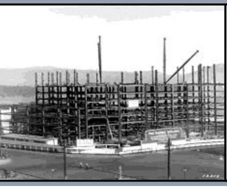


METALS WEEKLY

A Weekly Report on Metals


OUTLOOK

As the European leaders agree to provide additional funds to Greece, the uncertainty over default by peripheral European nation has been alleviated, at least in the near term. Now the focus of the markets would shift back to economic recovery and US would remain in the limelight. Second quarter GDP numbers of the World's largest economy, US, would be released and the expectation is that growth would remain close to levels witnessed in the previous quarter. UK's GDP numbers would also be released and given fiscal tightening that the nation is imparting onto, growth would have moderated. Reserve Bank of India is expected to hike interest rates by 25 bps given the continued high level of inflation. This along with largely positive equity markets might send the rupee appreciating and thereby would limit the upside for commodity prices in Indian markets.

Manufacturing numbers from across the globe are expected to give mixed indication. Japan's industrial production might continue to witness growth given the rebound in activity after the earthquake. Growth in some of the regions in US might however moderate along with lower consumer confidence. On the fundamental front, supply concerns for metals like copper continue to linger. After 24-hour strike at Chile's-Escondida mine, workers have voted to extend the strike indefinitely and thereby tightness on the supply side would support prices. Overall, given the moderation in manufacturing in some of the regions in US, base metal prices might decline initially, but given the concerns on the supply side and expectation of stronger Euro, base metals might recover and the bias remains on the positive side.

TECHNICAL RECOMMENDATIONS*

Commodity	Series	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
LME Aluminium	**Fwd**	2385	2429	2509	2590	2634	2678	2758	**Buy at 2540-560 TP 2650/710 SL 2470**
MCX Aluminium	**July-11**	106.4	108.0	110.9	113.9	115.4	117.0	119.9	**Buy at 111.5-12.5 TP 115/117 SL 109.5**
LME Copper	**Fwd**	9299	9453	9564	9675	9830	9984	10095	**Buy at 9500-570 TP 9800/9980 SL 9300**
MCX Copper	**Aug-11**	417.0	424.0	428.8	433.5	440.5	447.5	452.3	**Buy at 427-29 TP 438/442 SL 422**
LME Lead	**Fwd**	2536	2603	2646	2690	2756	2823	2866	**Buy at 2630-650 TP 2750/820 SL 2560**
MCX Lead	**July-11**	112.5	115.4	117.4	119.5	122.4	125.3	127.3	**Buy at 116.5-117.5 TP 123 SL 114**
LME Nickel	**Fwd**	22972	23298	23637	23975	24302	24628	24967	**Range 25000-23200**
MCX Nickel	**July-11**	1024.6	1039.8	1052.2	1064.5	1079.8	1095.0	1107.4	**Range 1105-1040**
LME Zinc	**Fwd**	2299	2340	2417	2495	2535	2576	2653	**Buy at 2440-60 TP 2560/2635 SL 2380**
MCX Zinc	**July-11**	102.0	103.7	106.4	109.2	110.8	112.5	115.2	**Buy at 107-108 TP 112.5/15 SL 104**
Steel NCDEX	**Aug-11**	29390	29630	30050	30480	30710	30950	31370	**Buy at 30300 TP 31000 SL 29800**

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

Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
26/07/2011 14:00	UK	GDP (QoQ)	2Q A	0.20%	0.50%
26/07/2011 19:30	US	Richmond Fed Manufacturing Index	JUL	5	3
26/07/2011 19:30	US	New Home Sales	JUN	322K	319K
28/07/2011 19:30	US	Pending Home Sales MoM	JUN	-2.00%	8.20%
29/07/2011 05:20	JN	Industrial Production (MoM)	JUN P	4.50%	6.20%
29/07/2011 18:00	US	GDP QoQ (Annualized)	2Q A	1.80%	1.90%

