KARVY COMMODITIES BROKING

METALS WEEKLY

A Weekly Report on Metals

OUTLOOK

Euro zone would continue to remain in spotlight and development in the region with regards to the aid to Greece will be the major driver not only for the base metal prices but for all the major asset markets. So be it equities or currencies, every one's focus would remain on the euro zone. European Financial Stability Facility is now being looked at for rescuing Greece and as a backup for other smaller countries. However questions still remain as to the viability and sufficiency of the funds. Current corpus is at €440 billion which seems very meager in the current situation. Various estimates are putting the number at €1 trillion to €2 trillion.

Both the BOE and ECB are expected to leave interest rates unchanged at 0.5 percent and 1.5 percent respectively. However the key would be the measures, if any, they announce amid all the uncertainty and economic weakness. From US, manufacturing numbers are expected to remain weak and same might be indicated by ISM manufacturing numbers and factory orders as well. Non-farm payrolls data is expected to indicate job additions in the month of September but the unemployment rate is expected to remain sticky at 9.1 percent. Chinese market would remain whole of next week on account of National Holiday. Equity markets might also largely remain under pressure owing to the same macro concerns. Overall, base metal prices are expected to remain on the lower side but given the key events like ECB and employment report from US, volatility will persist.

TECHNICAL RECOMMENDATIONS*

Commodity	Series	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
LME Aluminium	Fwd	1998	2075	2116	2157	2234	2311	2352	Sell at 2204 TP 2101/2054 SL 2270
MCX Aluminium	Oct-11	99.1	102.1	104.4	106.8	109.8	112.8	115.1	Sell at 107.5 -108.3 TP 100 SL 110.3
LME Copper	Fwd	5754	6277	6648	7019	7542	8065	8436	Sell below 6800 TP 6500 SL 7140
MCX Copper	Nov-11	298.6	321.0	335.4	349.8	372.2	394.6	409.0	Sell below 339 TP 328/319 SL 356
LME Lead	Fwd	1570	1685	1835	1985	2100	2215	2365	Trading Range: 2153 -1760
MCX Lead	Oct-11	83.6	87.9	93.2	98.6	102.8	107.1	112.4	Trading Range : 102 -91
LME Nickel	Fwd	14757	15953	16777	17600	18797	19993	20817	Sell at 17935 TP 16790 SL 19250
MCX Nickel	Oct-11	760.8	810.4	845.5	880.6	930.2	979.8	1014.9	Sell at 893 TP 858/818 SL 924
LME Zinc	Fwd	1590	1705	1783	1860	1976	2091	2169	Sell at 1898 TP 1820/1775 SL 1935
MCX Zinc	Oct-11	81.1	85.7	89.2	92.7	97.2	101.8	105.3	Sell at 93.2 TP 90.2 SL 94.3
Steel NCDEX	Oct-11	28760	28960	29310	29660	29860	30060	30410	Trading Range :29630 - 29000

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

Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
03/10/2011 19:30	US	ISM Manufacturing	SEP	50.3	50.6
06/10/2011 16:30	UK	BOE ANNOUNCES RATES	6-Oct	0.50%	0.50%
06/10/2011 17:15	EC	ECB Announces Interest Rates	6-Oct	1.50%	1.50%
07/10/2011 18:00	US	Change in Nonfarm Payrolls	SEP	50K	0K
07/10/2011 18:00	US	Change in Private Payrolls	SEP	90K	17K
07/10/2011 18:00	US	Change in Manufacturing Payrolls	SEP	-3K	-3K
07/10/2011 18:00	US	Unemployment Rate	SEP	9.10%	9.10%

