



METALS WEEKLY

A Weekly Report on Metals



OUTLOOK

Friday's employment report from US where in no job additions was witnessed in the month of August indicated that the World's largest economy continues to remain fragile. In the coming week, US president's speech along with data from China would be keenly watched. After weak manufacturing numbers from most part of the globe, PMI numbers from Euro zone and UK are expected to come in lower this week. From US, ISM non-manufacturing numbers might also indicate moderation in activity in other sectors as well.

Bank of England is expected to keep interest rates unchanged at 0.50 percent as economic conditions continue to remain weak. European Central Bank might also keep the interest rates unchanged at 1.50 percent after two rate hikes as economic conditions of peripheral European nations continue to remain weak. In China, industrial production numbers would indicate some moderation as higher interest rates start to impact. However inflation might also moderate after hitting the highest level since 2008. On the fundamental front, some of the supply concerns might ease as World's largest miner of Copper, Escondida - Chile, has lifted force majeure on shipments. Also threat of stoppage of work has also alleviated as workers opted against the stoppage. Equity markets are also expected to remain under pressure as weak economic data along with probe against some of the largest banks in US might weigh on stocks prices. Overall, base metal prices are expected to remain under pressure however a recovery in the later part of the week cannot be ruled out but might materialize only if any stimulus indications are given by the US president.

| TECHNICAL RECOMMENDATIONS* | | | | | | | | | |
|-------------------------------|--------|-------|-------|-------|-------|--------|--------|--------|---------------------------------------|
| Commodity | Series | S3 | S2 | S1 | CLOSE | R1 | R2 | R3 | Recommendations |
| LME Aluminium | Fwd | 2289 | 2335 | 2385 | 2436 | 2481 | 2527 | 2577 | Sell at 2470-90 TP 2385/2335 SL 2550 |
| MCX Aluminium | Sep-11 | 105.0 | 106.9 | 109.0 | 111.2 | 113.0 | 114.9 | 117.0 | Sell at 113 TP 109/107 SL 116 |
| LME Copper | Fwd | 8675 | 8847 | 8961 | 9076 | 9247 | 9419 | 9533 | Sell below 9015 TP 8750/600 SL 9250 |
| MCX Copper | Nov-11 | 400.9 | 408.5 | 414.1 | 419.7 | 427.3 | 434.9 | 440.5 | Sell below 416 TP 409/403 SL 423 |
| LME Lead | Fwd | 2287 | 2373 | 2417 | 2460 | 2546 | 2633 | 2676 | Sell at 2500-520 TP 2380 SL 2600 |
| MCX Lead | Sep-11 | 107.2 | 110.5 | 112.3 | 114.2 | 117.5 | 120.8 | 122.6 | Sell at 115.5/16.5 TP 112.5/10 SL 119 |
| LME Nickel | Fwd | 19775 | 20500 | 21000 | 21500 | 22225 | 22950 | 23450 | Sell at 21700-800 TP 20500 SL 22500 |
| MCX Nickel | Sep-11 | 912.5 | 944.7 | 967.0 | 989.2 | 1021.5 | 1053.7 | 1076.0 | Sell at 1000-1005 TP 970/950 SL 1030 |
| LME Zinc | Fwd | 2012 | 2095 | 2145 | 2195 | 2278 | 2361 | 2411 | Sell at 2220-240 TP 2110/050 SL 2315 |
| MCX Zinc | Sep-11 | 92.0 | 95.8 | 98.2 | 100.6 | 104.4 | 108.2 | 110.6 | Sell at 102-103 TP 98.5/96 SL 105.5 |
| Steel NCDEX | Sep-11 | 29180 | 29350 | 29510 | 29680 | 29840 | 30000 | 30170 | Range 30000-29350 |

*NOTE: The calls shown above are purely WEEKLY Recommendations

Key Economic Events this Week

| Date Time | Region | Event | Period | Survey | Prior |
|------------------|--------|---------------------------------|--------|--------|--------|
| 05/09/2011 14:30 | EC | Euro-Zone Retail Sales (MoM) | JUL | 0.00% | 0.90% |
| 06/09/2011 19:30 | US | ISM Non-Manufacturing Composite | AUG | 51 | 52.7 |
| 08/09/2011 16:30 | UK | BOE ANNOUNCES RATES | 8-Sep | 0.50% | 0.50% |
| 08/09/2011 17:15 | EC | ECB Announces Interest Rates | 8-Sep | 1.50% | 1.50% |
| 09/09/2011 07:30 | CH | Consumer Price Index (YoY) | AUG | 6.20% | 6.50% |
| 09/09/2011 | CH | Industrial Production (YoY) | AUG | 13.70% | 14.00% |

