



METALS WEEKLY

A Weekly Report on Metals



OUTLOOK

In the week gone, massive sell-off was witnessed across the risky assets and base metals were no exception. A classic case of **Risk off** trade was witnessed across the global asset markets which sent the dollar and the bonds higher while all others ended lower. G-20 meeting though indicated their commitment to strong and coordinated international response but it lacked details and specific measures. So unless something specific comes up the prospects would continue to look weak.

In the coming week, macros, especially from US and the Euro Zone would continue to remain in focus. Housing data from US in the form of new home sales and pending home sales is expected to come in lower as the housing market conditions continue to remain weak. Manufacturing activity in the form of Richmond Fed manufacturing and Dallas Fed activity is expected to indicate contraction. Given the weak labour market, it is unlikely that the consumer confidence might improve while the GDP growth numbers might though indicate some improvement, it would still remain weak. From the Euro zone both the IFO numbers and the confidence measures in the form of economic and industrial confidence is expected to come in weak. Given that prices have fallen substantially in a short time, some technical pull back might be witnessed, but weak growth numbers from US along with debt concerns of Euro zone would continue to weigh on the base metal prices.

TECHNICAL RECOMMENDATIONS*									
Commodity	Series	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
LME Aluminium	Fwd	1943	2065	2135	2206	2328	2450	2521	SELL AT 2260-2275 TP 2187/2110 SL 2315
MCX Aluminium	Sep-11	100.2	103.4	105.2	107.1	110.3	113.5	115.3	TRADING RANGE : 105 -110
LME Copper	Fwd	5225	6170	6765	7360	8305	9251	9846	SELL AT 7704-7710 TP 7119 SL 8070
MCX Copper	Nov-11	284.8	320.7	341.6	362.6	398.5	434.4	455.3	SELL AT 380-385 TP 350 SL 397
LME Lead	Fwd	1335	1621	1788	1955	2241	2527	2694	SELL AT 2100-2120 TP 1900/1880 SL 2190
MCX Lead	Sep-11	72.4	84.0	89.9	95.8	107.4	119.0	124.9	SELL AT 101.50 TP 95/90 SL 106
LME Nickel	Fwd	11380	14090	16180	18270	20980	23690	25780	SELL AT 18635/650 TP 15830 SL 19800
MCX Nickel	Sep-11	651.2	753.4	822.9	892.3	994.6	1096.8	1166.3	SELL AT 940-945 TP 850 SL 965
LME Zinc	Fwd	1540	1717	1814	1911	2088	2265	2362	SELL AT 2000-2020 TP 1890/1870 SL 2090
MCX Zinc	Sep-11	81.4	87.1	90.1	93.2	98.9	104.6	107.6	SELL AT 96.10-96.30 TP 92.50 SL 98.30
Steel NCDEX	Oct-11	28540	29010	29280	29560	30020	30490	30760	TRADING RANGE :29750- 29360

*NOTE: The calls shown above are purely WEEKLY Recommendations

Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
26/09/2011 19:30	US	New Home Sales	AUG	294K	298K
26/09/2011 20:00	US	Dallas Fed Manufacturing Activity	SEP	-8	-11.4
27/09/2011 19:30	US	Consumer Confidence	SEP	46	44.5
28/09/2011 18:00	US	Durable Goods Orders	AUG	-0.50%	4.00%
29/09/2011 14:30	EC	Euro-Zone Economic Confidence	SEP	96	98.3
29/09/2011 19:30	US	Pending Home Sales MoM	AUG	-1.60%	-1.30%

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	2379.75	2379.75	2187	2206	-7.31	237,766	93.28	7,350	196.73
	Copper	8651.75	8656	7115.75	7360	-15.36	407,524	58.38	5,628	110.71
	Lead	2353	2359.75	1906.75	1955	-17.34	76,933	82.38	2,232	241.28
	Nickel	21600	21600	16800	18270	-15.06	62,484	102.25	2,079	234.78
	Zinc	2168	2168	1894	1910.5	-11.51	141,945	92.47	4,789	193.26
MCX Futures (₹/Kg)	Aluminium	111.15	111.6	106.55	107.05	-3.82	33,068	41.69	1,528	-25.61
	Copper	413.5	413.5	356.65	362.55	-12.45	935,423	70.13	26,704	27.58
	Lead	112.55	113.1	95.6	95.8	-15.37	102,975	32.91	2,429	1.29
	Nickel	1019.1	1027.4	855.7	892.3	-12.60	423,087	51.11	7,238	16.39
	Zinc	101.5	101.5	92.75	93.15	-8.81	121,627	44.53	2,606	-20.16