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	2220	2270	2152.25	2157	-2.22	197,667	-29.16	3,440	-50.92
	Copper	7377.25	7694	6800	7018.5	-4.64	429,598	-12.54	3,743	-47.60
	Lead	1950	2065	1800	1985	1.53	60,712	-33.00	796	-67.52
	Nickel	18400	19170	17150	17600	-3.67	45,247	-41.07	779	-66.34
	Zinc	1920	2014	1821	1860	-2.64	123,640	-26.30	2,039	-46.73
MCX Futures (₹/Kg)	Aluminium	107.8	110.5	105.15	106.75	-1.66	10,501	416.53	1,723	295.18
	Copper	365.9	380.25	343.45	349.8	-5.19	1,021,896	7.77	28,419	8.94
	Lead	96.1	101.75	92.15	98.55	0.51	27,528	180.10	2,764	67.11
	Nickel	906.6	944.7	860	880.6	-4.62	100,402	90.08	8,021	160.00
	Zinc	94.15	98.25	90.2	92.65	-2.27	33,840	205.72	3,734	214.84

MARKET OVERVIEW

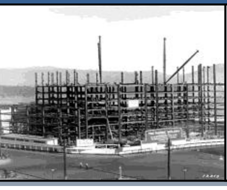
- Amid high volatility, base metals continued their downward trajectory and ended lower with cuts of anywhere between two to five percent, with the exception of lead. Though slightly positive spat of data from US provided some respite, debt concerns of the euro zone had an upper hand in the market. Indian rupee also appreciated by nearly a percent thereby further adding to pressure on metal prices in Indian markets
- Lead was the only gainer among the base metal pack as it ended with gains of more than a percent. Copper prices however witnessed cuts of 5 percent and thereby underperformed the entire base metal pack as increase in stocks on London Metal Exchange added to the pressure
- Volumes in the week however got tapered off on London Metal Exchange while open interest declined heavily indicating huge unwinding of positions. In Indian markets both volumes and open interest increased as market participants rolled over their positions

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	57640	53480	-4160	-7.22%
Zinc	15125	14920	-205	-1.36%
Aluminum	16795	16855	60	0.36%

COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	327.2	314.5	-12.7	-3.88%

Commodity Futures Trading Commission (CFTC) Report- Copper

According to **US CFTC data on copper**, unwinding of positions across the market segments was witnessed. On the non-commercial side more shorts declined at a faster pace. On the hedgers side of the market, the bias remained on the lower side, as long unwinding along with short build-up was witnessed. Overall, both the long and short positions declined.

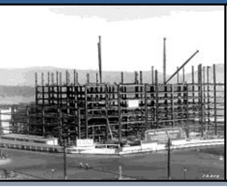
CFTC Report - Copper (In contracts)				
Non-Commercial	**9/20/2011**	**9/27/2011**	**Change**	**% Change**
Long	31651	29860	-1791	-5.66%
Short	34950	31322	-3628	-10.38%
Spreading	10034	8657	-1377	-13.72%
Commercial				
Long	69336	68325	-1011	-1.46%
Short	59659	59770	111	0.19%
Total				
Long	111021	106842	-4179	-3.76%
Short	104643	99749	-4894	-4.68%

INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	**Previous week**	**This week**	**Change**	**% Change**
Copper	464550	473700	9150	1.97%
Zinc	830975	821325	-9650	-1.16%
Aluminium	4588275	4567325	-20950	-0.46%
Lead	374025	373600	-425	-0.11%
Nickel	97242	96738	-504	-0.52%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	**Previous week**	**This week**	**Change**	**% Change**
Copper	86917	87515	598	0.69%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	**Previous week**	**This week**	**Change**	**% Change**
Copper	102253	97911	-4342	-4.25%
Zinc	412097	401273	-10824	-2.63%
Aluminium	99479	77378	-22101	-22.22%



ECONOMIC REVIEW

- Data from US, though continued to remain weak, they came in largely better than expectations. US second quarter GDP growth was revised higher to 1.3 percent as the personal consumption grew by higher than expected 0.7 percent. Jobless claims also fell below the 400K mark to come in at 391K. Housing sector of US continued to remain weak despite Fed's iteration to near zero interest rates till mid 2013 and thereby pending home sales declined by 1.1 percent. For the week, dollar index also ended largely flat near 78.5 levels

- Euro zone continue to face challenging conditions amid all the weak confidence numbers released for the month of September. German parliament approved the country's enhanced contribution to the European Financial Stability Facility, EFSF; the fund which would provide funding to the peripheral European nations like Greece. Uncertainty still lingered as to the viability and sufficiency of the funds thereby weighing on the Euro which ended with cut of 0.8 percent for the week

