



METALS WEEKLY

A Weekly Report on Metals



OUTLOOK

The coming week is expected with ample number of economic data from US, Euro zone and other economies. While looking at the economic releases, most of the data from US are likely to be positive especially housing data in the form of existing home sales are likely to increase which may support metals to improve along with improving GDP figures. However data from euro zone are still looking negative and they may have pressure on metals. Therefore, we could see a very volatile and mixed trend in the coming week. However, other factors would also play major role, like lower euro against the greenback, poor global equities and bond yields sustaining at higher levels would make metals to remain fragile. This has been more than three to four weeks that metals are moving in a very mixed trend as they are mostly prone to ongoing economic activities and events. Another important factor which needs to be discussed here is oil performance. Oil prices which had crossed \$103 was failed to manage the gains and ended the week on a lower note and the same is likely to correct in the coming week which may have a negative impact on metals trend too.

However, each of the metals is trading on their own fundamentals. Lead which has been the top performer in the last week is likely to continue the same in the coming week too as the cancelled warrants are sustaining above five percent and likely to improve further. While comparing LME metals performance with MCX/India, we see Indian metals have gained and the major reason is Indian rupee which has depreciated by 2.43 per cent against the greenback. The same scenario is expected in the coming week as well. However, less participation is keeping a very dicey trend for the metals trend.

TECHNICAL RECOMMENDATIONS*									
Commodity	Series	S3	S2	S1	CLOS E	R1	R2	R3	Recommendations
LMEAluminiu	Fwd	1957.3	2018.7	2074.3	2130	2191.3	2252.7	2308.3	Range: 2040-2190
MCX	Nov-	104	105.50	107	108.1	109.7	111.3	114.0	Range: 106-112
LME Copper	Fwd	6758.0	7069.0	6758.0	7553	7864.0	8175.0	8417.0	Buy at 7300 TP 7600 SL 7100
MCX Copper	Nov-	3720	378	384	388.7	392.50	395	401	Buy at 384/86 TP 400 SL 378
LME Lead	Fwd	1918.7	1949.3	2004.7	2060	2090.7	2121.3	2176.7	Buy above 2075 TP 2150 SL 2025
MCX Lead	Nov-	97	100	102.50	105.4	107	108.50	110.50	Buy at 102 TP 108 SL 99.50
LME Nickel	Fwd	16252.	16871.	17312.	17754	18372.	18991.	19432.	Range: 17400-1718250
MCX Nickel	Nov-	870	895	905	921.9	935	948	962	890-940
LME Zinc	Fwd	1719.3	1799.7	1819.3	1839	1919.3	1999.7	2019.3	Range: 1860-1970
MCX Zinc	Nov-	95.50	97	99.40	100.6	102	103.85	105.50	Buy at 96.50-102
Steel NCDEX	Dec-	31273	31507	31673	31840	32073	32307	32473	Range: 30900-31500

*NOTE: The calls shown above are purely WEEKLY Recommendations

Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
11/21/2011 14:30	EC	ECB Euro-Zone Current Account SA	SEP	--	-5.0B
11/21/2011 19:00	US	Chicago Fed Nat Activity Index	OCT	0.19	-0.22
11/21/2011 20:30	US	Existing Home Sales	OCT	4.80M	4.91M
11/22/2011 19:00	US	GDP QoQ (Annualized)	3Q S	2.50%	2.50%

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	2175	2197	2080	2110	-2.41	159,532	-2.77	4,877	-10.46
	Copper	7740	7933	7380	7525	-1.49	225,103	-7.74	2,728	-16.16
	Lead	2020	2066	1980	2059	3.21	35,656	2.39	905	-33.99
	Nickel	18252	18550	17490	17655	-2.32	29,801	29.96	661	-20.46
	Zinc	1935	1980	1880	1965	2.34	84,090	-28.45	1,806	-37.20
MCX Futures (₹/Kg)	Aluminium	108.3	109.45	105.9	108.1	0.19	33,173	6.45	1,318	-31.21
	Copper	385	396.15	381.1	388.15	0.95	761,644	15.02	18,276	-24.32
	Lead	100.25	105.15	100.25	104.9	5.01	75,683	31.61	3,262	-15.01
	Nickel	919.4	934.3	896	918.9	0.05	298,990	50.91	12,488	-29.59
	Zinc	97.1	100.8	96.95	100.4	3.93	80,980	3.08	3,500	5.42