For all the data releases; click here

METALS WEEKLY

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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	2500	2597	2472.5	2590	3.85	161,177	-10.15	3,040	-44.65
	Copper	9730.25	9873.5	9608	9675	0.03	175,087	-7.55	1,992	-20.16
	Lead	2715	2779	2669	2690	-0.66	37,038	-30.57	1,324	2.48
	Nickel	24100	24290	23625	23975	-0.75	26,455	-25.23	796	-12.72
	Zinc	2382	2498	2380	2495	4.94	104,983	-1.48	1,685	-48.92
MCX Futures (₹/Kg)	Aluminium	110.5	114.1	109.6	113.85	3.27	31,794	-8.82	3,123	-29.77
	Copper	434.65	442.75	431	433.5	-0.34	499,869	-7.37	25,576	-5.95
	Lead	120.8	123.2	118.25	119.5	-0.87	76,406	-32.17	4,682	14.95
	Nickel	1076.7	1082.7	1055.1	1064.5	-1.08	212,346	-24.64	7,916	4.74
	Zinc	105.4	109.8	105.4	109.15	3.61	96,683	-1.87	4,763	8.10

MARKET OVERVIEW

- Base Metal prices ended mixed but largely on the higher side with the exception of lead and nickel which ended with modest losses. Stronger rupee however capped upside of metal prices in the Indian markets. During the week, copper, lead and zinc touched three month highs
- Zinc was the top gainer among the base metal pack as cancelled warrant ratio moved substantially higher while nickel underperformed the pack as prices ended lower with losses of close to a percent on MCX
- Greece getting financial support sent the Euro soaring thereby supporting commodity prices. Concerns on the supply front also continued to linger thereby limiting the downside for metal prices
- Except for copper and lead, all the other base metals witnessed draw-down of stocks from London Metal Exchange. Warehouses in China also witnessed draw-downs for aluminium and zinc while copper stocks increased modestly

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	71570	71660	90	0.13%
Zinc	17935	18375	440	2.45%
Aluminum	17605	17700	95	0.54%

COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	440.5	440.45	-0.05	-0.01%

Commodity Futures Trading Commission (CFTC) Report- Copper

According to **US CFTC data on copper**, non-commercial participants increased both long and short positions but this time, short positions outweighed the longs. Similar thing was witnessed on the commercial side as well where long unwinding and short build-up was witnessed. Overall, addition of positions continued with addition of shorts outpacing the longs.

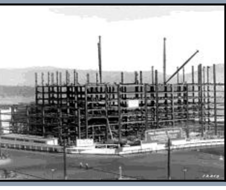
CFTC Report - Copper (In contracts)				
Non-Commercial	7/12/2011	7/19/2011	Change	% Change
Long	48272	49556	1284	2.66%
Short	24486	25807	1321	5.39%
Spreading	14808	18561	3753	25.34%
Commercial				
Long	65478	64948	-530	-0.81%
Short	91042	92763	1721	1.89%
Total				
Long	128558	133065	4507	3.51%
Short	130336	137131	6795	5.21%

INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	462025	472325	10300	2.23%
Zinc	891350	889375	-1975	-0.22%
Aluminium	4412175	4392550	-19625	-0.44%
Lead	307850	310200	2350	0.76%
Nickel	103194	101418	-1776	-1.72%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	80716	81371	655	0.81%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	109461	112046	2585	2.36%
Zinc	401826	400726	-1100	-0.27%
Aluminium	215829	203777	-12052	-5.58%





ECONOMIC REVIEW

- European leaders announced aid of 159 billion Euros for Greece and persuaded bond holders into footing part of the bill. They also empowered their 440 billion Euro rescue fund to buy debt across stressed nations, namely Spain and Italy to save the nations from defaulting. This sent the Euro soaring and it ended the week with gains of 1.4 percent

- Housing data from US came in mixed, but was largely on the positive side. Housing starts and Building permits rose while the existing home sales declined. NAHB housing price index also though continued to remain lower, it indicated some improvement from the previous month

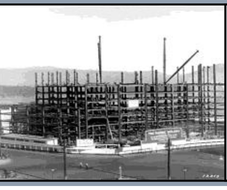
- Euro zone data however continues to remain on the negative side, given the impact of the concerns in the peripheral nations being felt. ZEW survey and the IFO numbers of the region came in lower than expected while the industrial new orders acted as a silver lining and indicated improvement