- Equity markets ended the last of the quarter mixed. US Dow Jones ended higher by a percent while the S&P 500 ended lower by half a percent. European equity markets though witnessed slight recovery and clocked in marginal gains. The area of concern is the Chinese market, which until now has been resilient ended the week with cuts of more than three percent thereby underperforming most of its global peers

Equity Indices	Last Week	This Week	% Change
Dow Jones Ind. Avg.	10771.48	10913.38	1.32%
S&P 500 Index	1136.43	1131.42	-0.44%
FTSE 100 Index	5066.81	5128.48	1.22%
Nikkie 225	8560.26	8700.29	1.64%
Shanghai Composite	2433.16	2359.22	-3.04%
Nifty	4867.75	4943.25	1.55%

Currency	Last Week	This Week	% Change
Dollar Index	78.501	78.553	0.07%
EUR/USD	1.35	1.3387	-0.84%
GBP/USD	1.5449	1.5584	0.87%
USD/INR	49.4337	48.9737	-0.93%

Bond Yields	Last Week	This Week	Change (in bps)
US 10 year bond	1.8334	1.9154	8.2
German 10 year bond	1.747	1.887	14.0
India 10 year bond	8.303	8.428	12.5

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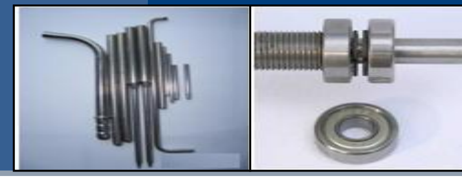
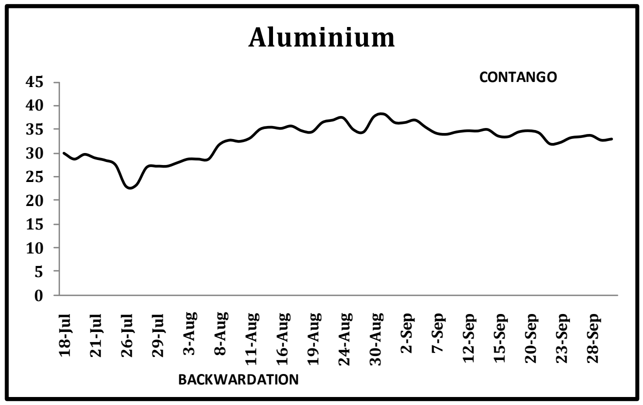


ALUMINIUM

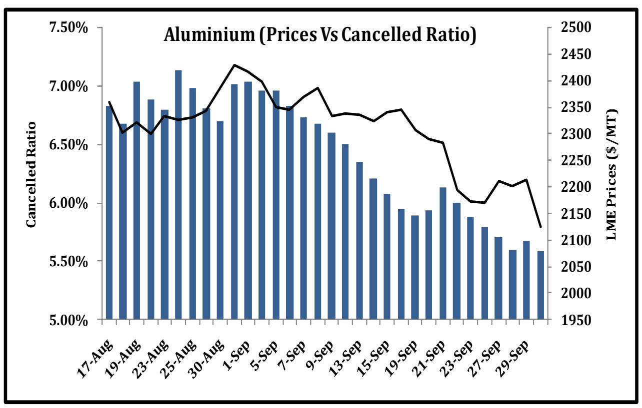
Aluminium prices ended lower with losses of 2.2 percent on LME while in Indian markets prices ended lower with cuts of 1.6 percent. On the industry front, Japanese shipments of aluminium fell by 1.5 percent to 154,684 tonnes and lowest level since January 2010.

Cancelled warrant ratio on LME has been now hovering at close to 5.5 percent of total stocks indicating slower pace of draw-downs. Basis has largely remained near the average levels of $30/tonne.

