



METALS WEEKLY

A Weekly Report on Metals



OUTLOOK

Base Metal prices though ended lower traded in a very narrow range in the week gone by as market participants remained cautious owing to frequent developments in the Euro region. In the coming week however some of the focus may shift back to US given the schedule of crucial FOMC announcement on 21st.

Economic situation in the Euro zone continue to remain messy and despite the various measures like the dollar denominated loans to banks and bailout support to smaller nations like Greece, no sustainable long term measures are being announced. Bond auctions of Italy and Spain witnessed higher yields indicating financing remains tough for these nations. Economic data like the ZEW survey and PMI numbers from the Euro zone are also expected to come in negative. From US, FOMC meet would be the crucial and the expectation is that the Fed might take some measures, but given the constraints that it is operating under, it seems unlikely that anything substantial might be announced. On the fundamental front, workers at Freeport-McMoRan's Grasberg copper mine in Indonesia continue to remain on strike as they demand higher wages. Company though has not indicated any loss of output; government indicated that it may lose output of close to 230,000 tonnes of ore per day. Supply concerns might limit the downside for the copper prices while the concerns on the macro front continue to remain and are limiting the upside as well. Overall, base metal prices are expected to remain on the lower side.

TECHNICAL RECOMMENDATIONS*									
Commodity	Series	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
LME Aluminium	Fwd	2270	2302	2341	2380	2412	2443	2482	Sell at 2405 TP 2300 SL2460
MCX Aluminium	Sep-11	105.7	107.3	109.3	111.3	113.0	114.6	116.6	Sell at 112.50 TP 110 SL 113.50
LME Copper	Fwd	8274	8432	8564	8696	8854	9012	9144	Sell at 8740 TP 8440 SL 8910
MCX Copper	Nov-11	395.9	402.9	408.3	413.8	420.8	427.8	433.2	Sell at 415.50 TP 405 SL above 421.2
LME Lead	Fwd	2187	2257	2311	2365	2434	2504	2558	Sell below 2330 TP 2180 SL 2430
MCX Lead	Sep-11	107.7	110.1	111.5	113.0	115.4	117.8	119.2	Sell below 111.60 TP 107.90 SL 113.5
LME Nickel	Fwd	19675	20238	20874	21510	22073	22636	23272	Trading Range: 22401 - 20750
MCX Nickel	Sep-11	925.8	953.7	986.9	1020.1	1048.0	1075.9	1109.1	Trading Range : 1045 - 974
LME Zinc	Fwd	2037	2086	2123	2159	2208	2257	2294	Sell at 2170 TP 2030 SL 2230
MCX Zinc	Sep-11	94.9	97.6	99.8	101.9	104.6	107.3	109.5	Sell below 101 TP 96.3 SL above 103
Steel NCDEX	Oct-11	28773	29117	29493	29870	30213	30557	30933	Sell below 29890 TP 29460 SL 30007

*NOTE: The calls shown above are purely WEEKLY Recommendations

Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
20/09/2011 14:30	GE	Zew Survey (Current Situation)	SEP	45	53.5
20/09/2011 18:00	US	Housing Starts	AUG	590K	604K
20/09/2011 18:00	US	Building Permits	AUG	590K	597K
21/09/2011 23:45	US	FOMC Rate Decision	21-Sep	0.25%	0.25%
22/09/2011 13:00	GE	PMI Manufacturing	SEP A	50.5	50.9
22/09/2011 19:30	US	Leading Indicators	AUG	0.10%	0.50%