- ***Risk ON, Risk OFF*** trade continues and as uncertainty about the peripheral European nations alleviates the trade has shifted to the ***Risk ON*** mode. Major equity markets across the globe ended higher with gains of anywhere between one to two percent with the exception of Chinese markets which ended lower with losses of close to two percent. Bond prices moved lower as brightening prospects of economic recovery sent the bond yields surging

Equity Indices	Last Week	This Week	% Change
Dow Jones Ind. Avg.	12479.73	12681.16	1.61%
S&P 500 Index	1316.14	1345.02	2.19%
FTSE 100 Index	5843.66	5935.02	1.56%
Nikkie 225	9974.47	10132.11	1.58%
Shanghai Composite	2820.17	2770.79	-1.75%
Nifty	5581.10	5663.95	1.48%

Currency	Last Week	This Week	% Change
Dollar Index	75.126	74.245	-1.17%
EUR/USD	1.4157	1.436	1.43%
GBP/USD	1.6136	1.63	1.02%
USD/INR	44.5175	44.355	-0.37%

Bond Yields	Last Week	This Week	Change (in bps)
US 10 year bond	2.9058	2.9621	5.6
German 10 year bond	2.695	2.828	13.3
India 10 year bond	8.261	8.307	4.6




METALS WEEKLY

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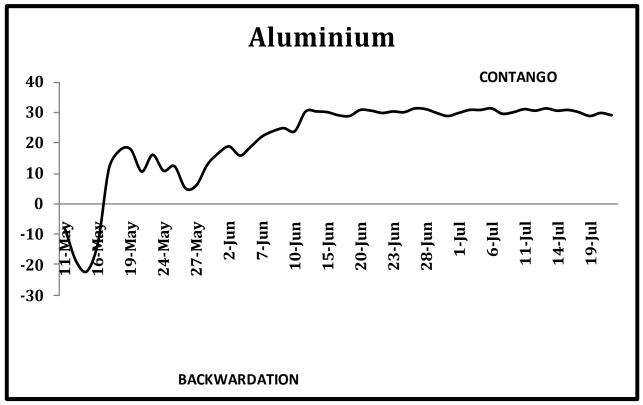
ALUMINIUM

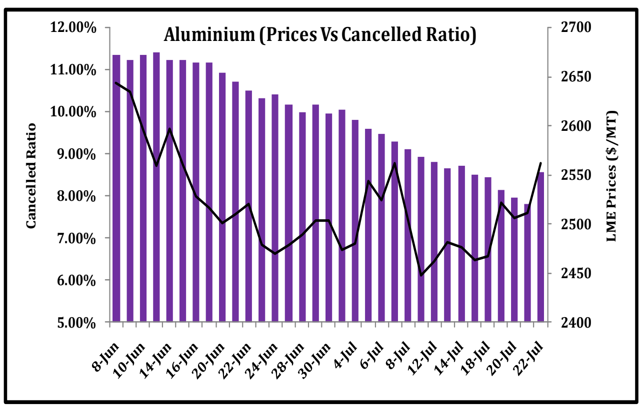
According to World Bureau of Metal Statistics, global primary aluminium market continued to remain in surplus, though the quantum narrowed down. For the first five months of 2011, primary aluminium market was in surplus of 396,400 tonnes as against surplus of 660,400 tonnes in the same period last year.

After declining for past many days cancelled warrant ratio has moved higher, though modestly, indicating that stocks might continue to witness draw-downs in the near term.

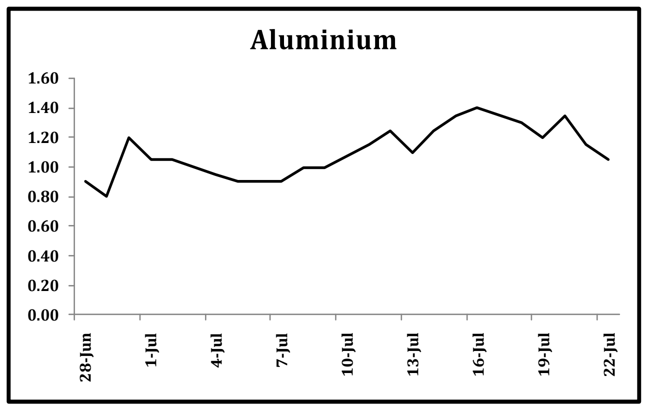
BASIS CHART
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