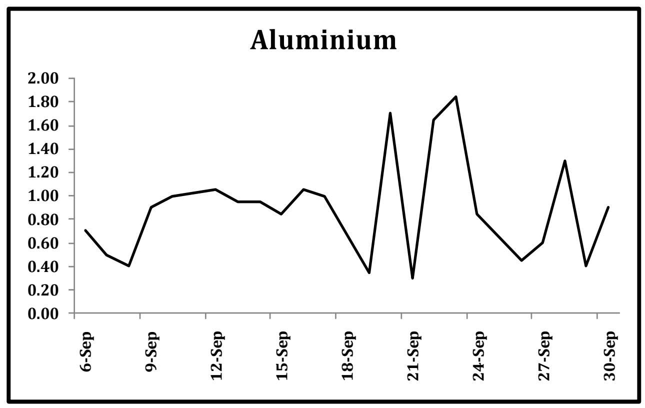
BASIS CHART
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes}



CANCELLED WARRANT RATIO ON LME

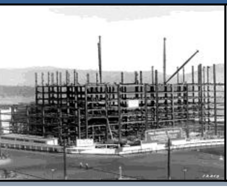


CALENDAR SPREAD ON MCX



TECHNICALS: Aluminum prices traded lower this week on absence of buying momentum. Prices opened at 2220 and recorded an intraday high of 2270 but fail to sustain above and ended the week on a week note at 2157. Technical charts show that overall trend remains week. Average analysis reveals that prices are trading far below the 8 day, 21 day and 34 day averages indicating weakness. MACD is trading below zero and RSI is pointing down and shows still there is room for downside. Expect prices to trade weak in the near future until present equations are not changed.

RECOMMENDATIONS: LME ALUMINIUM: Sell at 2195 TP 2130 SL 2220
ALUMINIUM OCT MCX: Sell at 107.5 -108.3 TP 100 SL 110.3



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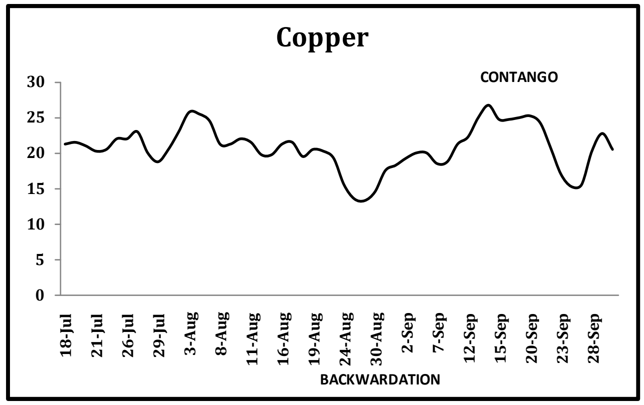
COPPER

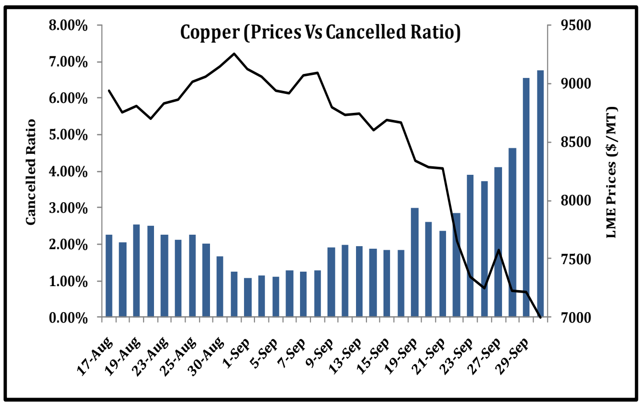
After a five day strike in the month of September, workers at Cerro Verde mine in Peru, owned by Freeport, went on strike again on Thursday in demand for better pay. Company has indicated that as of now there have been no disruption in the output. However if the strike continues for a long while then it might impact the output of the mine which produced, 312,336 tonnes in 2010.

Cancelled warrant ratio has bounced back strongly indicating more draw-downs might be witnessed in the near term from LME warehouses.