MARKET OVERVIEW

- Metal sector traded mixed in the last week as some of them like Aluminium, Copper and Nickel were negative while Lead and Zinc showed positive trend. However, at MCX the scenario was different and all the metals closed on a positive note due to Indian rupee depreciation. INR depreciated by 2.43 per cent against the greenback
- Lead was the top gainer among the metals as this is the only commodity which cancelled warrant ratios are still hovering high near 4 to 5 per cent
- The trade participation has been really poor for all the metals since past two to three weeks, in fact in the last week volumes have declined for most of the metals. Interestingly, Open Interests have also declining indicating market is leaving a very dicey trend in the near term

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	56340	56190	-150	-0.27%
Zinc	14740	14970	230	1.56%
Aluminum	16090	15940	-150	-0.93%

COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	346.2	340.2	-6	-1.73%



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Commodity Futures Trading Commission (CFTC) Report- Copper

The data released by CFTC on last Thursday tells us that market is occupied with equal weights of buyers and sellers therefore, price differentials have not been drastic. Each commodities performance has been driven by their fundamentals.

CFTC Report - Copper (In contracts)				
Non-Commercial	11/8/2011	11/15/2011	Change	% Change
Long	26697	26992	295	1.10%
Short	26385	28106	1721	6.52%
Spreading	12686	12241	-445	-3.51%
Commercial				
Long	70552	77633	7081	10.04%
Short	66389	72092	5703	8.59%
Total				
Long	109935	116866	6931	6.30%
Short	105460	112439	6979	6.62%

INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	407700	398250	-9450	-2.32%
Zinc	752725	749000	-3725	-0.49%
Aluminium	4533675	4560275	26600	0.59%
Lead	376850	374950	-1900	-0.50%
Nickel	84180	84750	570	0.68%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	87643	86649	-994	-1.13%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	83389	74199	-9190	-11.02%
Zinc	366503	365526	-977	-0.27%
Aluminium	139013	179443	40430	29.08%



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A Weekly Report on Metals



ECONOMIC REVIEW

The week gone by, started with Japan's economic growth for the first time in a year. The former European Union competition commissioner took charge as Prime minister and passed an austerity measures, easing fears of a potential default. Aiming to reduce the country's debt of \$2.6 trillion, the chamber of deputies on last Saturday approved an economic package that calls for rising the retirement age in coming years and selling real estate. Italy was then set for an auction of \$3 billion worth of five years government bond which was expected to be helpful in taming the deficit. However, the Italian bond auction came at the highest cost for government. Bids exceeded supply by 1.47 times and produced a yield of 6.29%, a sharp rise in borrowing cost from 5.32% in sale of the same issue last month. The Euro sank to its five weeks low of 1.3444 as France and Spain prepare to sell notes after Italy did the same yesterday. Spain was scheduled to sell 4 billion Euros of bonds due 2022, while France was about to auction notes maturing from 2013 to 2016. Investors drove up the funding cost of France and Spain after they sold 11.6 billion Euros of debt against a backdrop of rising bond yields. Spanish bond were sold at a maximum yield of 7.088%, which was the highest yield paid since the euro's inception.

France's borrowing cost also rose to a new record high relative to Germany and the yield premiums widened by 26 bps to 189 points, thereby raising the yield to 3.82%. The widening European bond spreads among the core countries is now signaling that the currency risk has spread within the euro zone. From the US, all the data releases appeared better than expected and thereby supported the dollar to gain against the majors. Housing sectors improved and the jobless applications fell, showing an improvement over the labor market. *(Courtesy: KCTL's Weekly Economic report)*

Currency	Last Week	This Week	% Change
Dollar Index	76.945	78.023	1.40%
EUR/USD	1.375	1.3525	-1.64%
GBP/USD	1.6065	1.5806	-1.61%
USD/INR	50.115	51.335	2.43%

Bond Yields	Last Week	This Week	Change (in bps)
US 10 year bond	2.0564	2.0104	-4.6
German 10 year bond	1.888	1.967	7.9
India 10 year bond	8.936	8.84	-9.6