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	2365	2403.75	2333	2380	0.55	111,802	-11.77	2,417	-11.56
	Copper	8800	8880	8590	8696	-1.42	234,623	13.64	3,197	-11.71
	Lead	2449.5	2449.5	2326	2365	-3.45	39,289	-21.57	844	-34.83
	Nickel	21180	22000	20801	21510	1.70	27,505	-25.11	754	39.37
	Zinc	2194	2221	2135.5	2159	-1.19	67,180	-19.03	1,750	33.89
MCX Futures (₹/Kg)	Aluminium	109.6	112.65	109	111.3	1.23	23,160	8.76	2,058	0.83
	Copper	414.5	422.3	409.85	413.8	-0.45	545,807	26.40	20,527	6.25
	Lead	114.75	116.4	112.55	112.95	-1.87	76,711	6.09	2,402	-5.13
	Nickel	993.4	1042.7	981.6	1020.1	2.51	278,771	9.02	6,294	-17.17
	Zinc	101.5	105.15	100.3	101.9	-0.20	83,585	12.19	3,288	7.45

MARKET OVERVIEW

- Base metal prices continued their downward trajectory and ended lower with losses of half to three percent on the back of persistent concerns about the euro zone and growth in the developed nations like US. Regional manufacturing numbers from US came in on the lower side only except for industrial production numbers which indicated modest growth
- Lead was the top loser among the base metal pack as it ended lower with losses of 3.5 percent on LME. Increase in stocks on LME weighed on lead prices. Nickel however remained relative outperformer and closed in gains of close to two percent. Increase in demand supported prices to move higher
- Volumes were on the lower side on LME indicating cautious approach in the market and unwinding of positions was also witnessed for most of the metals

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	67900	65740	-2160	-3.18%
Zinc	16950	16740	-210	-1.24%
Aluminum	17845	17515	-330	-1.85%

COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	398.75	392	-6.75	-1.69%



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Commodity Futures Trading Commission (CFTC) Report- Copper

According to **US CFTC data on copper**, tepid activity was witnessed on the COMEX platform but the bias turned on to the shorts side. On the non-commercial side, short positions increased at a faster pace while on the commercial side long positions increased thereby offsetting each other but giving opposite indications for market. Overall, long positions increased at a faster pace.

CFTC Report - Copper (In contracts)				
Non-Commercial	9/6/2011	9/13/2011	Change	% Change
Long	30682	30700	18	0.06%
Short	27185	28872	1687	6.21%
Spreading	11106	10162	-944	-8.50%
Commercial				
Long	62986	64993	2007	3.19%
Short	60973	60937	-36	-0.06%
Total				
Long	104774	105855	1081	1.03%
Short	99264	99971	707	0.71%

INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	465225	466025	800	0.17%
Zinc	844875	837825	-7050	-0.83%
Aluminium	4604700	4581750	-22950	-0.50%
Lead	320125	327750	7625	2.38%
Nickel	99060	97650	-1410	-1.42%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	85578	85898	320	0.37%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	113300	112061	-1239	-1.09%
Zinc	414636	414494	-142	-0.03%
Aluminium	111350	110016	-1334	-1.20%



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ECONOMIC REVIEW

- India's industrial production grew by a modest 3.3 percent in July, its lowest level in two years. The fall was especially triggered by 15 percent decline in capital goods as against increase of 38 percent growth a year earlier. Consumer segment however continue to do well; durables grew by 8.6 percent and non-durable increased by 4.1 percent. Rupee continued to remain under pressure as it touched two year lows
- French and German ministers urged Greece's prime minister to meet the terms of its new bailout and they indicated that they were determined to keep the country in the euro zone. Along with this the European Central Bank along with other major central banks like Bank of Japan and Swiss Bank said that they would provide dollar denominated loans to the European banks, thereby supporting the European stocks, especially the banking sector. Euro also recovered and ended the week with gains of more than a percent
- Manufacturing numbers from US gave mixed indications as the regional numbers like the empire manufacturing and Philadelphia Fed manufacturing activity indicated contraction while the broader industrial production numbers indicated modest growth
- Equity markets ended higher, especially the developed nations like the US and the European markets, with gains of anywhere between two to five percent. Asian markets however clocked in only modest gains

Equity Indices	Last Week	This Week	% Change
Dow Jones Ind. Avg.	10992.13	11509.09	4.70%
S&P 500 Index	1154.23	1216.01	5.35%
FTSE 100 Index	5214.65	5368.41	2.95%
Nikkie 225	8737.66	8864.16	1.45%
Shanghai Composite	2497.75	2482.34	-0.62%
Nifty	5059.45	5060.00	0.01%

