have settled well below the short and medium term EMA's of (8, 21&34) weeks. The momentum indicator RSI 14 Weekly is trading at 0.469 levels and suggesting lower potential; a mild correction on the higher side may be expected before resuming its down trend.



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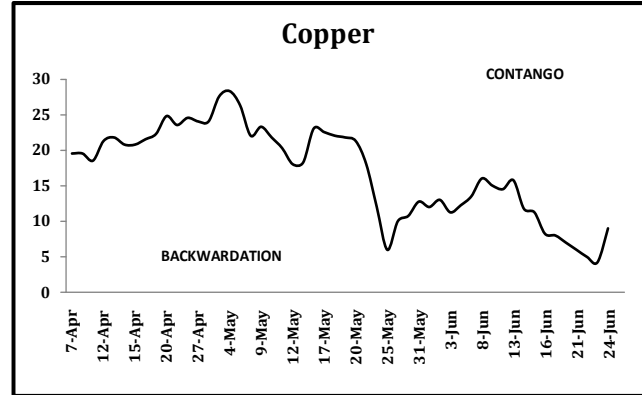
## COPPER

World Bureau of Metal Statistics indicated that global copper market was in surplus of 116,900 tonnes in the first four months of 2011 as against surplus of 40,000 tonnes last year.

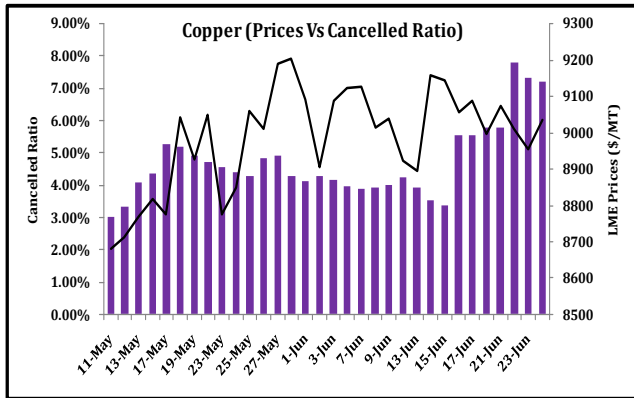
Reports indicated that Japanese smelters have agreed for treatment charges of \$85/tonne. This is almost double the levels of \$40/tonne which were agreed previously. Cancelled warrant ratio has been very uneven thereby giving no clear indication.

## BASIS CHART

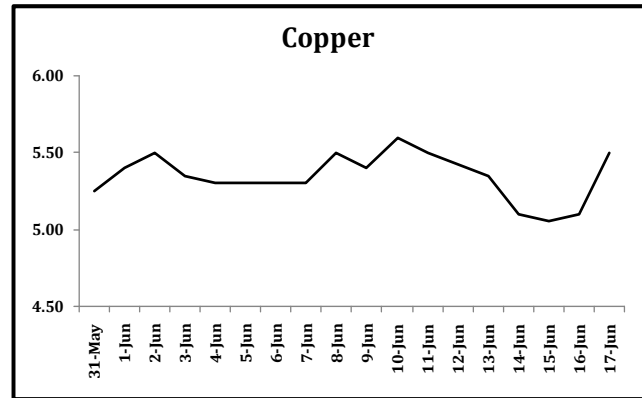
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# METALS WEEKLY

A Weekly Report on Metals



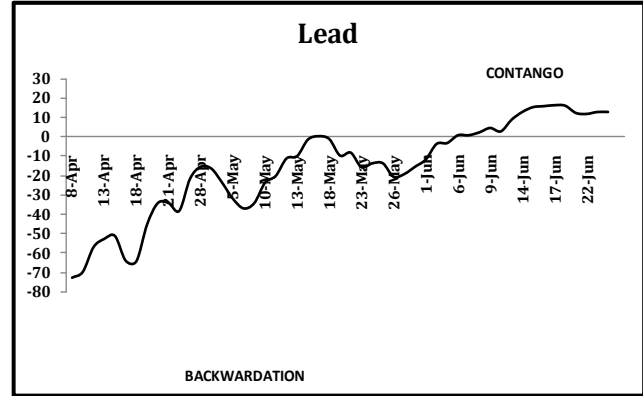
## LEAD

Chinese government has been cracking down on lead producing plants as it takes measures against pollution. This has raised fears that output might decline from the World's largest producer of the metal.