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 | 2385 | 2476 | 2380 | 2436 | 2.44 | 111,215 | -20.70 | 3,215 | -29.70 |
| | Copper | 9082.75 | 9304 | 9018 | 9076 | 0.01 | 138,866 | -39.62 | 2,395 | -53.31 |
| | Lead | 2495 | 2589.5 | 2459.75 | 2460 | -1.01 | 46,647 | 0.25 | 1,607 | -46.24 |
| | Nickel | 21701 | 22450 | 21225 | 21500 | 0.23 | 23,205 | -37.18 | 715 | -62.66 |
| | Zinc | 2240 | 2311 | 2178 | 2195 | -2.31 | 75,375 | 13.40 | 1,877 | -32.99 |
| MCX Futures (₹/Kg) | Aluminium | 109.1 | 112.75 | 108.75 | 111.15 | 1.69 | 13,283 | 494.85 | 1,705 | 67.98 |
| | Copper | 420.5 | 429.25 | 416.05 | 419.65 | -0.44 | 249,865 | 302.05 | 16,474 | 69.70 |
| | Lead | 115.35 | 118.95 | 113.8 | 114.15 | -1.25 | 48,714 | 523.82 | 2,678 | 164.89 |
| | Nickel | 1007 | 1031.5 | 977 | 989.2 | -2.34 | 127,012 | 246.19 | 7,352 | 111.75 |
| | Zinc | 103.75 | 105.8 | 99.6 | 100.55 | -3.69 | 48,214 | 595.83 | 3,868 | 435.73 |

MARKET OVERVIEW

- After trading higher for the initial part of the week, base metals pared most of their gains and ended mostly lower with losses of anywhere between half to three percent. Weak economic data along with concerns about the Euro zone weighed on the prices. Dollar index also rallied by more than a percent thereby creating pressure on metal prices
- Aluminium was the only exception as it ended with gains of more than two percent on LME and 1.7 percent on MCX. Zinc however underperformed the entire base metal pack as it ended lower with losses of more than 2.3 percent on LME and nearly 3.7 percent on MCX
- On MCX, both the volumes and the open interest were on the higher side indicating selling pressure persisting in the market. However opposite stance, i.e., lower volumes and decline in open interest was witnessed

SHANGHAI MARKET PERFORMANCE

| PRICES (CNY/MT) | | | | |
|-----------------|---------------|-----------|--------|----------|
| Commodity | Previous Week | This Week | Change | % Change |
| Copper | 67270 | 67980 | 710 | 1.06% |
| Zinc | 16860 | 16875 | 15 | 0.09% |
| Aluminum | 17610 | 17715 | 105 | 0.60% |

COMEX MARKET PERFORMANCE

| PRICES (USD/LB) | | | | |
|-----------------|---------------|-----------|--------|----------|
| Commodity | Previous Week | This Week | Change | % Change |
| Copper | 409.9 | 410.7 | 0.8 | 0.20% |



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Commodity Futures Trading Commission (CFTC) Report- Copper

According to US CFTC data on copper, contrasting positions was witnessed on the commercial and non-commercial side of the market. On the non-commercial side, short positions increased at a faster pace while the hedger side of the market witnessed unwinding from both the side. Overall, decline in positions was witnessed with long unwinding outpacing the shorts.

| CFTC Report - Copper (In contracts) | | | | |
|-------------------------------------|-----------|-----------|--------|----------|
| Non-Commercial | 8/23/2011 | 8/30/2011 | Change | % Change |
| Long | 28138 | 28750 | 612 | 2.17% |
| Short | 24288 | 26048 | 1760 | 7.25% |
| Spreading | 13116 | 10645 | -2471 | -18.84% |
| Commercial | | | | |
| Long | 72457 | 63839 | -8618 | -11.89% |
| Short | 71157 | 62367 | -8790 | -12.35% |
| Total | | | | |
| Long | 113711 | 103234 | -10477 | -9.21% |
| Short | 108561 | 99060 | -9501 | -8.75% |