Currency	Last Week	This Week	% Change
Dollar Index	77.192	76.599	-0.77%
EUR/USD	1.3656	1.3796	1.03%
GBP/USD	1.5883	1.5791	-0.58%
USD/INR	46.565	47.2675	1.51%

Bond Yields	Last Week	This Week	Change (in bps)
US 10 year bond	1.9183	2.0479	13.0
German 10 year bond	1.772	1.863	9.1
India 10 year bond	8.309	8.363	5.4



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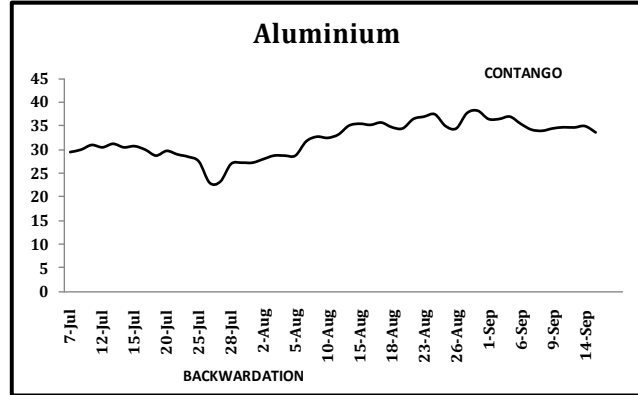
ALUMINIUM

Japanese shipments of aluminium products fell 4.8 percent in July to 170,916 tonnes. Aluminium stocks at three major Japanese ports also stood at their highest level since May 2009. On the industry front, NALCO has finalized a long-term contract for export of 300,000 tonnes of alumina at about 16 percent of the LME aluminium price.

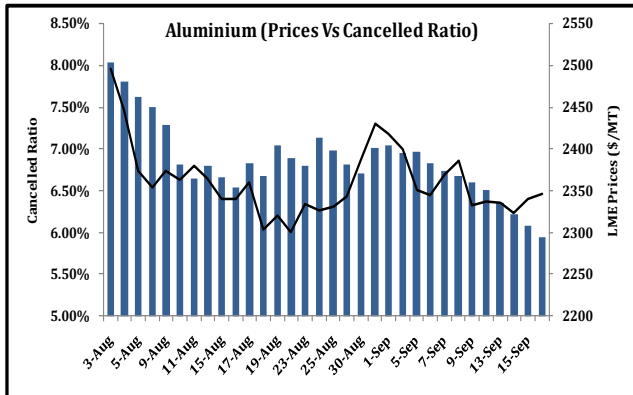
Cancelled warrant ratio on LME continues to drift lower indicating slower pace of draw-down in stocks or even build-up might be witnessed.