MARKET OVERVIEW

- In the week gone by, base metals faced the brunt of the massive sell-off witnessed across the markets. Base Metals tumbled and ended lower with losses of anywhere between 7 to 17 percent. Fed's indication of significant downside risks to the economy along with concerns from the Euro zone lead to the massive sell-off
- Volumes were substantially on the higher side both on London Metal Exchange and the Indian markets thereby indicating huge selling pressure in the market. Open interest increased for all the metals on the London Metal Exchange and the same was witnessed for most of the metals on MCX as well
- Lead was the top loser among the base metal pack as it ended lower with losses of 17 percent as increase in stocks to the highest level in 16 years only added to the pressure. Aluminium however remained resilient and witnessed cuts of 7 percent on LME and near 4 percent in Indian markets

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	65740	57640	-8100	-12.32%
Zinc	16740	15125	-1615	-9.65%
Aluminum	17515	16795	-720	-4.11%

COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	392	327.2	-64.8	-16.53%



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Commodity Futures Trading Commission (CFTC) Report- Copper

According to **US CFTC data on copper**, huge increase in short positions were witnessed on the non-commercial side of the market. On the commercial side, however the bias remained on the positive side as longs increased along with unwinding of shorts. Overall, both the long and shorts increased with the pace of long at a slightly faster pace than shorts.

CFTC Report - Copper (In contracts)				
Non-Commercial	9/13/2011	9/20/2011	Change	% Change
Long	30700	31651	951	3.10%
Short	28872	34950	6078	21.05%
Spreading	10162	10034	-128	-1.26%
Commercial				
Long	64993	69336	4343	6.68%
Short	60937	59659	-1278	-2.10%
Total				
Long	105855	111021	5166	4.88%
Short	99971	104643	4672	4.67%

INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	466025	464550	-1475	-0.32%
Zinc	837825	830975	-6850	-0.82%
Aluminium	4581750	4588275	6525	0.14%
Lead	327750	374025	46275	14.12%
Nickel	97650	97242	-408	-0.42%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	85898	86917	1019	1.19%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	112061	102253	-9808	-8.75%
Zinc	414494	412097	-2397	-0.58%
Aluminium	110016	99479	-10537	-9.58%



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ECONOMIC REVIEW

- Federal Reserve of US left interest rates unchanged at 0.25 percent and would buy \$400 billion worth of long term bonds by issuing short term bonds which is largely on the expected lines. It however indicated that the economy is now facing **significant downside risks**. This lead to persistent concerns about the economic growth thereby weighing on risky assets
- International Monetary Fund cut its global growth forecast for both 2011 and 2012. Global economy is expected to grow by 4 percent in 2011 and 2012 as against prior expectation of 4.3 percent and 4.5 percent respectively. US growth projection has been lowered from 2.5 to 1.5 percent. Developing economies are also expected to take the hit and there growth might moderate to 6.4 and 6.1 percent in 2011 and 2012 respectively
- S&P has downgraded Italy's credit rating to A from A+ on the back of weakening economic prospects. This has raised concerns that the contagion of Greece might spread to even relatively largely nations like Italy. Meeting between the finance ministers of some of the major European nations broke no new ground in dealing with the crisis. Euro thereby continue to remain under pressure and dollar index firmed higher by 2.5 percent
- Equity markets also tumbled and ended lower with losses of anywhere between two to seven percent while given the concerns about the economic recovery, bonds found some buying and thereby yields moved lower

Equity Indices	Last Week	This Week	% Change
Dow Jones Ind. Avg.	11509.09	10771.48	-6.41%
S&P 500 Index	1216.01	1136.43	-6.54%
FTSE 100 Index	5368.41	5066.81	-5.62%
Nikkie 225	8864.16	8560.26	-3.43%
Shanghai Composite	2482.34	2433.16	-1.98%
Nifty	5084.25	4867.75	-4.26%

Currency	Last Week	This Week	% Change
Dollar Index	76.599	78.501	2.48%
EUR/USD	1.3796	1.35	-2.15%
GBP/USD	1.5791	1.5449	-2.17%
USD/INR	47.2675	49.4337	4.58%