INVENTORY DETAILS

| LME WAREHOUSE STOCKS (In tonnes) | | | | |
|----------------------------------|---------------|-----------|--------|----------|
| Commodity | Previous week | This week | Change | % Change |
| Copper | 464925 | 466075 | 1150 | 0.25% |
| Zinc | 861400 | 854125 | -7275 | -0.84% |
| Aluminium | 4649000 | 4628125 | -20875 | -0.45% |
| Lead | 317200 | 321500 | 4300 | 1.36% |
| Nickel | 105018 | 103290 | -1728 | -1.65% |

| COMEX WAREHOUSE STOCKS (In tonnes) | | | | |
|------------------------------------|---------------|-----------|--------|----------|
| Commodity | Previous week | This week | Change | % Change |
| Copper | 86270 | 85261 | -1009 | -1.17% |

| SHANGHAI WAREHOUSE STOCKS (In tonnes) | | | | |
|---------------------------------------|---------------|-----------|--------|----------|
| Commodity | Previous week | This week | Change | % Change |
| Copper | 102258 | 107790 | 5532 | 5.41% |
| Zinc | 417784 | 415445 | -2339 | -0.56% |
| Aluminium | 124808 | 117799 | -7009 | -5.62% |



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ECONOMIC REVIEW

- Employment report from US turned out to be weaker than anticipated. The economy added no jobs in the month of August, worst since September 2010. Even the numbers of June and July revised downwards thereby keeping the unemployment rate at higher level of 9.1 percent
- Manufacturing numbers from most part of the globe, like Europe, Germany or US, continued to indicate moderation in growth measures thereby raising concerns that recovery is hitting roadblock. Silver lining however remained the Chinese PMI numbers which indicate pick-up in activity on the back of strong domestic demand
- Greece equity markets rallied nearly 15 percent in just couple of trading sessions after two of the country's largest banks merged thereby boosting optimism. However this remained short lived as the Greek government indicated that it might miss the budget deficit target and thereby the fiscal condition of the nation continue to remain under stress
- Equity markets performance across the globe diverged. US markets ended modestly lower while the Chinese market witnessed cuts of more than three percent. Most of the other markets ended higher with gains of anywhere between two to six percent

| Equity Indices | Last Week | This Week | % Change |
|---------------------|-----------|-----------|----------|
| Dow Jones Ind. Avg. | 11284.54 | 11240.26 | -0.39% |
| S&P 500 Index | 1176.80 | 1173.97 | -0.24% |
| FTSE 100 Index | 5129.92 | 5292.03 | 3.16% |
| Nikkie 225 | 8797.78 | 8950.74 | 1.74% |
| Shanghai Composite | 2612.19 | 2528.28 | -3.21% |
| Nifty | 4747.80 | 5040.00 | 6.15% |

| Currency | Last Week | This Week | % Change |
|--------------|-----------|-----------|----------|
| Dollar Index | 73.814 | 74.756 | 1.28% |
| EUR/USD | 1.4499 | 1.4205 | -2.03% |
| GBP/USD | 1.6368 | 1.6217 | -0.92% |
| USD/INR | 46.155 | 45.7875 | -0.80% |

| Bond Yields | Last Week | This Week | Change (in bps) |
|---------------------|-----------|-----------|-----------------|
| US 10 year bond | 2.1899 | 1.9857 | -20.4 |
| German 10 year bond | 2.157 | 2.008 | -14.9 |
| India 10 year bond | 8.303 | 8.336 | 3.3 |



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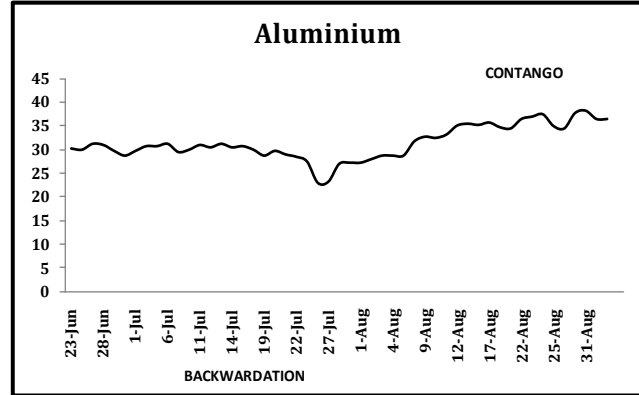
ALUMINIUM

National Aluminium Co Ltd (NALCO) of India has raised aluminium prices by ₹2,000 per tonne or \$43.6 per tonne. The company is expecting a price range of \$2,300-2,500 per tonne for the next couple of months. Company's tender for export of material serves as a global benchmark.