BASIS CHART

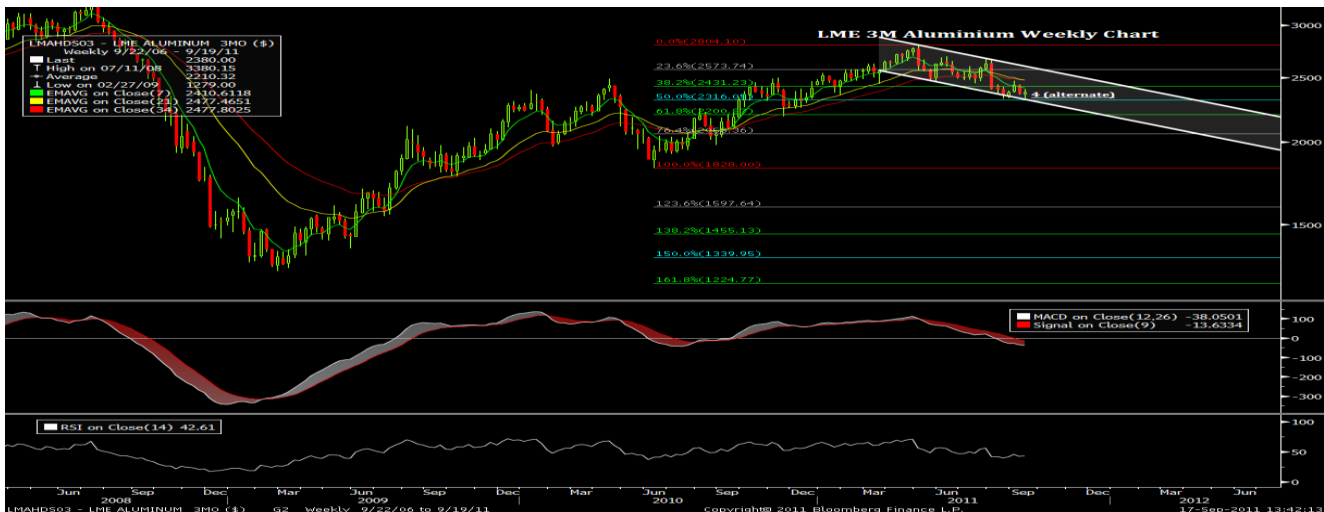
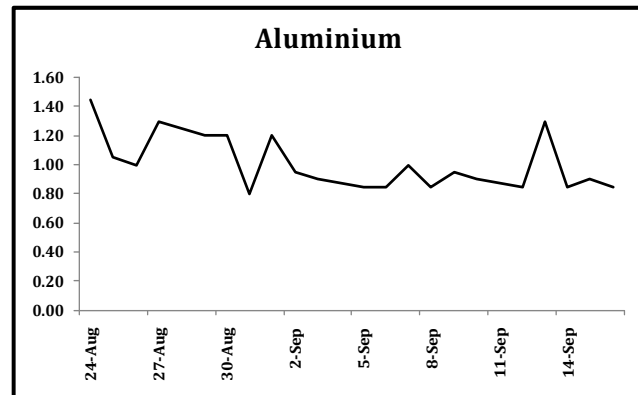
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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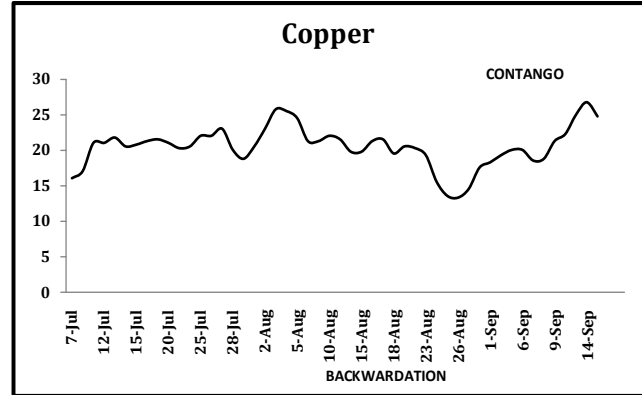
COPPER

Workers at Freeport-McMoRan's Grasberg copper mine in Indonesia continue to remain on strike as they demand higher wages. Company though has not indicated any loss of output, government indicated that it may lose output of close to 230,000 tonnes of ore per day.

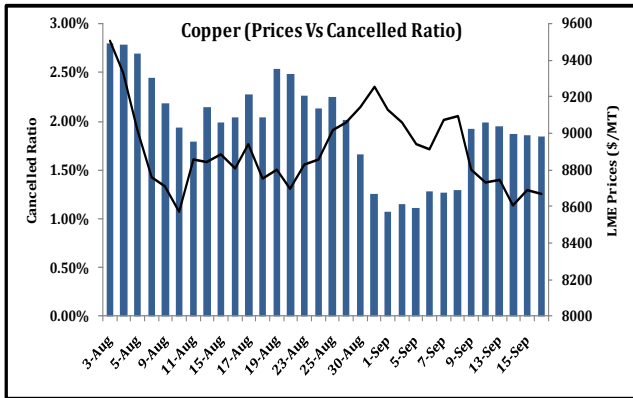
Supply concerns might limit the downside for the copper prices while the concerns on the macro front continue to remain and are limiting the upside as well, thereby leading to a range-bound.