TECHNICALS: Aluminium prices traded higher on last week by reversing the previous trend. It made a low of 2472.5 then high of 2597 before settling higher at 2590 levels. It was up by 3.85% on last week. Closing of the candle renders bullish trend is still intact. Prices have made a Triangle breakout on the higher side. On sustained trade above is likely to remain higher. Prices are witnessing support at 2450 levels (previous swing lows). On sustained trade above is likely to remain higher. The principle of Fibonacci Retracement states that price have breached the resistance at 2573 levels which is 23.6% retracement of the range 1828-2803 levels. On sustained trade above is likely to test the origin point of 2803 levels in the near future. The Moving Average principle suggests higher potential as prices are trading well above the short and medium term EMA's of (8,21&34)weeks. Another momentum indicator RS-14 Weekly is treading at 0.536 levels and suggesting upside potential. However a mild correction on the lower side may be expected before resuming its uptrend.

METALS WEEKLY

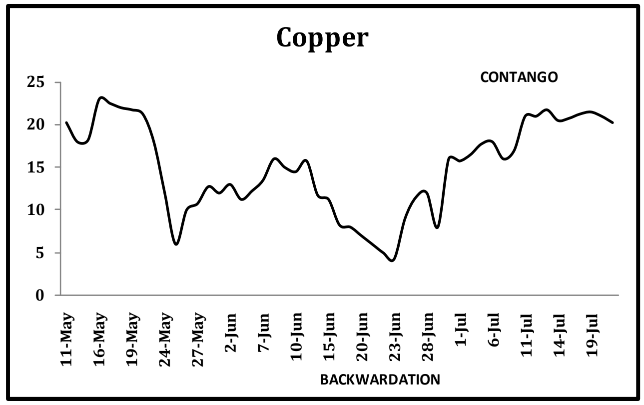
A Weekly Report on Metals

COPPER

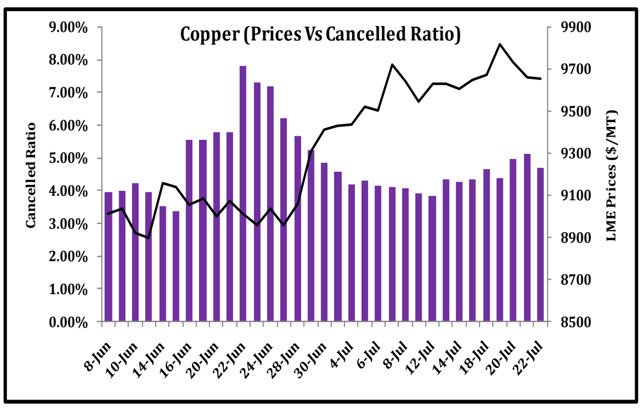
International Copper Study Group indicated that the global copper market was in deficit of 69,000 tonnes in the first four months of the year.

Workers at the world's top copper mine, Chile's Escondida, were on a strike of 24-hour over a series of wage contract demands thereby raising concerns on the supply front. In fact, supply growth continues to lag and thereby for the whole year, the copper market is expected to remain in deficit.

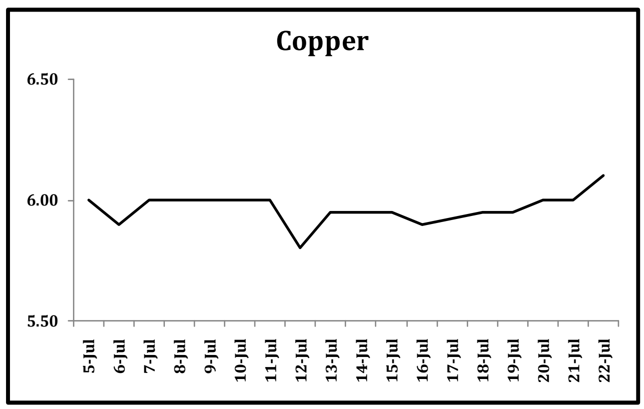
BASIS CHART
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes}