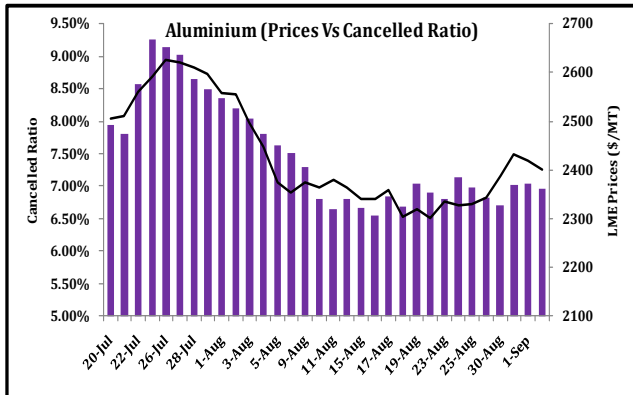
Cancelled warrant ratio has been stabilizing close to 7 percent of total stocks indicating that in the near term draw-downs might be witnessed.

BASIS CHART

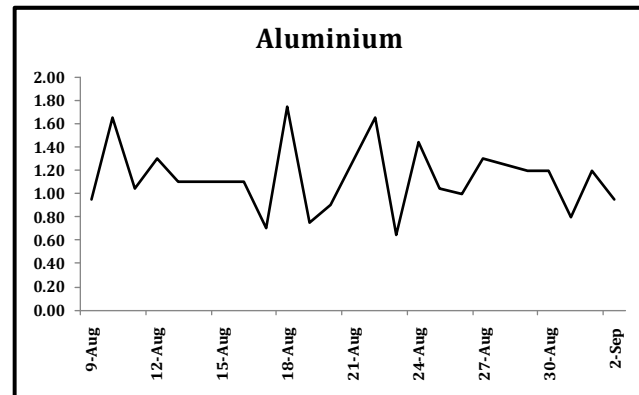
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}

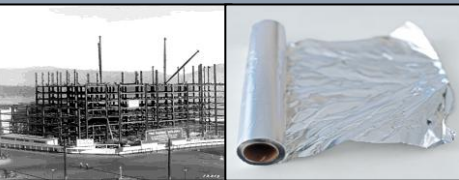


CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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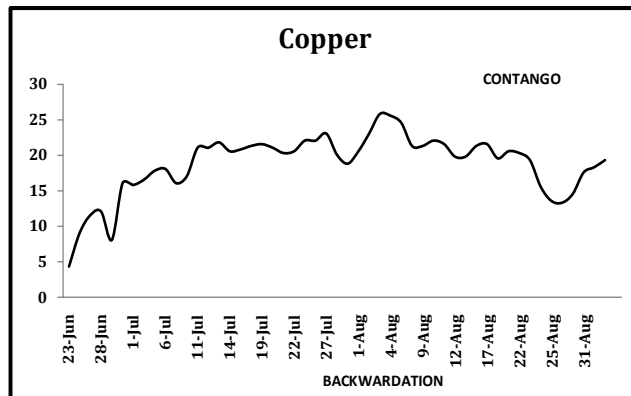
COPPER

Supply concerns have been putting a floor on the copper prices. However some of the concerns might ease as World's largest miner of Copper, Escondida – Chile, has lifted force majeure on shipments. Also threat of stoppage of work has also alleviated as workers opted against the stoppage.

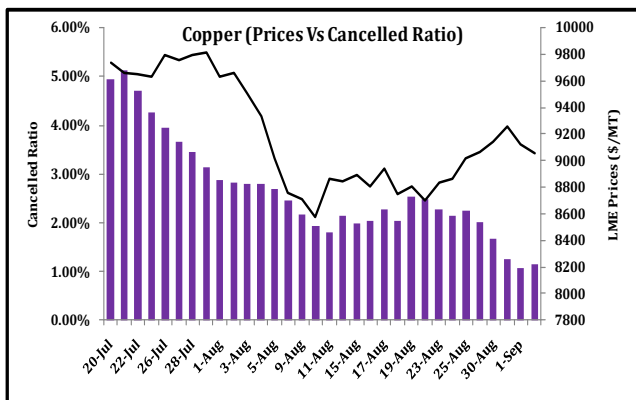
Cancelled warrant ratio of copper has declined to just near 1 percent of total stocks indicating waning demand for the metal in the near term.