BASIS CHART

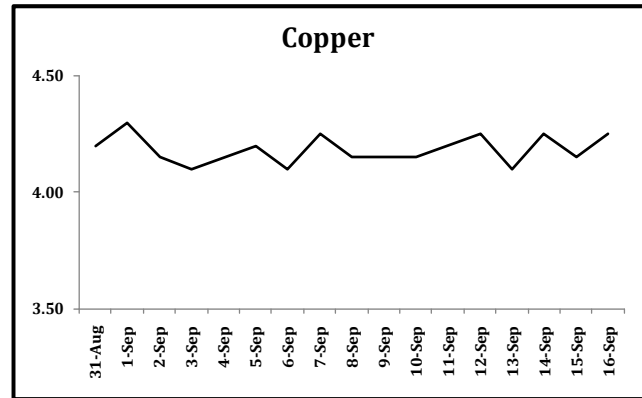
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



TECHNICALS: LME Copper prices ended lower this week on lack of buying momentum on charts. Market opened lower at 8880 and started to move gradually down in the first half of the week. Prices recorded a low of 8590 and showed some modest recovery at later part of the week ending at 8690. Technical charts show that overall market is still weak. Moving average analysis reveals that prices are trading below the 8 day, 21 day and 34 day EMA which implies that present momentum is still weak. Chart patterns are following the Dow Theory of lower highs and lower lows indicating short term bearishness. Traditional indicators like MACD are edging below zero and RSI is pointing downwards supporting bearish view. Pivotal analysis reveals that market is facing firm support at 8440 levels and resistance at 8900 in a broader perspective. Trend line analysis shows that market is caught between a narrow triangle like pattern. We expect prices to remain weak to sideways in the near future until present equations remain same.



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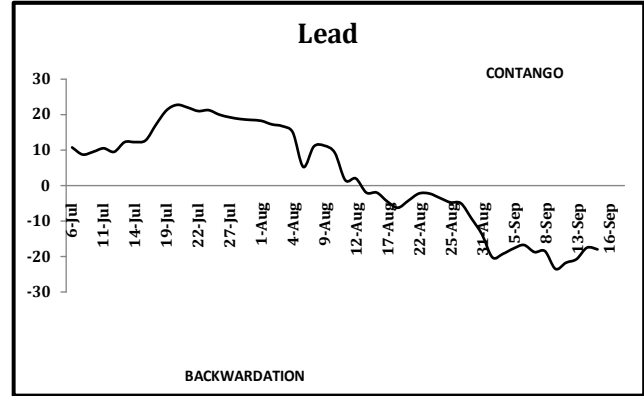
LEAD

Lead prices were the underperformer among the entire base metal pack as it ended lower with losses of nearly 3 percent on LME. Increase in stocks weighed on prices. Total inventory on London Metal Exchange warehouses now stands at 327,750 tonnes, highest level in nearly 16 years.

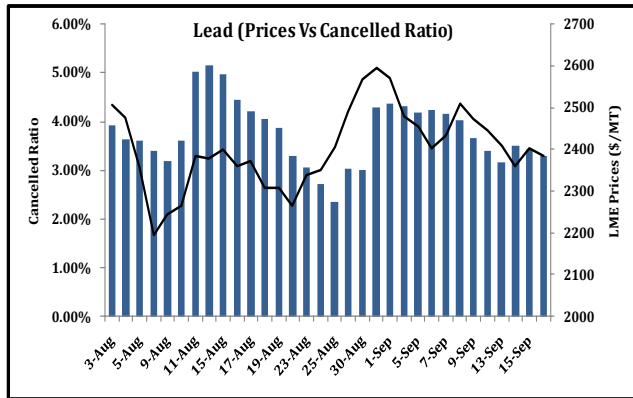
Cancelled warrant ratio stands at close to three percent of total stocks, near average levels, thereby giving no clear indication about inventory movement.