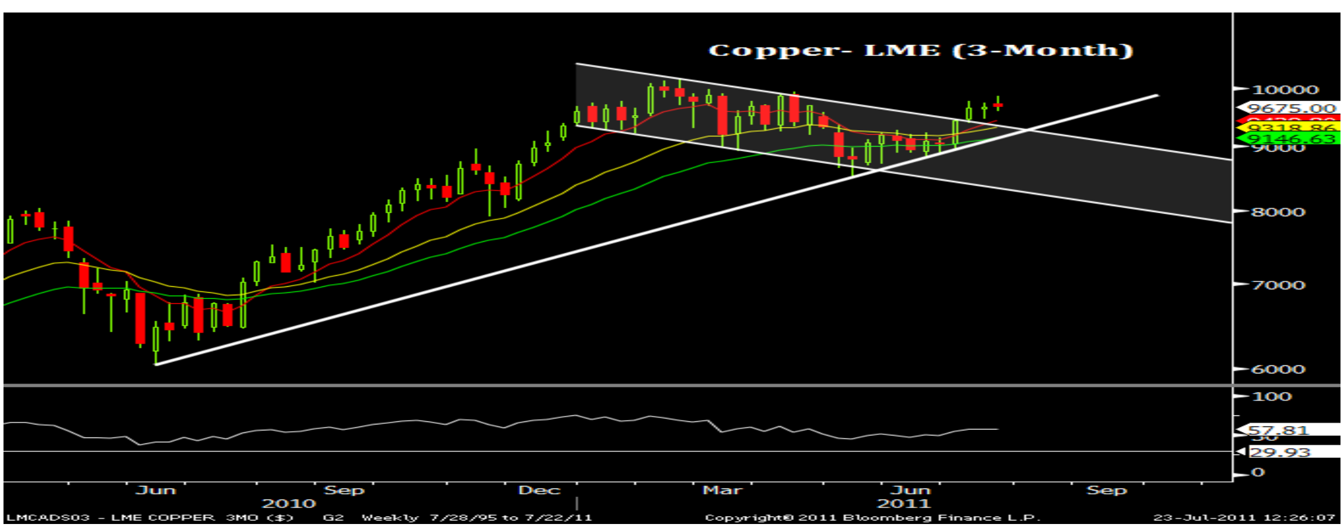


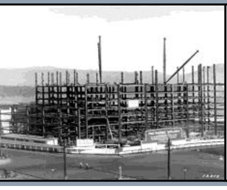
CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX








METALS WEEKLY

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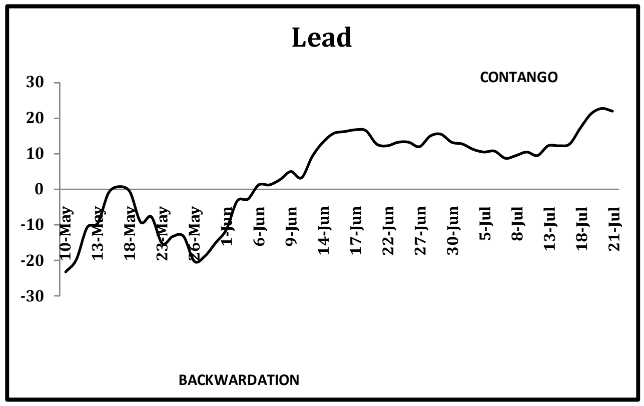
LEAD

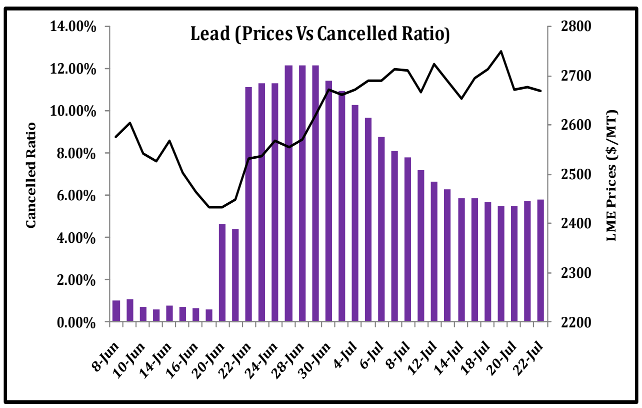
Global lead market remained in surplus of 96,400 tonnes in the first five months of 2011. Demand growth has been moderating given the slowing sales of automobiles in emerging markets.