BASIS CHART

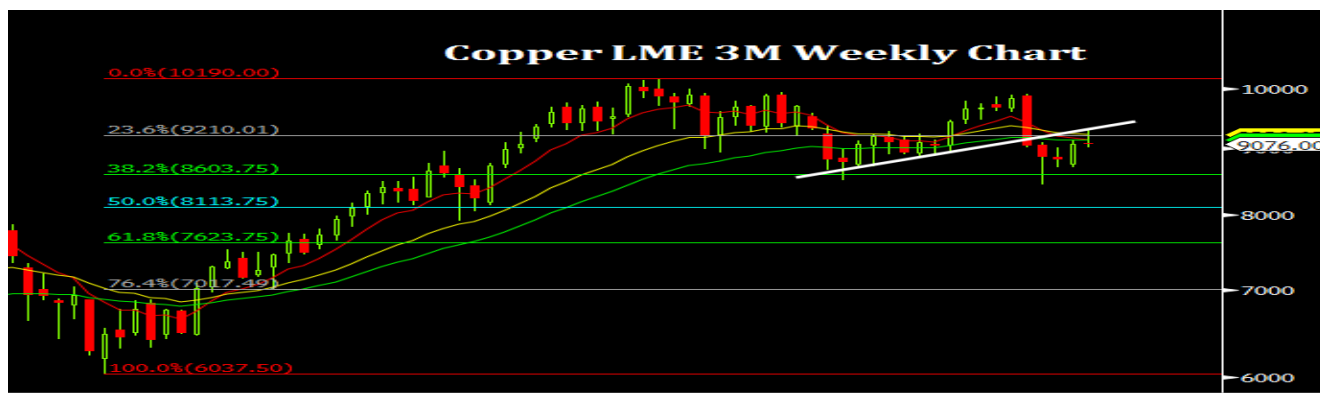
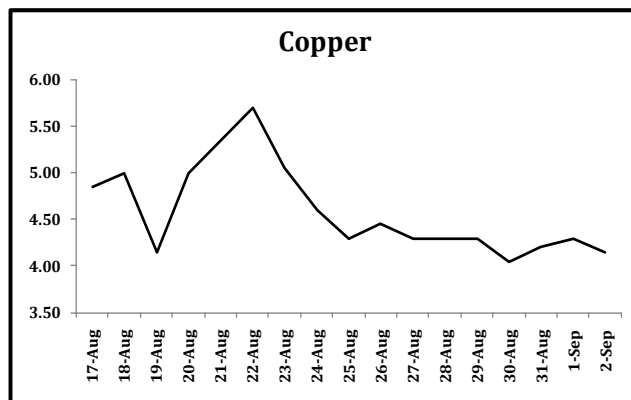
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



TECHNICALS: LME Copper prices traded initially higher and closed flat on last week. It made a high of 9304 then low of 9018 levels before settling lower at 9076 levels. Closing of the candle renders **Long Legged DOJI** which is a reversal pattern. 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 and potential to test 8603 levels which is 38.2% retracement of the above mentioned range. Prices are witnessing crucial Trend Line resistance at 9305 levels. On sustained trade below is likely to trade lower side. The Moving Average principle suggests down side potential as prices are trading well below the short and medium term EMA's of (8,21&34) weeks. **Conclusion:** Going by the above constraint we from KCTL Research expect prices to trade lower and recommend selling on break of 9015 levels.



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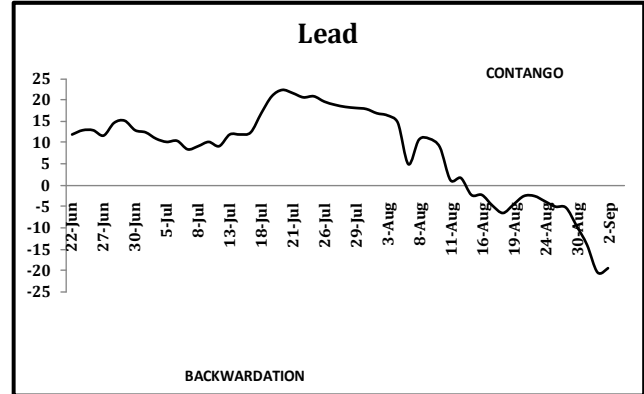
LEAD

Terramin Australia, whose operations were disturbed owing to an electrical incident, has resumed work after repairs. The company is expected to meet the full year production forecast of 18,500 tonnes.

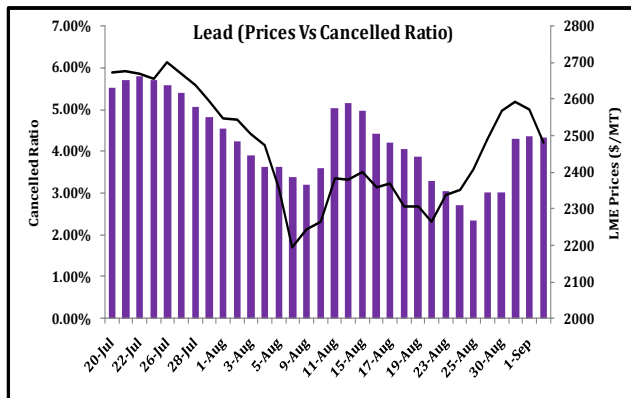
Lead market continues to remain in backwardation; cash prices are trading at a premium of \$20/tonne to forwards. However this is not translating into lead price increase owing to concerns on the macro front.