METALS WEEKLY

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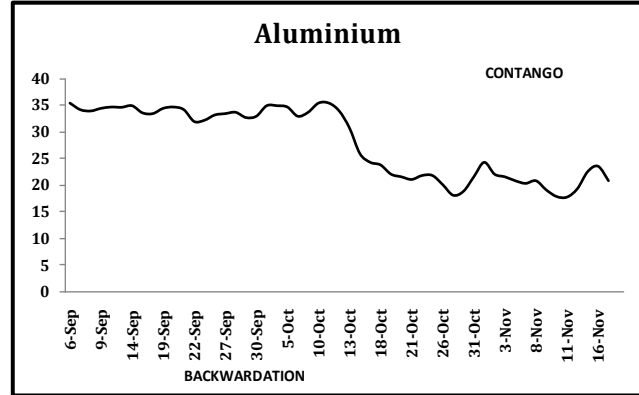
ALUMINIUM

National Aluminium Company (NALCO), India's state run aluminium company, sold 9,000 tonnes of aluminium ingots at \$89/tonne premium over the London Metal Exchange cash price on a cost, insurance and freight basis (CIF) basis. This is substantial decline from premium of \$97/tonne from the previous sale of 7,500 tonnes.

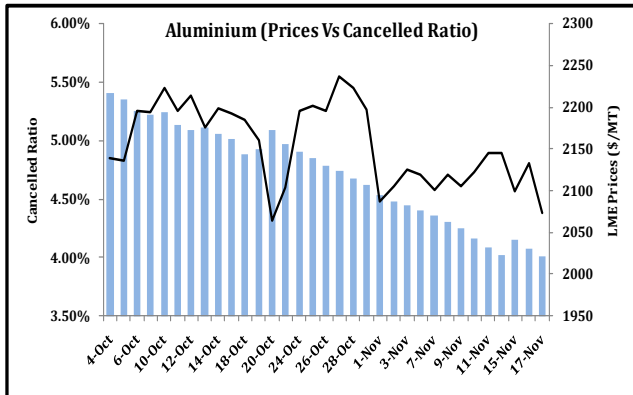
Cancelled warrant ratio though have improved from previous days but holding lower while inventories shows decline keeping a dicey phase in the market

BASIS CHART

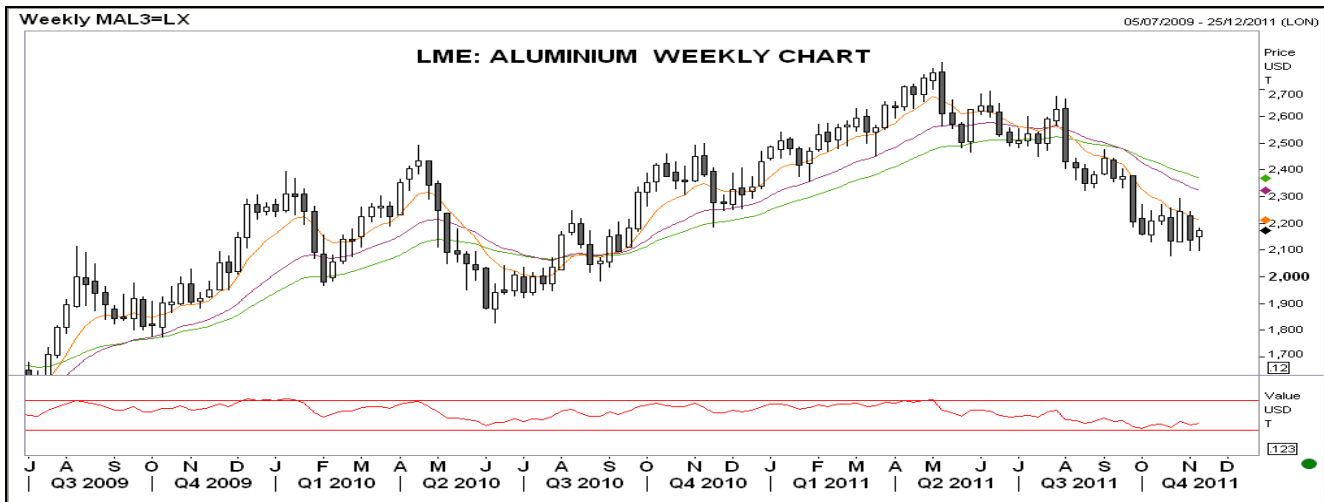
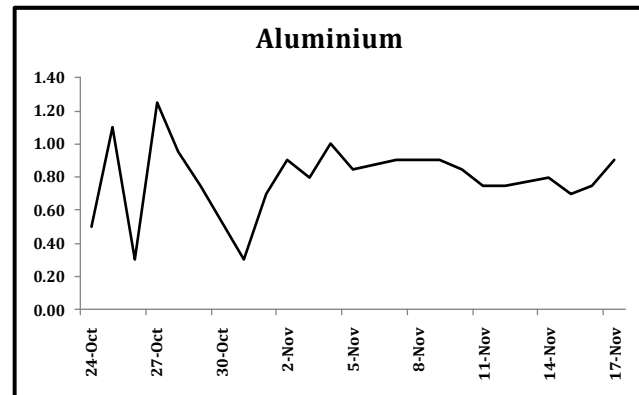
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