Cancelled warrant ratio continues to remain lower, indicating that the build-up of stocks might be witnessed in the near term. Also the basis has moved higher indicating widening discount in the cash prices.

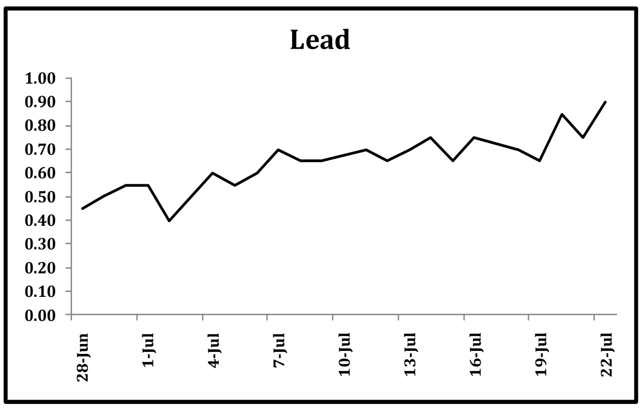
BASIS CHART
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes}

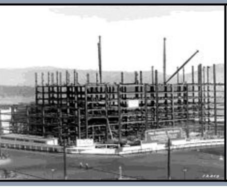


CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





METALS WEEKLY

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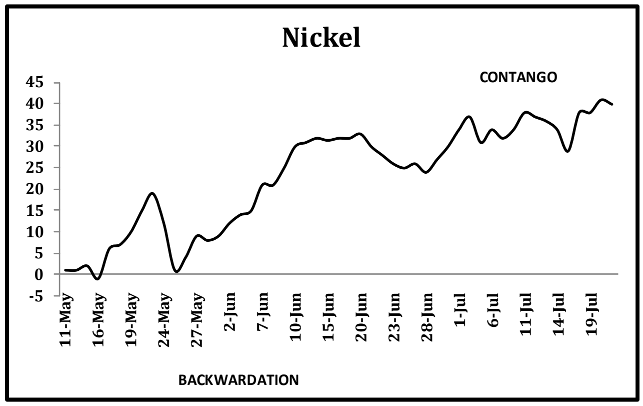
NICKEL

Australia's third-largest nickel miner, Western Areas, is forecasting that for the fiscal year 2011-12 nickel production of 25,000-27,000 tonnes as against 32,222 tonnes in the previous year.

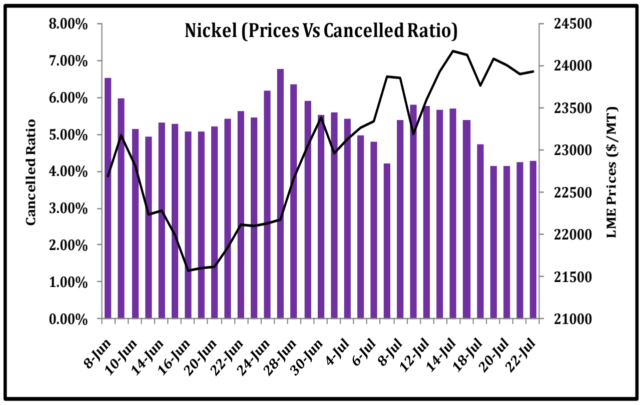
Global nickel market was in deficit 8,200 tonnes for the first five months of 2011. Cancelled warrant ratio continues to remain at average levels of 4 percent of total stocks indicating inventory might continue to witness draw-downs in the near term.