Bond Yields	Last Week	This Week	Change (in bps)
US 10 year bond	2.0479	1.8334	-21.5
German 10 year bond	1.863	1.747	-11.6
India 10 year bond	8.363	8.303	-6.0



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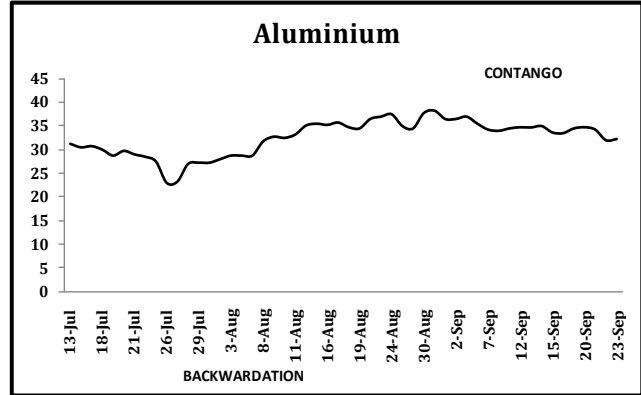
ALUMINIUM

Aluminium has been far more resilient in comparison to other metals as it ended lower with losses 7 percent and 4 percent on LME and MCX respectively.

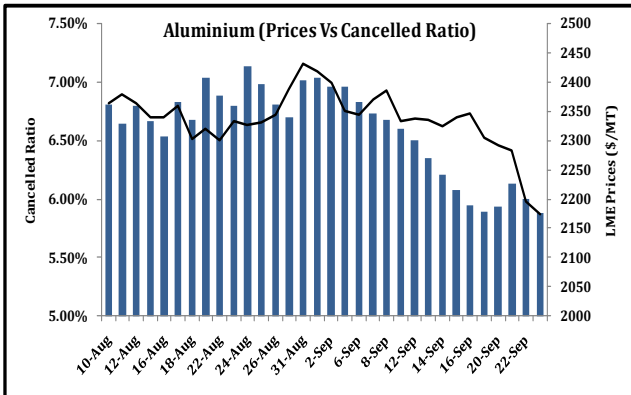
After NALCO's sale of 300,000 tonnes of alumina at 16 percent of London Metal Exchange, reports indicated that Chinese smelters might also be required to pay a higher rate as against rate of 14.5-15 percent they paid earlier.

BASIS CHART

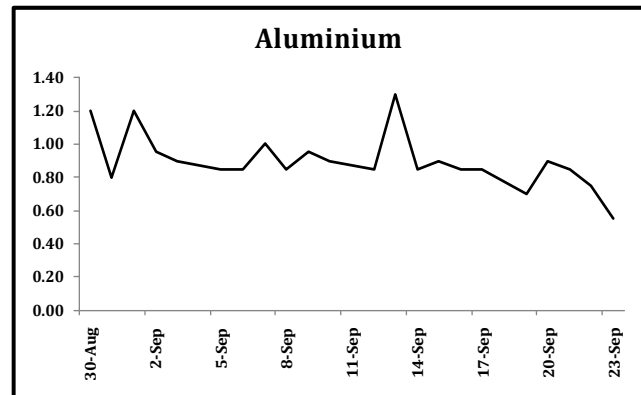
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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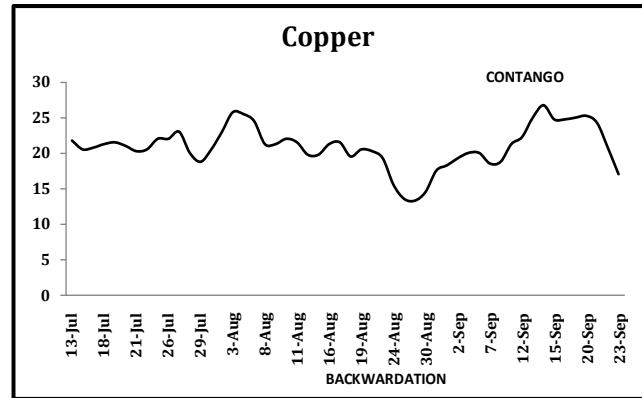
COPPER

Workers of Cerro Verde mine in Peru agreed to end an indefinite strike but had indicated that they may strike again from September 27. The mine produces close to 2 percent of total global copper output.