BASIS CHART

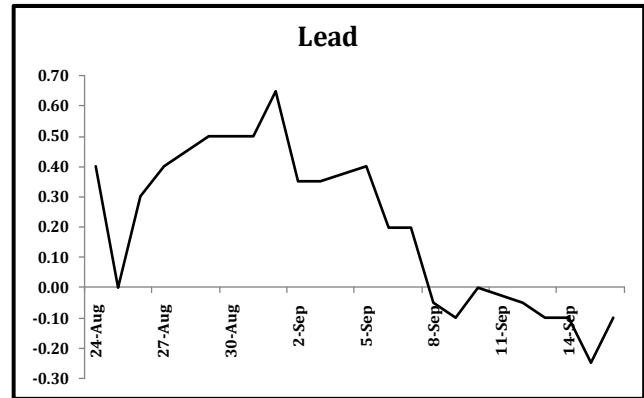
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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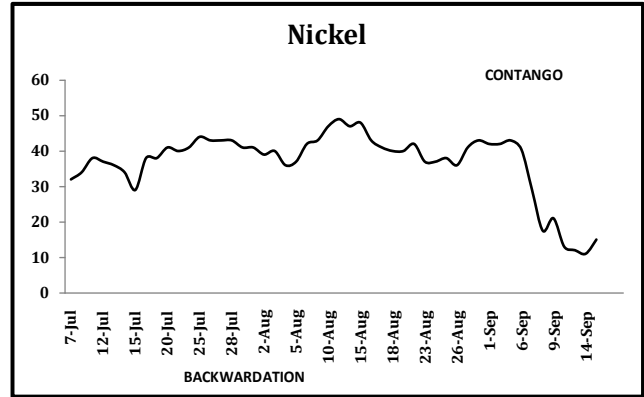
NICKEL

As indicated in the previous week, that Indonesian government might impose a tax on mineral ore exports ahead of regulation to ban all exports of raw materials by 2014 thereby raising concern about the supply squeeze, nickel prices moved higher.

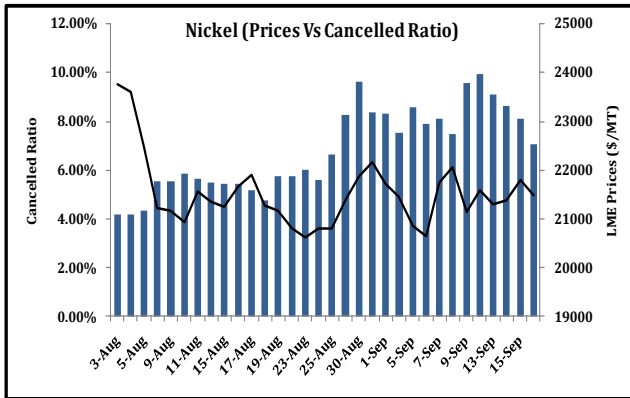
Basis has also drifted lower to \$10/tonne as against \$40/tonne indicating pick-up in demand. Cancelled warrant ratio has however declined and thereby stocks might witness a slower draw-downs.

BASIS CHART

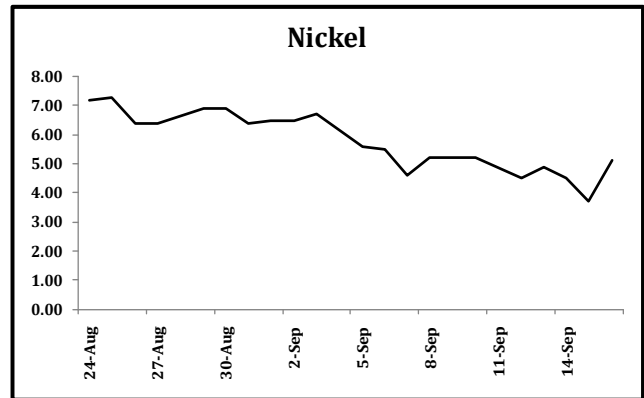
(LME 3 MTH FWD-LME CASH PRICES) (\$/Tonnes)