BASIS CHART

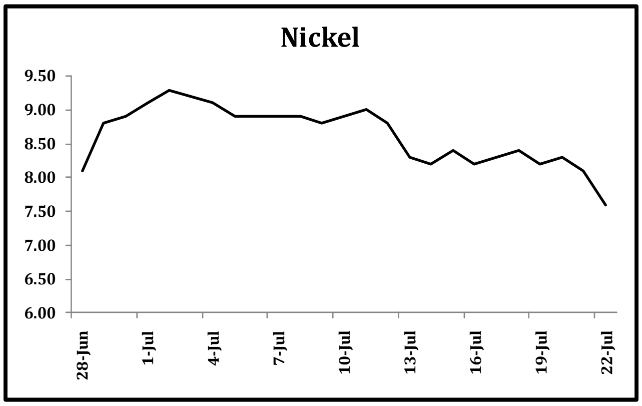
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



METALS WEEKLY

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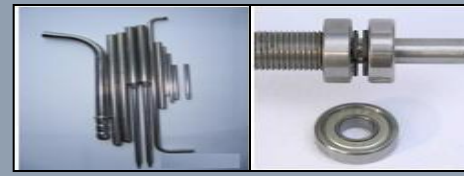


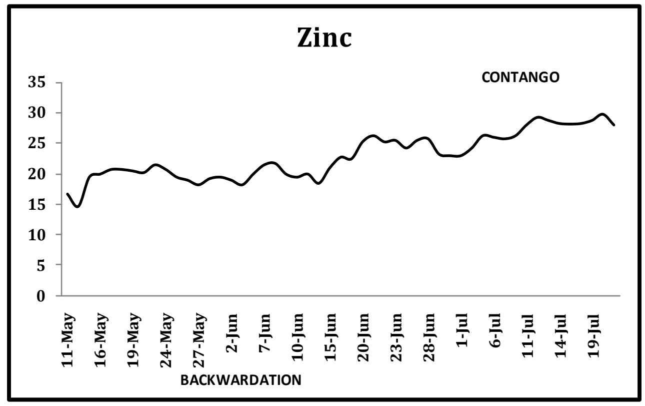
ZINC

Zinc was the top performer among the base metal pack. However in the week gone by, inventory draw-downs have been very uneven.

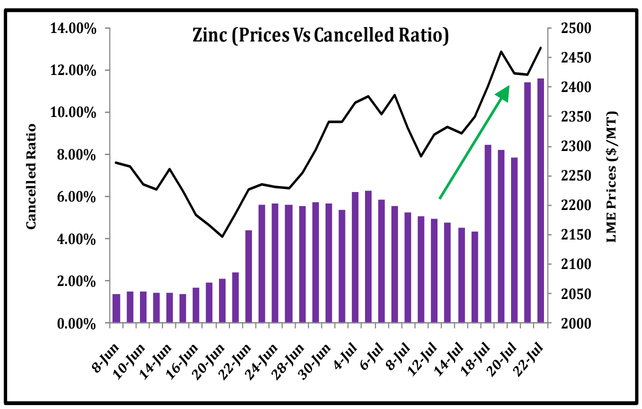
Cancelled warrant ratio on London Metal Exchange has moved higher and currently stands at nearly 12 percent of total stocks, the highest among the base metal pack. This is indicating demand might for the metal might be picking up and stocks would witness draw-downs in the near term.

BASIS CHART

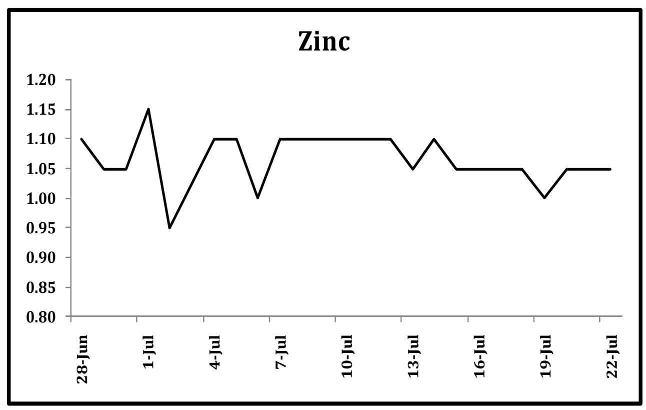
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)



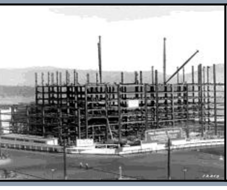
CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