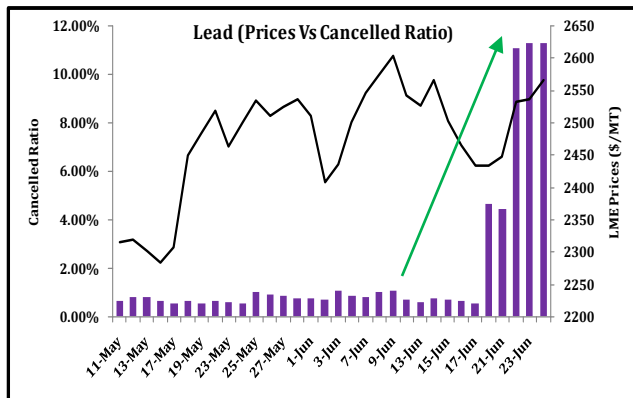
Cancelled warrant ratio has also moved substantially higher above the 11 percent mark of total stocks indicating that stocks might continue to witness draw-downs in the near term.

## BASIS CHART

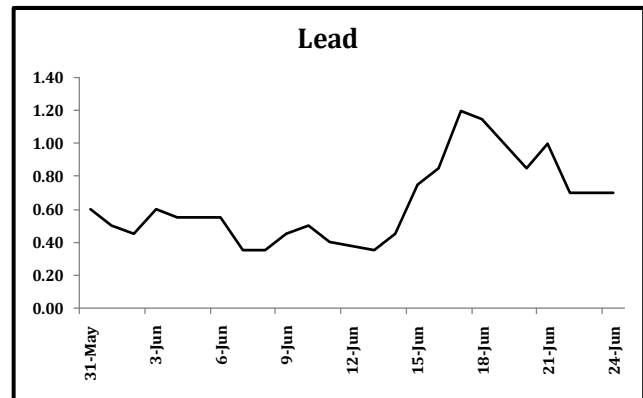
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



## CANCELLED WARRANT RATIO ON LME



## CALENDAR SPREAD ON MCX



**TECHNICALS:** Lead prices traded higher on last week by reversing the previous trend. It made a low of 2395.5 then high of 2590 before settling higher at 2580 levels. Prices are witnessing immediate resistance at 2610 levels (previous week's high). On breach and sustained trade above would lead the prices to further highs. The principle of Fibonacci Retracement states that prices are witnessing resistance at 2580 levels which is 23.6% retracement of the range 1535-2904 levels. On breach and sustained trade above is likely to trade further highs and potential to test the origin point of 2900 levels. The Volume indicator analysis suggesting upside potential as volumes have increased from 40877 contracts to 55490 contracts on last week. That means volumes have increased on upside trend. The Moving Average principle suggesting upside potential 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 0.531 levels and suggesting upside potential.



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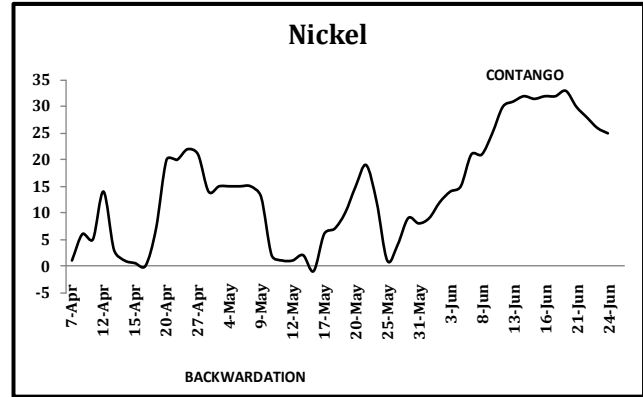
## NICKEL

China's Minmetals has received interest from parties to operate its closed Avebury nickel mine in Australia. The plant has a capacity of 8,000 tonnes a year. Philippines biggest nickel miner, Nickel Asia Corp, is expecting the nickel volumes to grow by 20 percent this year, close to 10 million tonnes of ore.