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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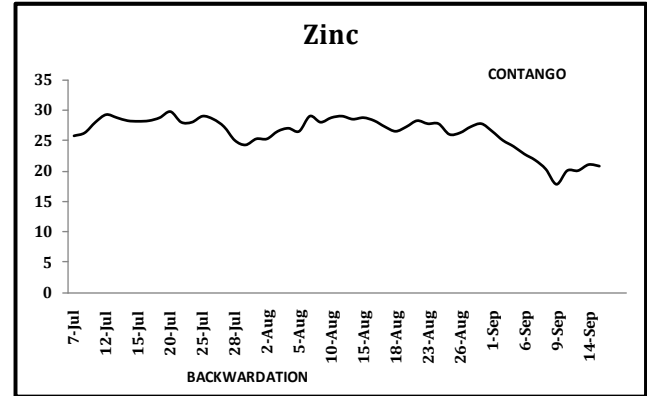
ZINC

Zinc prices continue to drift lower as concerns on the macro front along with over-supplied market capped the upside. International lead and zinc study group also indicated that the global zinc market was in surplus of 237,000 tonnes in the first seven month of 2011.

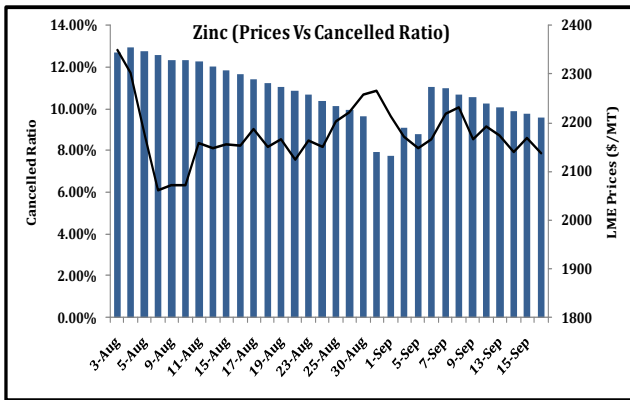
Cancelled warrant ratio has also been drifting lower along with decline in stocks indicating draw-downs from previously earmarked stocks and no fresh intentions being received.

BASIS CHART

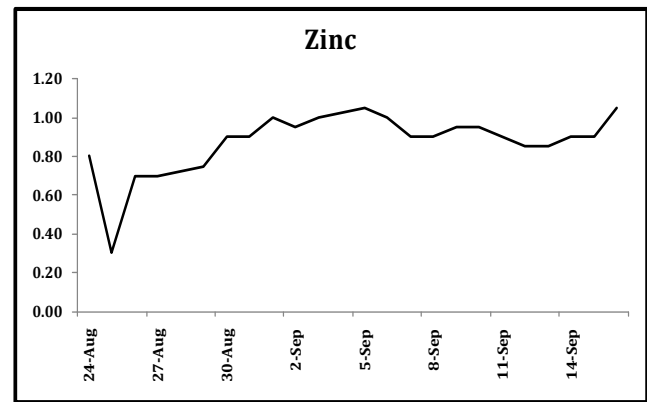
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



TECHNICALS: Zinc prices remained range bound to slightly weak on absence of buying interest this week. Prices opened at 2194 and recorded a high of 2221 before falling sharply down to end at 2160. Technical charts reveal that underlying momentum remains weak. Chart patterns looks like a **head and shoulder pattern** on daily charts. The neck line support lies at 2150 and the shoulder resistance lies at 2225. Strong and sustained trade below 2150 would give a good break out downside. Trend analysis suggest that market is following the downtrend pattern and till room is there for downside. Moving average analysis reveals that market is trading below all short term averages like 8 day, 21 day, and 34 day EMA indicating weakness. We expect prices to remain weak in the near term.