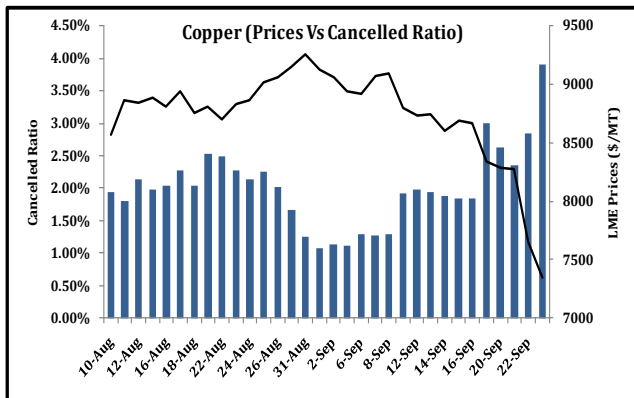
Cancelled warrant ratio has moved higher indicating that in the near term more draw-downs might be witnessed from London Metal Exchange.

BASIS CHART

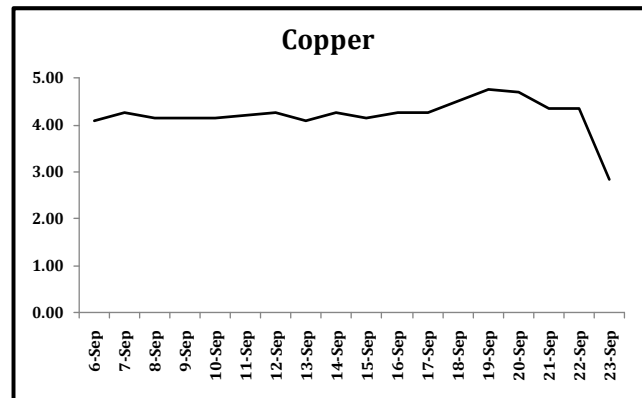
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



TECHNICALS: LME Copper prices plunged down on heavy selling pressure this week. Market opened lower at 8651 and started to move gradually down in the first half of the week. Prices showed sharp fall on Friday and recorded a low of 7115 and ended the week at 7360. Technical charts show that prices have breached important support 8500 (double top support) and prices witnessed sharp fall after the breakout and dragged the prices towards 7115. Technical indicators like RSI are pointing downwards and trying to get into oversold zone. Another important indication is MACD is trying to go below zero level which is a major cause of concern. Average analysis suggests that prices are trading below all short term average like 7 day 21 day and 31 day EMA. Immediate support for copper is at 6536 (50% retracement). Trend analysis suggests that prices are trading below the major trend line. Expect prices to remain range bound to weak in the immediate future.



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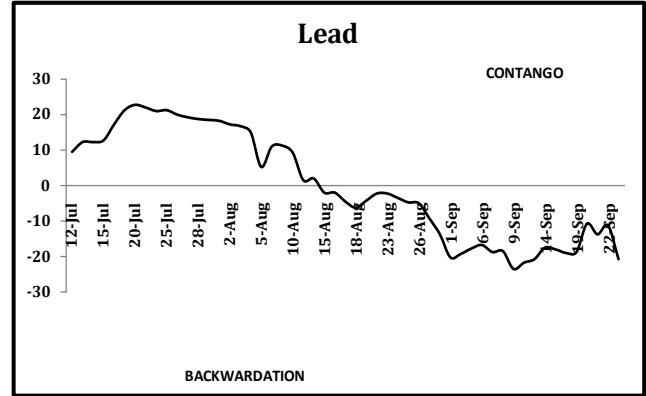
LEAD

Lead continued its downward movement and ended lower with losses of nearly 17 percent on LME. Continued increased in stocks on London Metal Exchange to 16 year highs is only adding to the pressure on metal prices.

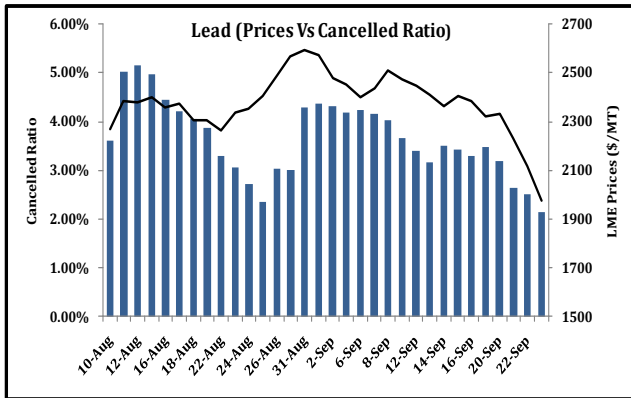
Cancelled warrant ratio is still drifting lower and stands at close to 2 percent of total stocks indicating that in the near build-up of stocks might continue.