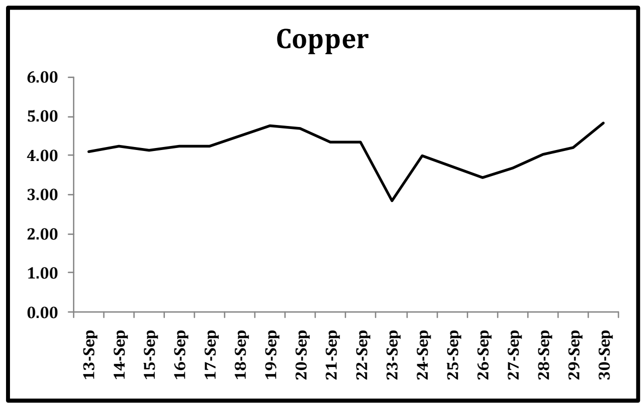
BASIS CHART
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



TECHNICALS: Copper prices remained volatile and witnessed two sided moves this week on lack of direction from the participants. Prices opened weak at 7377 and recorded an intraday low of 6800 on the first day of the week. Later prices showed recovery and touched an intraday high of 7694 but failed to sustain higher and ended the week at 7018. Technical charts show the prices are caught between tight ranges and swinging between the levels of 6800 -7700. Unless prices give a strong break out either side prices could be ranging within these levels. Average analysis shows that prices are still trading below 8 day, 21 day and 34 day moving averages which imply weakness still persists. MACD is trading below zero supporting bearish view. RSI has slightly entered into the oversold zone indicating a bounce could be expected. Pivotal analysis shows that if prices sustain and trade below 6800 expect prices to move further lower towards 6511. On the other hand if prices holds above 6800 expect prices to trade range bound in the near future.

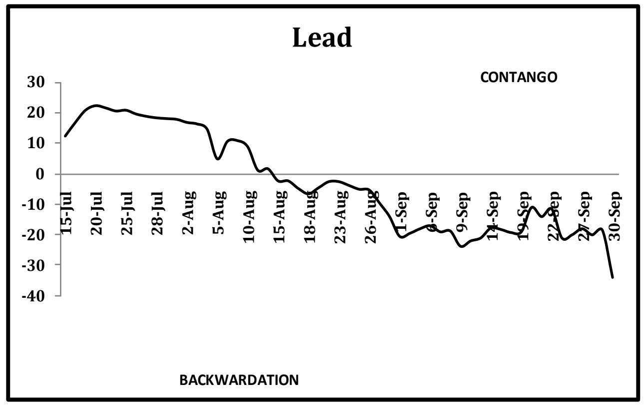
LEAD

After underperforming, for two weeks, lead prices this week, outperformed the base metal pack. In fact, it was the only metal to end the week with gains of more than a percent.

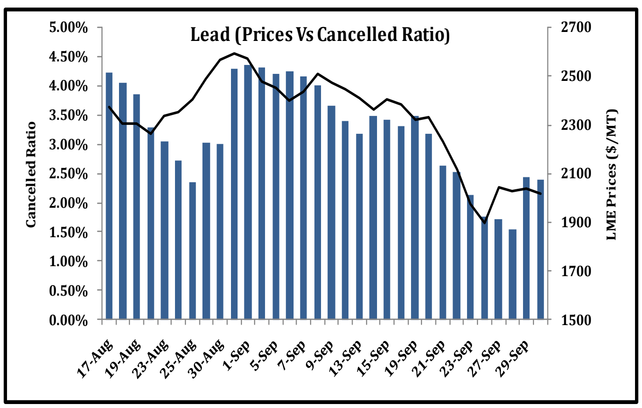
Cancelled warrant ratio though has moved higher to levels of 2.5 percent in the last two days, it continues to remain lower indicating either very slow draw-down of stocks or even build-up might be witnessed.