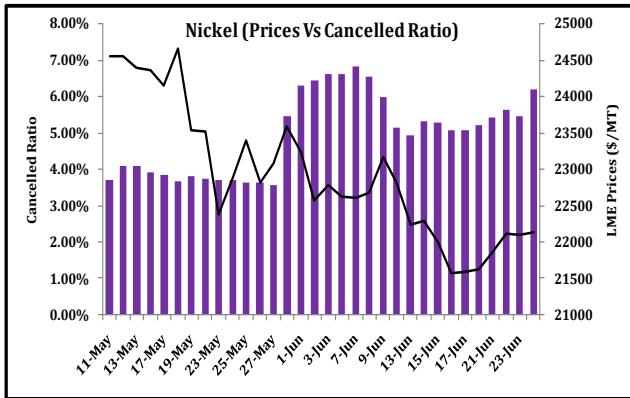
Continued increase in production of the metal along with higher output of pig nickel is also weighing on prices.

### BASIS CHART

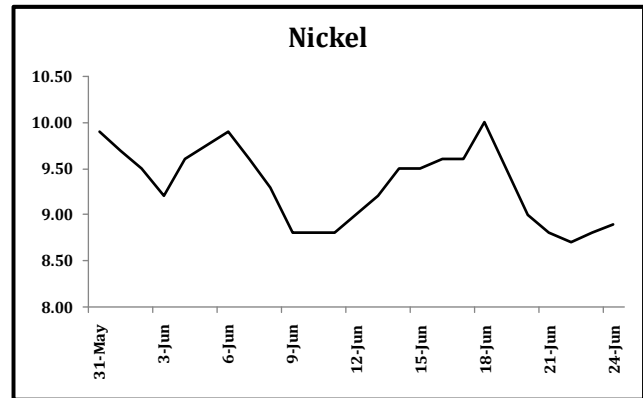
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# METALS WEEKLY

A Weekly Report on Metals



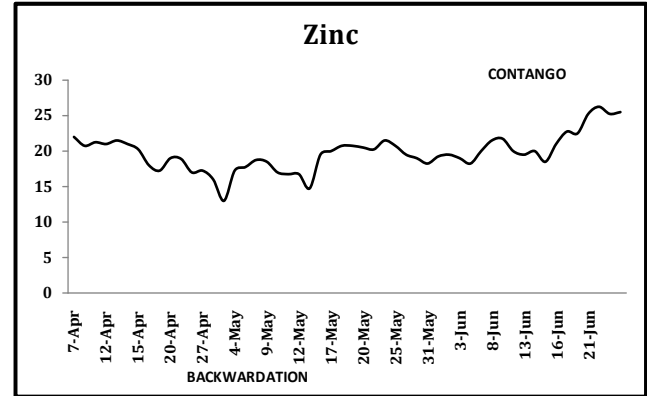
## ZINC

Japan's largest zinc smelter, Mitsui Mining & Smelting Co.'s, indicated that production of zinc might slump by 9 percent as devastating earthquake disrupted activity.

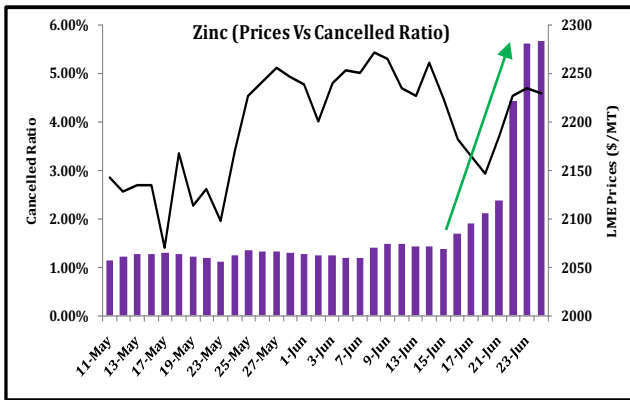
After languishing near 1 percent of total stocks for quite a while, cancelled warrant ratio has moved higher to 5 percent of total stocks indicating draw-downs of inventory in the near term.