BASIS CHART

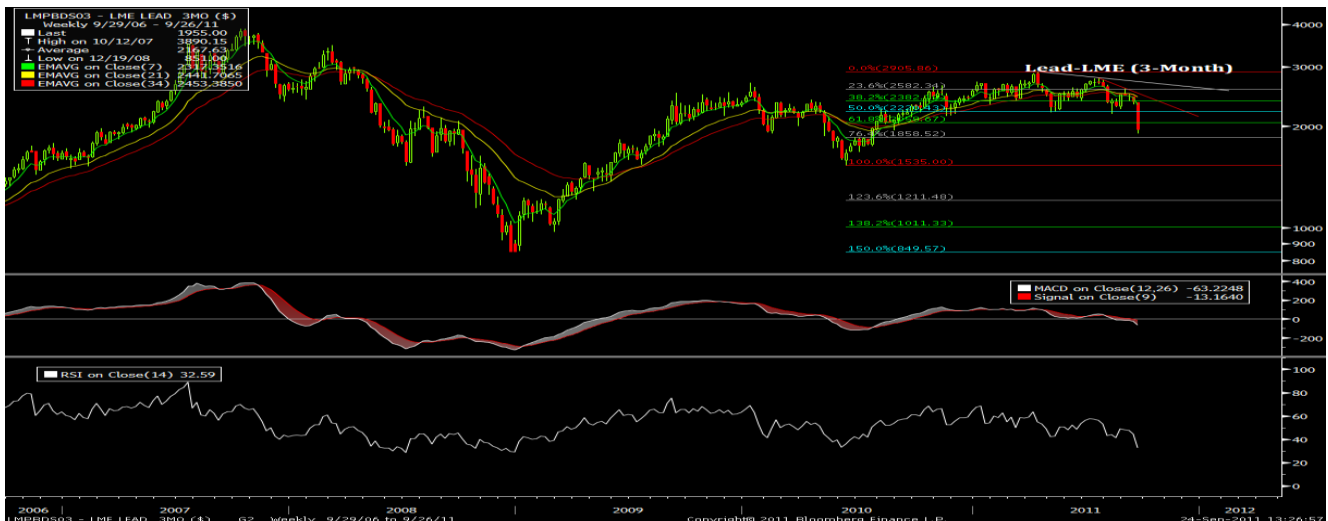
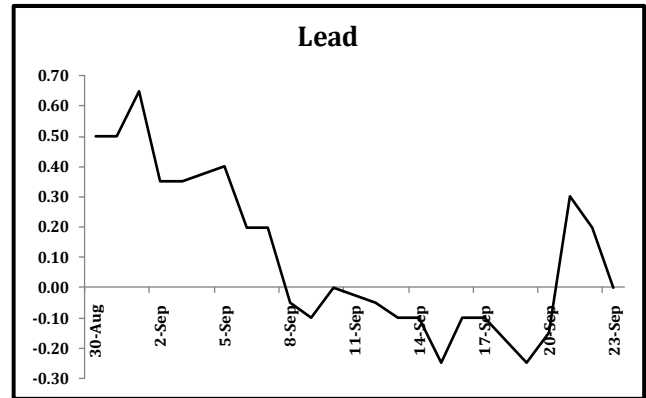
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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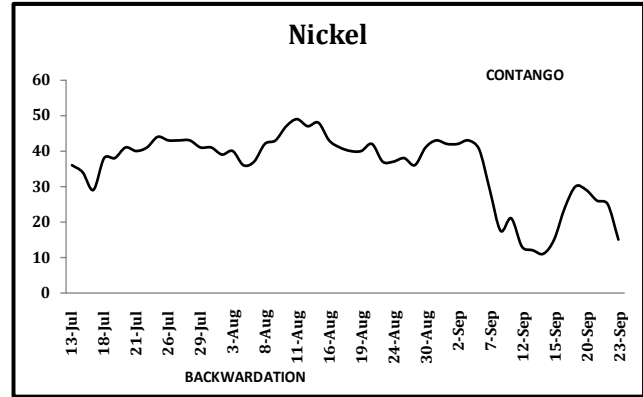
NICKEL

Philippines' MacroAsia Corp. may start production as early as next year at its Infanta nickel mine. The mine has reserves of 88 million tonnes of nickel ore and has the potential to produce 1 million tonnes of nickel laterite in a year.