BASIS CHART

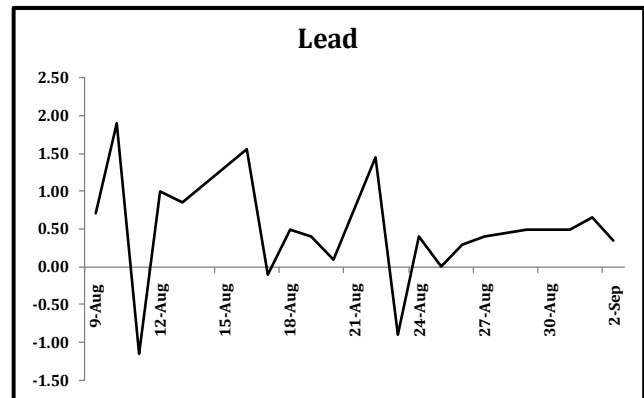
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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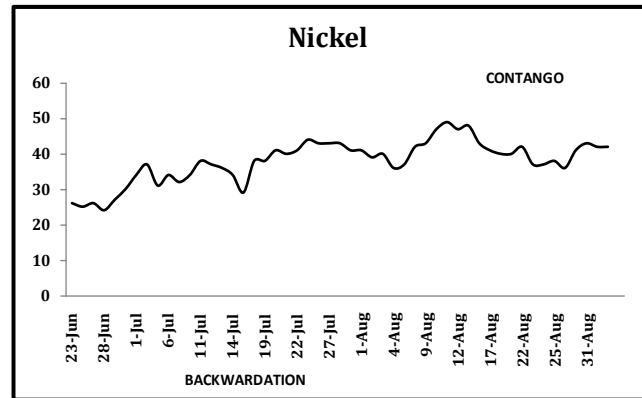
NICKEL

As of now, talks between the workers and the management of Vale's Thompson mining complex in Canada are moving smoothly. The current contract between of workers expires in the month of September. The operation has a capacity of 60,000 tonnes of refined nickel and any disruption in activity might support the prices.

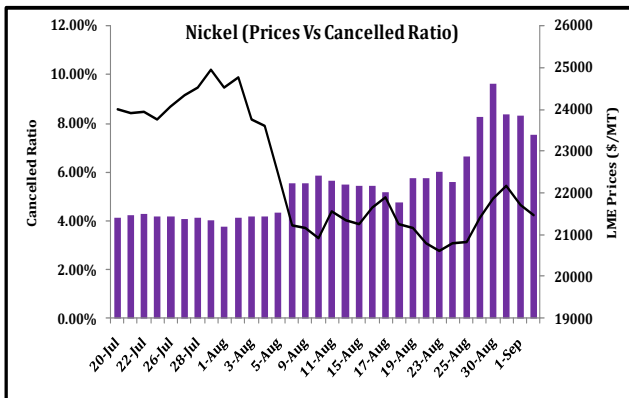
Basis on LME now has been stabilizing near the \$40/tonne levels thereby giving no clear indication for future price movement.

BASIS CHART

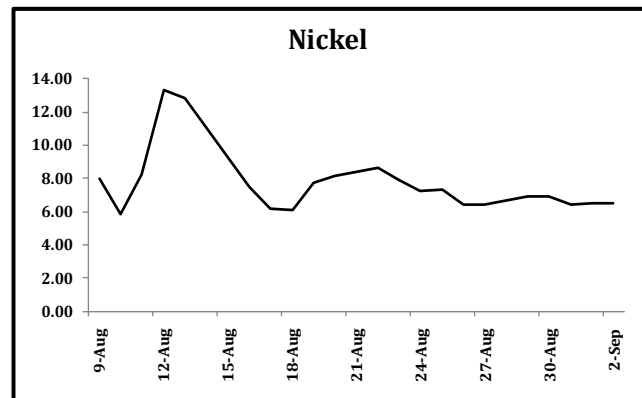
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



TECHNICALS: LME Nickel prices traded initially higher before paring all its gains and closing in red. In the week gone by it made a high of 22450 then low of 21225 levels before settling lower at 21500 levels. Closing of the candle renders limited up trend. Prices are witnessing Trend Channel formation on the weekly chart and hovering within the upper and lower trend channel past couple of weeks. This time prices are likely to witness lower trend channel support at 20250 levels. On breach and sustained trade below is likely to trade further bearish. If we talk about the Trend Lines prices have breached two crucial trend line supports medium term and long term at 22000 levels. On sustained trade below is likely to remain lower. The Moving Average principle suggesting lower potential as prices after witnessing resistance at 8 Week Short term EMA at 22250 levels also trading well below the medium term EMA's of 21 & 34 Weeks. Another momentum indicator RSI 14 Weekly is trading at 0.397 levels and suggesting lower potential.