TECHNICALS: Zinc prices traded completely higher on last week by continuing the previous trend. It made a low of 2380 then high of 2498 and settled higher at 2495 levels. It was top performer on last week among all the base metals and up by 4.94%. Closing of the candle renders bullish trend is still intact. Prices are witnessing Symmetrical Triangle formation on the weekly chart. A significant breakout on the higher side would confirm further bullish trend. Prices are witnessing Trend Line resistance at 2565 levels. On breach and sustained trade above is likely to trade further highs. The principle of Fibonacci Retracement states that prices after witnessing support at 2380 levels which 23.6% retracement and is running towards the origin point of the range 1577-2638.75 levels. 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 and also a crossover of the EMA's are likely to provide strength for the prices to move further upside. Another momentum indicator RS-14 Weekly is treading at 0.600 levels and suggesting higher potential.

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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		174.6	175.1	174.4	175.1	0.29%	-	-	-	-
STEEL LONG	NCDEX	Aug-11	29880	30520	29860	30480	1.60%	55,230	109.52%	26,030	55.87%

After consolidating for past few weeks, steel long prices moved higher and ended with gains of 1.6 percent. On NCDEX, prices ended at ₹30,480/tonne. Higher prices were accompanied by higher volumes and increase in open interest as well indicating strength in the market. Supply side concerns continue to remain as power shortages in key regions like Gobindgarh continue to support prices. Also higher raw material prices are prompting some of the companies to shut down operations thereby providing further boost to prices. Iron ore prices ended with modest gains as higher demand from China along with supply crunch continue to support prices.

DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date Time	Region	Event	Period	Survey	Prior
25/07/2011 18:00	US	Chicago Fed Nat Activity Index	JUN	-0.4	-0.37
25/07/2011 20:00	US	Dallas Fed Manufacturing Activity	JUL	-5.2	-17.5
26/07/2011 14:00	UK	GDP (QoQ)	2Q A	0.20%	0.50%
26/07/2011 18:30	US	S&P/Case Shiller Home Price Index	MAY	- -	138.84
26/07/2011 19:30	US	Consumer Confidence	JUL	56	58.5
26/07/2011 19:30	US	Richmond Fed Manufacturing Index	JUL	5	3
26/07/2011 19:30	US	New Home Sales	JUN	322K	319K
27/07/2011 11:30	GE	Import Price Index (MoM)	JUN	-0.20%	-0.60%
27/07/2011 18:00	US	Durable Goods Orders	JUN	0.30%	1.90%
28/07/2011 13:25	GE	Unemployment Rate (sa)	JUL	7.00%	7.00%
28/07/2011 14:30	EC	Business Climate Indicator	JUL	0.83	0.92
28/07/2011 14:30	EC	Euro-Zone Consumer Confidence	JUL F	-11.4	-11.4
28/07/2011 14:30	EC	Euro-Zone Economic Confidence	JUL	104	105.1
28/07/2011 14:30	EC	Euro-Zone Industrial Confidence	JUL	1.8	3.2
28/07/2011 14:30	EC	Euro-zone Services Confidence	JUL	9.2	9.9
28/07/2011 18:00	US	Initial Jobless Claims	23-Jul	410K	418K
28/07/2011 18:00	US	Continuing Claims	16-Jul	3700K	3698K
28/07/2011 19:30	US	Pending Home Sales MoM	JUN	-2.00%	8.20%
29/07/2011 05:20	JN	Industrial Production (MoM)	JUN P	4.50%	6.20%
29/07/2011 11:30	GE	Retail Sales (MoM)	JUN	1.70%	-2.80%
29/07/2011 18:00	US	GDP QoQ (Annualized)	2Q A	1.80%	1.90%
29/07/2011 18:00	US	Personal Consumption	2Q A	0.80%	2.20%
29/07/2011 19:15	US	Chicago Purchasing Manager	JUL	60	61.1
29/07/2011 19:25	US	U. of Michigan Confidence	JUL F	64	63.8

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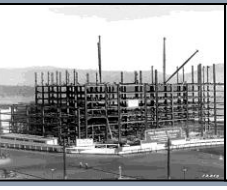


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