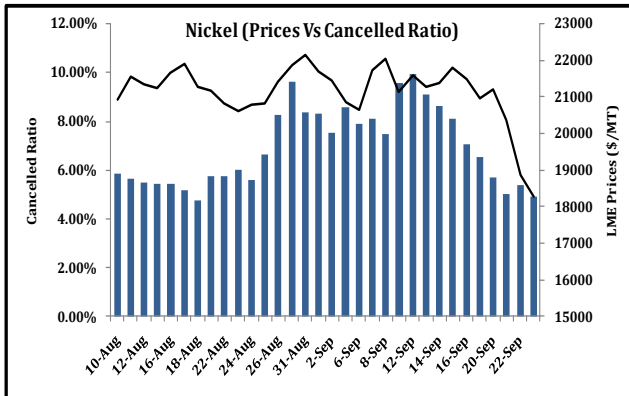
Cancelled warrant ratio has declined substantially in the week gone by on LME for nickel but the discount in cash prices is also trimming again thereby giving opposite indication for prices.

BASIS CHART

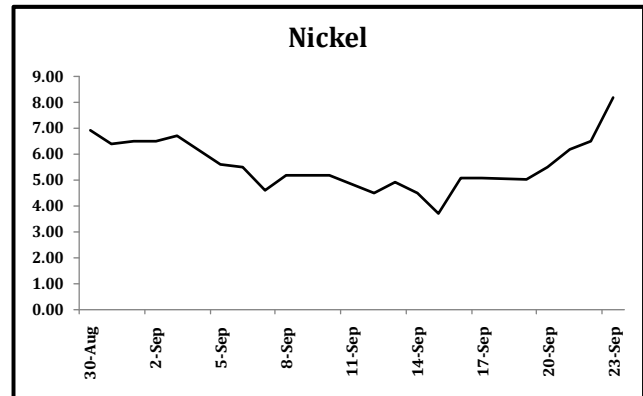
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



TECHNICALS: LME nickel prices fell sharply lower this week on heavy selling across the globe. Prices opened at 21600 and didn't turned back (both high and open are same). Prices plunged down towards 16800 and showed slight recovery to end at 18270 for the week. Present fall in prices has seriously damaged the chart patterns. Trend analysis shows that prices have broken the smaller downtrend channel which it was following and fell down into broader downtrend channel (see chart). RSI is pointing downwards and reveals that there is still room for downside. MACD had moved below zero line which implies that bearish trend is intact. Fibonacci tools show that prices are nearing the important 61.8% retracement level (16518). Expect prices to remain range bound to slightly lower in the coming days.



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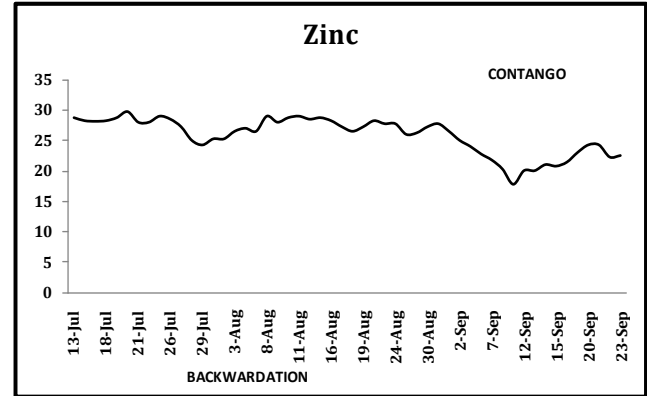
ZINC

Zinc prices also tumbled and ended the week with losses of near 11.5 percent on LME while in Indian markets it ended lower by 8.5 percent.

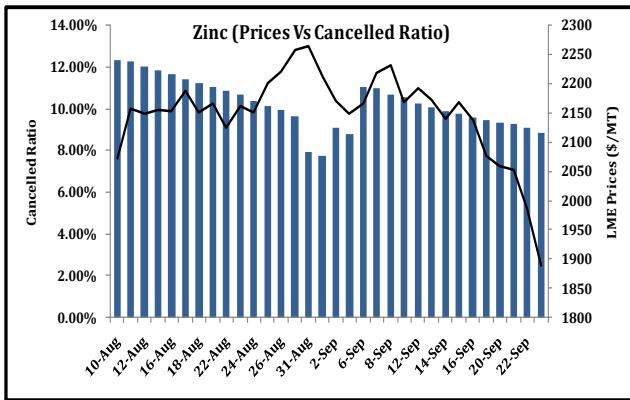
The lead-zinc spread which stood at close to 10 in the week gone by now stands at 2.5 levels, the lowest in the year 2011 on the back of underperformance of lead. In the near term, this spread might decline further to zero levels.