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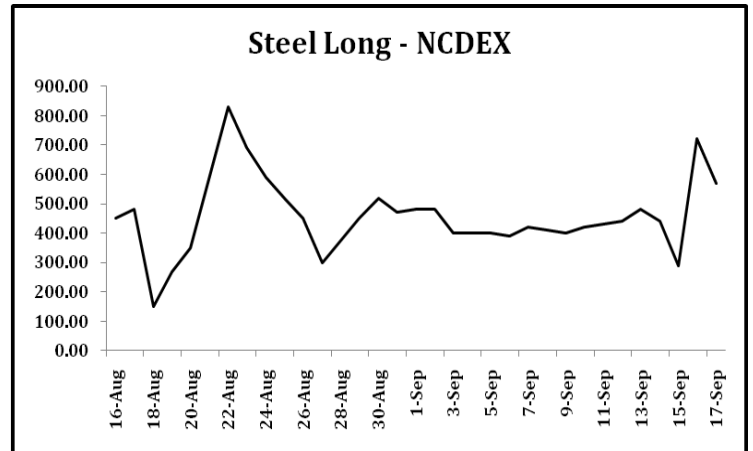
STEEL LONG NCDEX

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		179.5	179.5	177.9	177.9	-0.89%	-	-	-	-
STEEL LONG	NCDEX	Oct-11	29920	30180	29460	29870	-0.37%	30,110	202.31%	23,500	68.82%

STEEL LONG NCDEX:

Steel prices continued to remain under pressure and ended the week with losses of 0.4 percent. On NCDEX, steel long (October) prices ended lower at ₹29,870/tonne. Iron ore prices also witnessed some pressure and ended lower with losses of 0.9 percent as concerns about demand weighed on prices. Reserve Bank of India raised interest rates by 25 bps as inflation continues to remain higher. For the month of July it came at 9.78 percent. Industrial production growth also moderated to 3.3 percent and fall was especially triggered by 15 percent decline in capital goods as against increase of 38 percent growth a year earlier.. All this is indicating concerns about the demand and thereby is weighing on steel prices as well. Overall, steel prices are expected to remain under pressure.

CALENDAR SPREAD ON NCDEX





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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
19/09/2011	19:30	US	NAHB Housing Market Index	SEP	15	15
20/09/2011	11:30	GE	Producer Prices (MoM)	AUG	0.00%	0.70%
20/09/2011	14:30	GE	Zew Survey (Current Situation)	SEP	45	53.5
20/09/2011	14:30	EC	ZEW Survey (Econ. Sentiment)	SEP	-	-40
20/09/2011	14:30	GE	ZEW Survey (Econ. Sentiment)	SEP	-45	-37.6
20/09/2011	18:00	US	Housing Starts	AUG	590K	604K
20/09/2011	18:00	US	Building Permits	AUG	590K	597K
21/09/2011	14:00	UK	Bank of England Minutes			
21/09/2011	19:30	US	Existing Home Sales	AUG	4.75M	4.67M
21/09/2011	19:30	US	Existing Home Sales MoM	AUG	1.70%	-3.50%
21/09/2011	23:45	US	FOMC Rate Decision	21-Sep	0.25%	0.25%
22/09/2011	13:00	GE	PMI Manufacturing	SEP A	50.5	50.9
22/09/2011	13:00	GE	PMI Services	SEP A	50.5	51.1
22/09/2011	13:30	EC	PMI Composite	SEP A	49.8	50.7
22/09/2011	13:30	EC	PMI Manufacturing	SEP A	48.5	49
22/09/2011	13:30	EC	PMI Services	SEP A	51	51.5
22/09/2011	14:30	EC	Industrial New Orders SA (MoM)	JUL	-1.20%	-0.70%
22/09/2011	18:00	US	Initial Jobless Claims	17-Sep	420K	428K
22/09/2011	18:00	US	Continuing Claims	10-Sep	3720K	3726K
22/09/2011	19:30	EC	Euro-Zone Consumer Confidence	SEP A	-18	-16.5
22/09/2011	19:30	US	Leading Indicators	AUG	0.10%	0.50%

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