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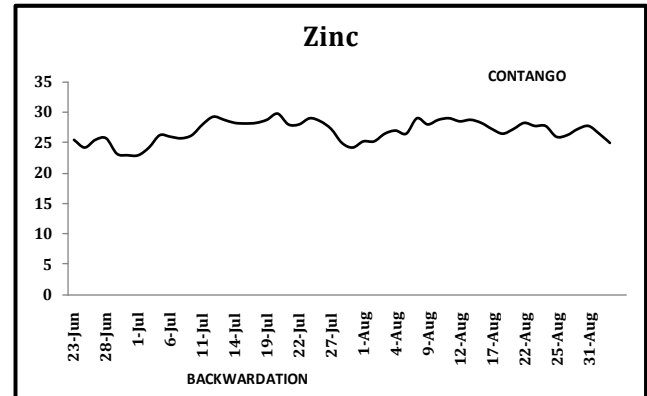
ZINC

Zinc prices underperformed the entire base metal pack as it ended lower with losses of nearly 3 percent. This comes despite stocks witnessing draw-downs on both London Metal Exchange and Chinese warehouses indicating macro concerns weighing on prices.

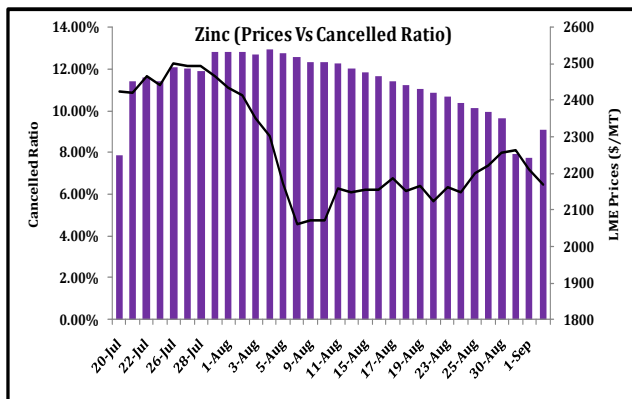
Cancelled warrant ratio has moved back higher after drifting lower towards 8 percent indicating draw-downs might continue in the near term.

BASIS CHART

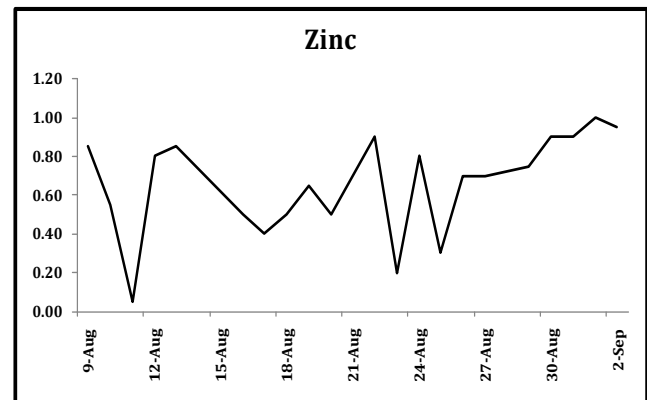
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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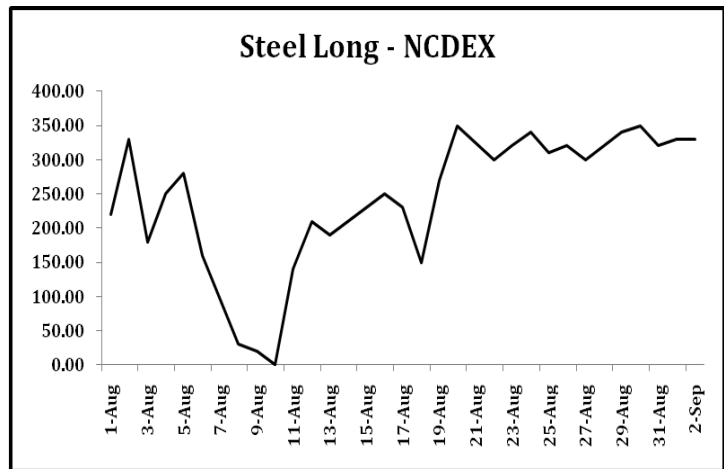
STEEL LONG NCDEX

| 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 | | 178.9 | 180.8 | 178.9 | 180.8 | 1.29% | - | - | - | - |
| STEEL LONG | NCDEX | Sep-11 | 29740 | 29840 | 29510 | 29680 | -0.40% | 15,200 | -59.31% | 39,770 | -1.05% |