BASIS CHART

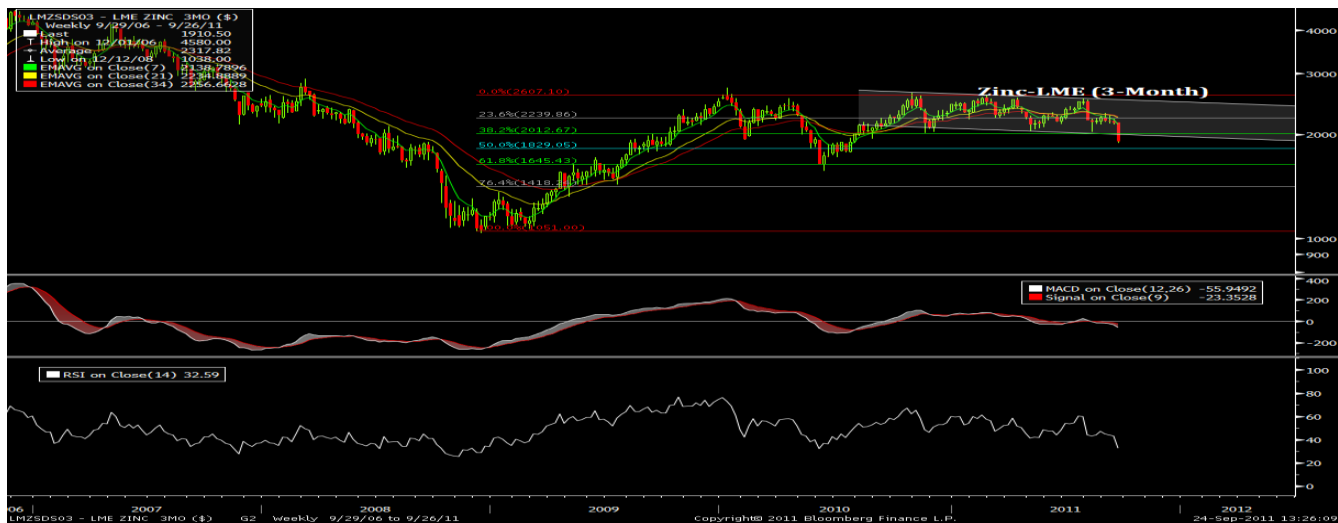
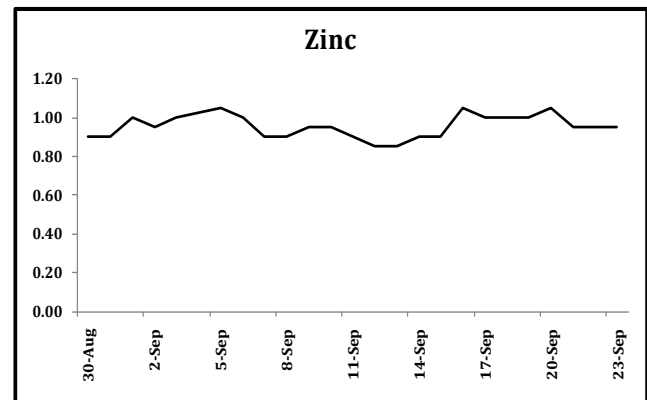
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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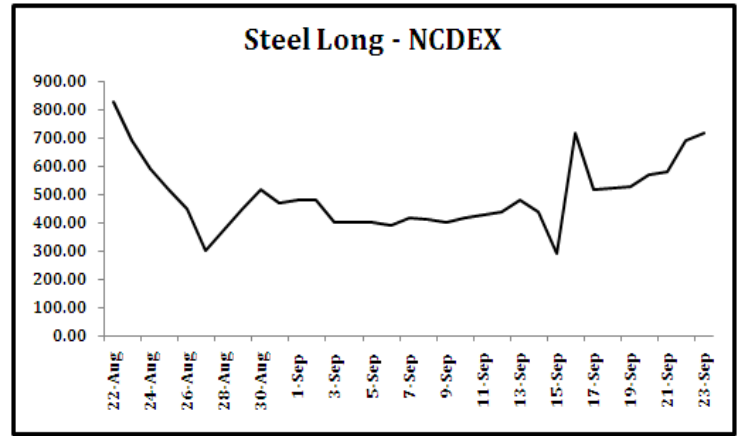
STEEL LONG NCDEX