BASIS CHART

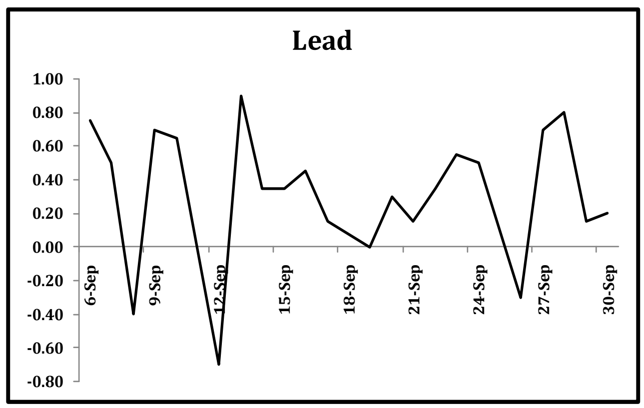
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)

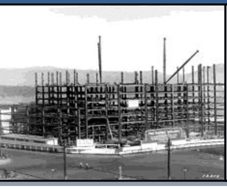


CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



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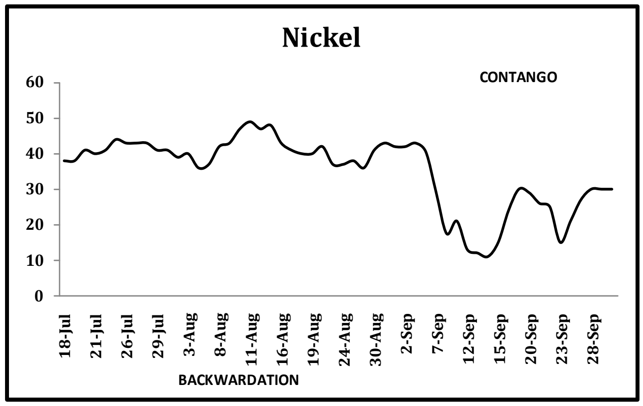
NICKEL

First Nickel, Canada based miner indicated that it has restarted its production at its Lockerby nickel-copper mine in Ontario. On an average, the company is expecting to produce 400 tonnes per day.

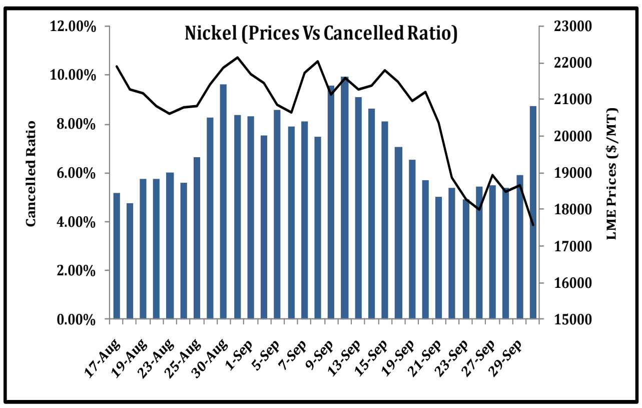
Cancelled warrant ratio has moved strongly higher and stands at close to 8 percent of total stocks indicating that in the near term draw-downs might be witnessed.

BASIS CHART

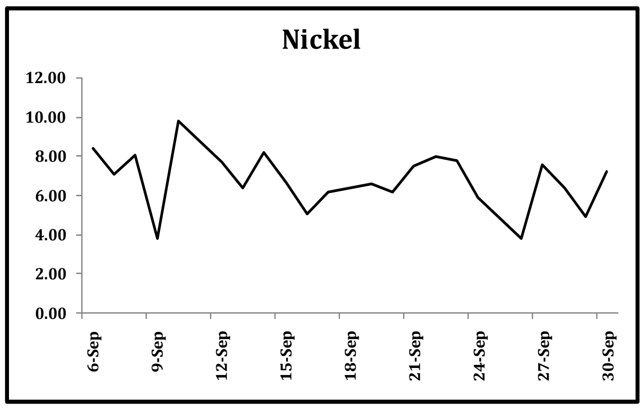
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)

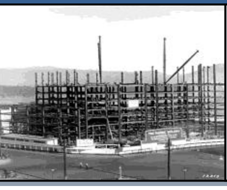


CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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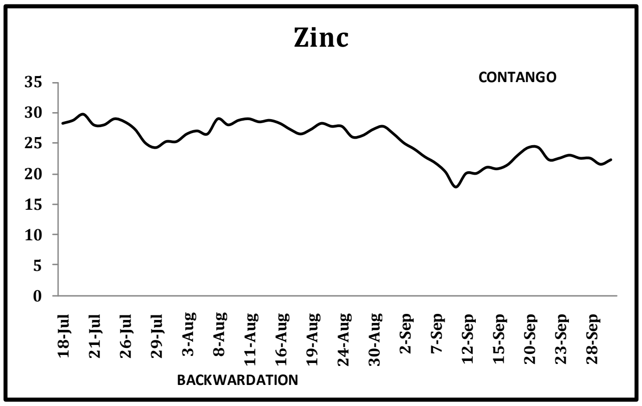
ZINC