STEEL LONG NCDEX:

In a truncated trading week, steel long prices on NCDEX ended lower with losses of 0.4 percent at 29,680/tonne. Concerns on the demand front continue to weigh on steel prices. Indian economy grew at 7.7 percent in the second quarter of 2011 as some of the sectors like construction remained sluggish. Construction grew by a meager 1.2 percent as against 7.7 percent a year earlier. Rising input costs along with hardening interest rates has been hurting demand in the construction sector. Iron ore prices however moved higher by more than a percent after Supreme Court extended ban on iron ore mining in Chitradurga and Tumkur districts as well. These both the districts together account for nearly 7 percent of the country's total iron ore output. Overall, steel prices are expected to largely consolidate as higher raw material prices would limit the downside while demand concerns would not lead to any substantial gains for the metal.

CALENDAR SPREAD ON NCDEX





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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

| Date | Time | Region | Event | Period | Survey | Prior |
|------------|-------|--------|---------------------------------|--------|----------|----------|
| 05/09/2011 | 13:25 | GE | PMI Services | AUG F | 50.4 | 50.4 |
| 05/09/2011 | 13:30 | EC | PMI Composite | AUG F | 50.9 | 51.1 |
| 05/09/2011 | 13:30 | EC | PMI Services | AUG F | 51.5 | 51.5 |
| 05/09/2011 | 14:00 | UK | PMI Services | AUG | 54 | 55.4 |
| 05/09/2011 | 14:30 | EC | Euro-Zone Retail Sales (MoM) | JUL | 0.00% | 0.90% |
| 06/09/2011 | 14:30 | EC | Euro-Zone GDP s.a. (QoQ) | 2Q P | 0.20% | 0.20% |
| 06/09/2011 | 15:30 | GE | Factory Orders MoM (sa) | JUL | -1.50% | 1.80% |
| 06/09/2011 | 19:30 | US | ISM Non-Manufacturing Composite | AUG | 51 | 52.7 |
| 07/09/2011 | 14:00 | UK | Industrial Production (MoM) | JUL | 0.20% | 0.00% |
| 07/09/2011 | | JN | BOJ Target Rate | 7-Sep | -- | 0.10% |
| 08/09/2011 | 11:30 | GE | Exports SA (MoM) | JUL | 0.50% | -1.20% |
| 08/09/2011 | 11:30 | GE | Imports SA (MoM) | JUL | 0.30% | 0.30% |
| 08/09/2011 | 11:30 | GE | Current Account (EURO) | JUL | 10.0B | 11.9B |
| 08/09/2011 | 11:30 | GE | Trade Balance | JUL | 11.5B | 12.7B |
| 08/09/2011 | 16:30 | UK | BOE ANNOUNCES RATES | 8-Sep | 0.50% | 0.50% |
| 08/09/2011 | 17:15 | EC | ECB Announces Interest Rates | 8-Sep | 1.50% | 1.50% |
| 08/09/2011 | 18:00 | US | Trade Balance | JUL | -\$51.0B | -\$53.1B |
| 08/09/2011 | 18:00 | US | Initial Jobless Claims | 3-Sep | 405K | 409K |
| 08/09/2011 | 18:00 | US | Continuing Claims | 27-Aug | 3700K | 3735K |
| 09/09/2011 | 05:20 | JN | Gross Domestic Product (QoQ) | 2Q F | -0.50% | -0.30% |
| 09/09/2011 | 07:30 | CH | Consumer Price Index (YoY) | AUG | 6.20% | 6.50% |
| 09/09/2011 | 07:30 | CH | Producer Price Index (YoY) | AUG | 7.20% | 7.50% |
| 09/09/2011 | 11:30 | GE | Consumer Price Index (MoM) | AUG F | -0.10% | -0.10% |
| 09/09/2011 | 19:30 | US | Wholesale Inventories | JUL | 0.80% | 0.60% |
| 09/09/2011 | | CH | Industrial Production (YoY) | AUG | 13.70% | 14.00% |
| 09/09/2011 | | CH | Retail Sales (YoY) | AUG | 17.00% | 17.20% |

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