METALS WEEKLY

A Weekly Report on Metals



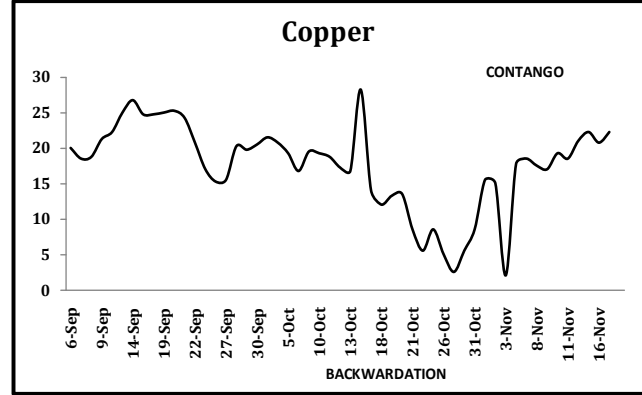
COPPER

Strike at the Grasberg copper mine in Indonesia, majority owned by Freeport, is now in its eighth week. The company has already declared partial force majeure on copper concentrates earlier this month. **There has not been any new development on this strike**

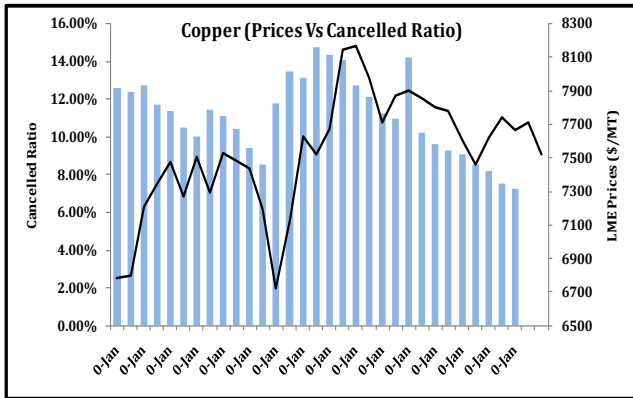
On the other hand, copper imports by China in the month of October came in at 383,507 tonnes which is at the highest level since May 2010 indicating strong demand for the metal. **However concerns on the Euro front is restricting the upside for copper prices.**