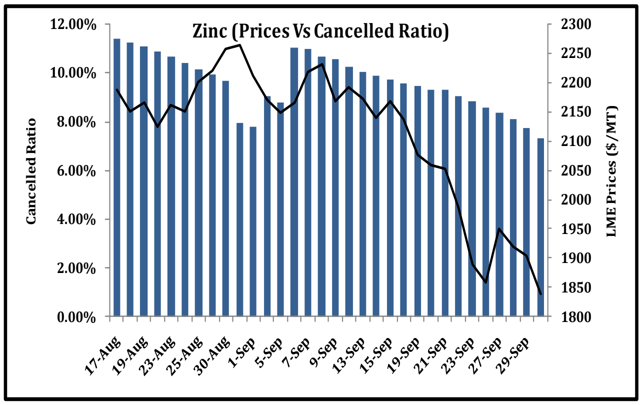
Zinc exports from Japan rose by 24 percent to in the month of August thereby registering first growth in past many months. Output was impacted after devastating earthquake earlier in the year lead to serious disruption of company's operations. Output of the country is would also increase to cater the expected increase in demand for restructuring.

Cancelled warrant ratio though has been drifting lower it still is one of that highest among the base metal pack, near 8 percent of total stocks on London Metal Exchange.

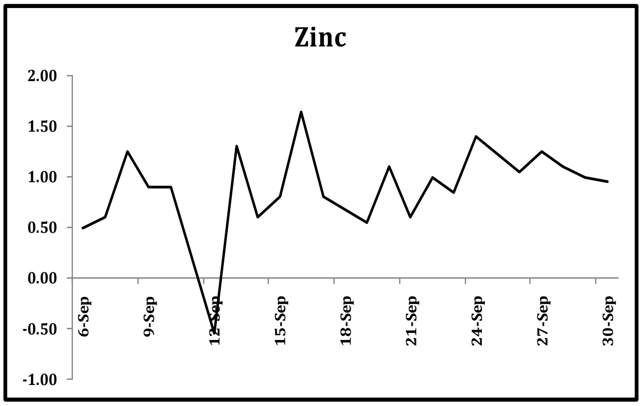
BASIS CHART
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



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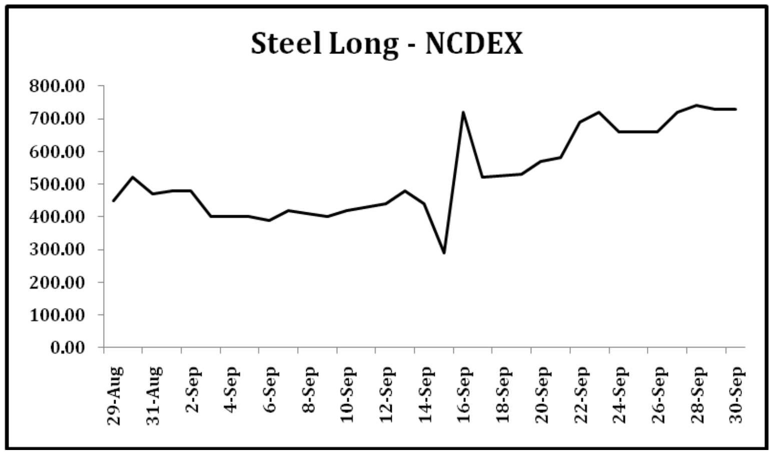
STEEL LONG NCDEX

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		172.9	172.9	171.3	171.3	-1.61%	-	-	-	-
STEEL LONG	NCDEX	Oct-11	29530	29710	29160	29660	-0.03%	20,800	-60.37%	29,740	0.95%