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		177.5	177.5	174.1	174.1	-2.14%	-	-	-	-
STEEL LONG	NCDEX	Oct-11	30000	30210	29470	29560	-1.43%	51,430	58.83%	29,390	22.31%

STEEL LONG NCDEX:

Steel prices continued their downward trajectory and ended lower with losses of 1.4 percent. On NCDEX, October contract ended at 29,560/tonne levels. Volumes and open interest also increased along with decline in prices indicating strength on the downside in the market. Steel prices also followed the decline in the other industrial metal prices and thereby ended lower. Iron ore prices, which until now were limiting the downside for steel prices also declined by 2 percent as concerns that demand in China might slip added to the pressure. Overall, given the concerns of growth at both the global and domestic front, prospects for steel demand continue to remain grim and thereby steel prices might continue 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
26/09/2011	13:30	GE	IFO - Business Climate	SEP	106.5	108.7
26/09/2011	13:30	GE	IFO - Current Assessment	SEP	115.7	118.1
26/09/2011	13:30	GE	IFO - Expectations	SEP	97.3	100.1
26/09/2011	18:00	US	Chicago Fed Nat Activity Index	AUG	-0.4	-0.06
26/09/2011	19:30	US	New Home Sales	AUG	294K	298K
26/09/2011	19:30	US	New Home Sales MoM	AUG	-1.30%	-0.70%
26/09/2011	20:00	US	Dallas Fed Manufacturing Activity	SEP	-8	-11.4
27/09/2011	18:30	US	S&P/Case Shiller Home Price Index	JUL	--	141.3
27/09/2011	19:30	US	Consumer Confidence	SEP	46	44.5
27/09/2011	19:30	US	Richmond Fed Manufacturing Index	SEP	-12	-10
28/09/2011	11:30	GE	Import Price Index (MoM)	AUG	-0.30%	0.80%
28/09/2011	18:00	US	Durable Goods Orders	AUG	-0.50%	4.00%
28/09/2011		GE	Consumer Price Index (MoM)	SEP P	-0.10%	0.00%
29/09/2011	13:25	GE	Unemployment Rate (s.a)	SEP	7.00%	7.00%
29/09/2011	14:30	EC	Business Climate Indicator	SEP	-0.12	0.07
29/09/2011	14:30	EC	Euro-Zone Consumer Confidence	SEP F	-18.9	-18.9
29/09/2011	14:30	EC	Euro-Zone Economic Confidence	SEP	96	98.3
29/09/2011	14:30	EC	Euro-Zone Industrial Confidence	SEP	-5	-2.9
29/09/2011	14:30	EC	Euro-zone Services Confidence	SEP	2	3.7
29/09/2011	18:00	US	GDP QoQ (Annualized)	2Q T	1.20%	1.00%
29/09/2011	18:00	US	Personal Consumption	2Q T	0.40%	0.40%
29/09/2011	18:00	US	GDP Price Index	2Q T	2.40%	2.40%
29/09/2011	18:00	US	Core PCE QoQ	2Q T	2.20%	2.20%
29/09/2011	18:00	US	Initial Jobless Claims	24-Sep	420K	--
29/09/2011	18:00	US	Continuing Claims	17-Sep	3730K	--
29/09/2011	19:30	US	Pending Home Sales MoM	AUG	-1.60%	-1.30%
30/09/2011	11:30	GE	Retail Sales (MoM)	AUG	-0.50%	0.00%
30/09/2011	18:00	US	Personal Income	AUG	0.10%	0.30%
30/09/2011	18:00	US	Personal Spending	AUG	0.20%	0.80%
30/09/2011	19:15	US	Chicago Purchasing Manager	SEP	55.5	56.5
30/09/2011	19:25	US	U. of Michigan Confidence	SEP F	57.8	57.8

PREPARED BY:

Sundeep Jain

Fundamental Analyst

sundeep.jain@karvy.com

Sandeep K

Technical Analyst

sandeepkumar.k@karvy.com



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