BASIS CHART

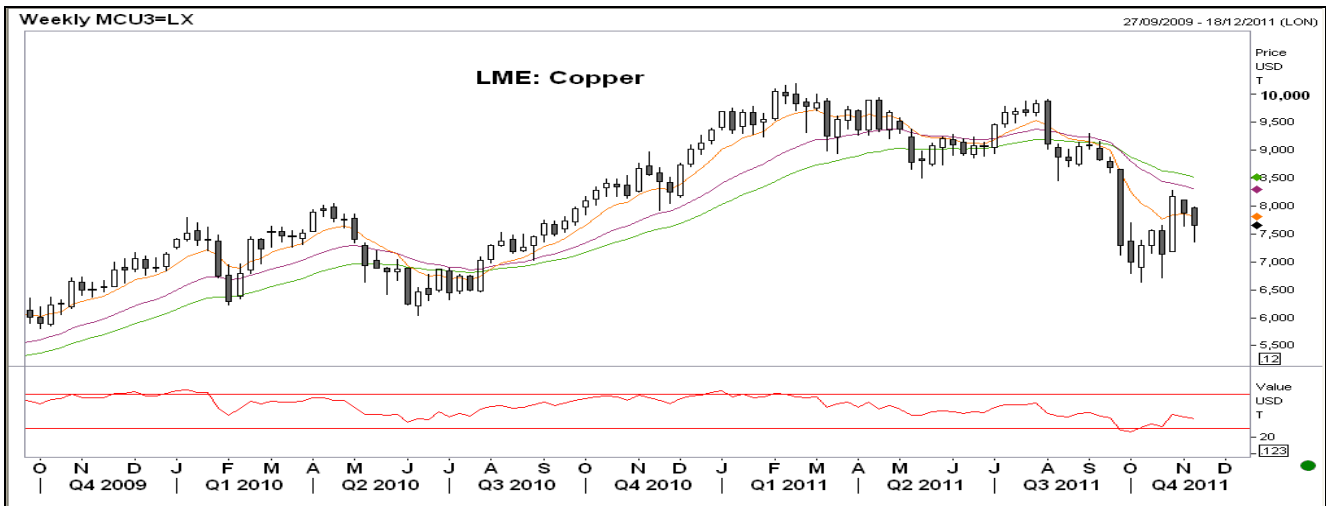
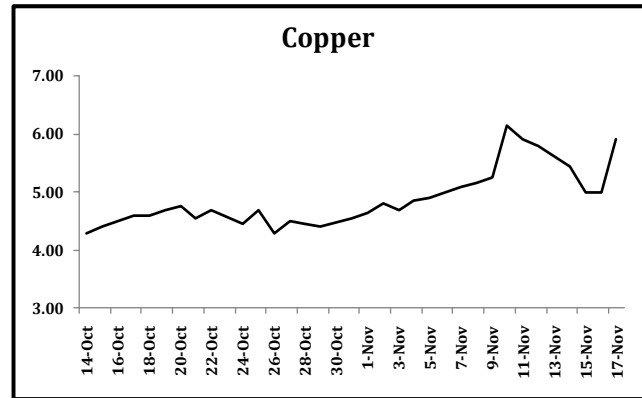
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A Weekly Report on Metals



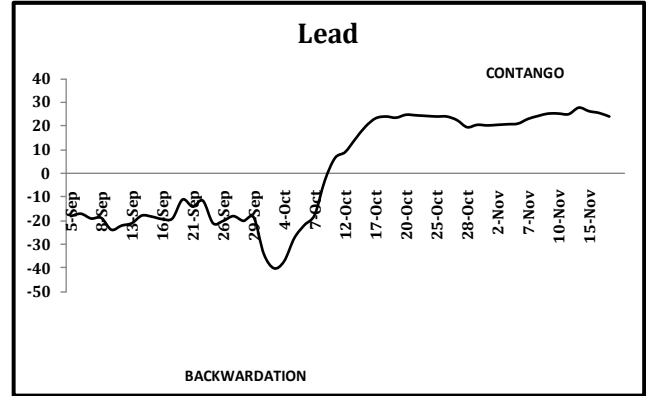
LEAD

Lead has been the top gainer among the metal sector. The cancelled warrant ratios have been improving suggesting short term demand to perk up soon

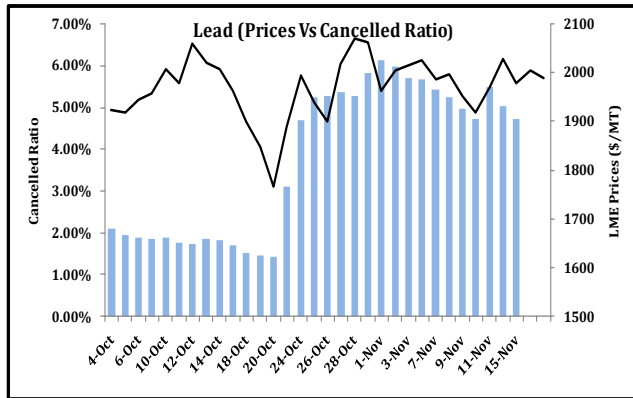
Spread basis continues to hover close to average levels of \$20/tonne and still holding a contango effect so expecting it to improve in the near term.