STEEL LONG NCDEX:

Steel long prices largely consolidated in the week gone by and ended largely flat. On NCDEX, steel long October contract ended at 29,660/tonne. Volumes were also on the lower side indicating tepid activity along with the price. Iron ore prices ended lower as lower steel prices in China along with week long holiday in China ahead created pressure on prices. Steel ingot prices at Mandi Gobindgarh also traded largely range-bound in the week and on Friday; they traded in the range of 31,650 – 31,800 levels. Demand continues to remain weak and thereby reports even indicating build-up of stocks at some of the major markets. On the industry front, JSW steel indicated that production would decline by nearly 30 percent owing to shortage of iron ore. Yet this is not leading to any increase in prices as demand has also remained tepid. Overall, range bound trade in steel prices might continue but the bias still remains on the lower side.

CALENDAR SPREAD ON NCDEX



DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date Time	Region	Event	Period	Survey	Prior
03/10/2011 06:30	CH	China Non-manufacturing PMI	SEP	- -	57.6
03/10/2011 13:25	GE	PMI Manufacturing	SEP F	50	50
03/10/2011 13:30	EC	PMI Manufacturing	SEP F	48.4	48.4
03/10/2011 14:00	UK	PMI Manufacturing	SEP	48.5	49
03/10/2011 19:30	US	Construction Spending MoM	AUG	-0.20%	-1.30%
03/10/2011 19:30	US	ISM Manufacturing	SEP	50.3	50.6
03/10/2011 19:30	US	ISM Prices Paid	SEP	54	55.5
04/10/2011 14:00	UK	PMI Construction	SEP	51.6	52.6
04/10/2011 14:30	EC	Euro-Zone PPI (MoM)	AUG	-0.20%	0.50%
04/10/2011 14:30	EC	Euro-Zone PPI (YoY)	AUG	5.80%	6.10%
04/10/2011 19:30	US	Factory Orders	AUG	0.00%	2.40%
04/10/2011 02:30	US	Total Vehicle Sales	SEP	12.60M	12.10M
04/10/2011 02:30	US	Domestic Vehicle Sales	SEP	9.80M	9.52M
05/10/2011 13:25	GE	PMI Services	SEP F	50.3	50.3
05/10/2011 13:30	EC	PMI Composite	SEP F	49.2	49.2
05/10/2011 13:30	EC	PMI Services	SEP F	49.1	49.1
05/10/2011 14:00	UK	GDP (QoQ)	2Q F	0.20%	0.20%
05/10/2011 14:30	EC	Euro-Zone Retail Sales (MoM)	AUG	-0.30%	0.20%
05/10/2011 17:45	US	ADP Employment Change	SEP	70K	91K
05/10/2011 19:30	US	ISM Non-Manufacturing Composite	SEP	52.8	53.3
06/10/2011 15:30	GE	Factory Orders MoM (sa)	AUG	0.00%	-2.80%
06/10/2011 16:30	UK	BOE ANNOUNCES RATES	6-Oct	0.50%	0.50%
06/10/2011 17:15	EC	ECB Announces Interest Rates	6-Oct	1.50%	1.50%
06/10/2011 18:00	US	Initial Jobless Claims	1-Oct	410K	- -
06/10/2011 18:00	US	Continuing Claims	24-Sep	3725K	- -
07/10/2011 15:30	GE	Industrial Production MoM (sa)	AUG	-2.00%	4.00%
07/10/2011 18:00	US	Change in Nonfarm Payrolls	SEP	50K	0K
07/10/2011 18:00	US	Change in Private Payrolls	SEP	90K	17K
07/10/2011 18:00	US	Change in Manufacturing Payrolls	SEP	-3K	-3K
07/10/2011 18:00	US	Unemployment Rate	SEP	9.10%	9.10%

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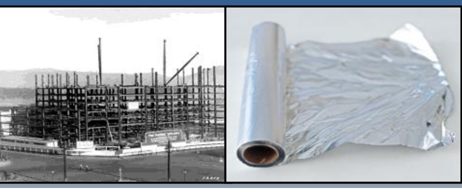

METALS WEEKLY

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