### BASIS CHART

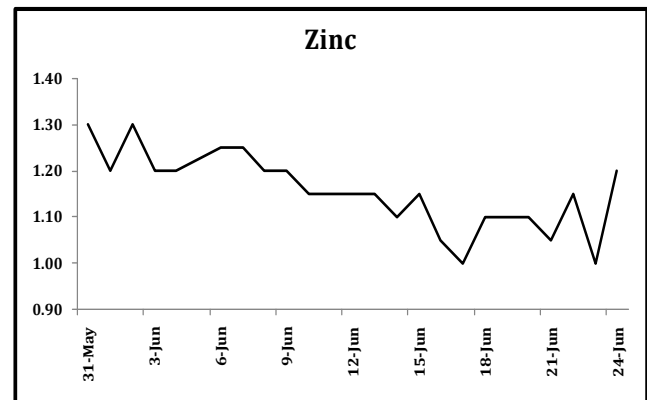
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



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### CALENDAR SPREAD ON MCX





# METALS WEEKLY

A Weekly Report on Metals



## 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		173.6	173.6	168.7	168.7	-2.82%	-	-	-	-
STEEL LONG	NCDEX	Jul-11	30520	30760	29870	30650	0.03%	48,740	-27.69%	44,340	9.18%

After trading lower for most part of the week, steel prices recovered by the end of the week to end largely flat. On NCDEX, July contract ended at 30,650/tonne. Prices in spot market have also moved higher as prices in Mandi Gobindgarh traded near 31,000 levels. Reports indicated that there were also power cuts at major producing centres thereby might impact output. Scrap markets continue to remain stable however expectation of pick-up in sales in supporting steel long prices. Iron ore prices however have remained soft in the past week, with prices declining almost three percent, and thereby might limit the upside for steel prices.

## DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
27/06/2011	20:00	US	Dallas Fed Manf. Activity	JUN	-3.2	-7.4
28/06/2011	11:30	GE	Import Price Index (MoM)	MAY	-0.30%	0.30%
28/06/2011	19:30	US	Consumer Confidence	JUN	61	0.50%
28/06/2011	19:30	US	Richmond Fed Manf. Index	JUN	-3	-6
29/06/2011	05:20	JN	Industrial Production (MoM)	MAY P	5.50%	1.60%
29/06/2011	14:30	EC	Business Climate Indicator	JUN	0.9	0.99
29/06/2011	14:30	EC	Euro-Zone Consumer Confidence	JUN F	-10	-10
29/06/2011	14:30	EC	Euro-Zone Economic Confidence	JUN	105	105.5
29/06/2011	14:30	EC	Euro-Zone Industrial Confidence	JUN	3.5	3.9
29/06/2011	14:30	EC	Euro-zone Services Confidence	JUN	9	9.2
29/06/2011	19:30	US	Pending Home Sales MoM	MAY	2.50%	-11.60%
30/06/2011	11:30	GE	Retail Sales (MoM)	MAY	0.50%	0.60%
30/06/2011	18:00	US	Initial Jobless Claims	25-Jun	421K	429K
30/06/2011	18:00	US	Continuing Claims	18-Jun	3690K	3697K
30/06/2011	19:15	US	Chicago Purchasing Manager	JUN	54	56.6
01/07/2011	06:30	CH	PMI Manufacturing	JUN	51.5	52
01/07/2011	13:25	GE	PMI Manufacturing	JUN F	54.9	54.9
01/07/2011	13:30	EC	PMI Manufacturing	JUN F	52	52
01/07/2011	14:30	EC	Euro-Zone Unemployment Rate	MAY	9.90%	9.90%
01/07/2011	19:25	US	U. of Michigan Confidence	JUN F	72	71.8
01/07/2011	19:30	US	Construction Spending MoM	MAY	0.10%	0.40%
01/07/2011	19:30	US	ISM Manufacturing	JUN	51.8	53.5
01/07/2011	19:30	US	ISM Prices Paid	JUN	70.5	76.5

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