BASIS CHART

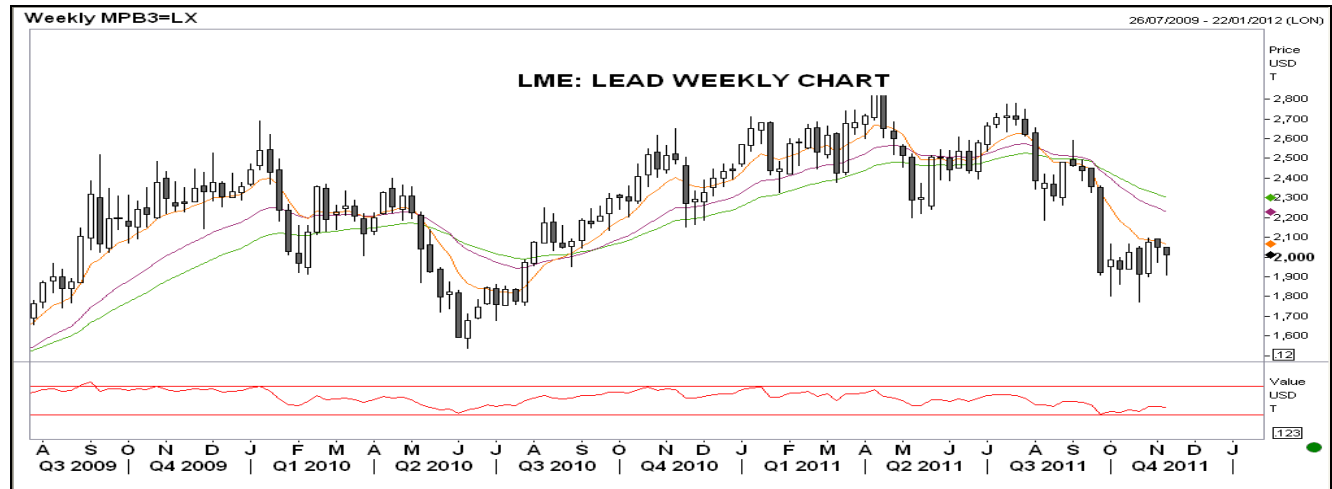
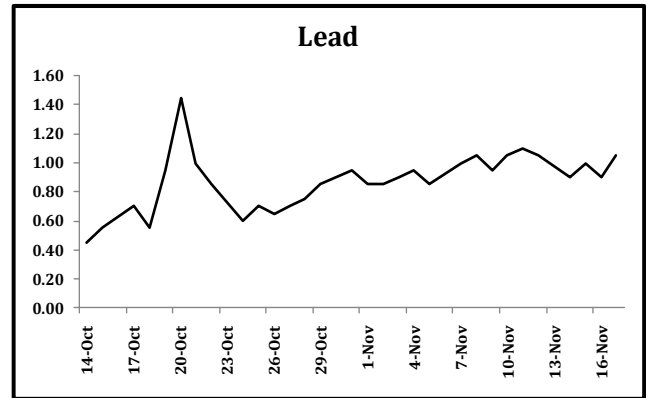
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METALS WEEKLY

A Weekly Report on Metals

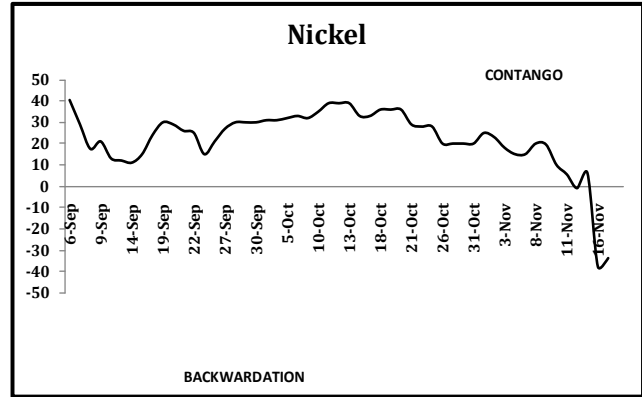


NICKEL

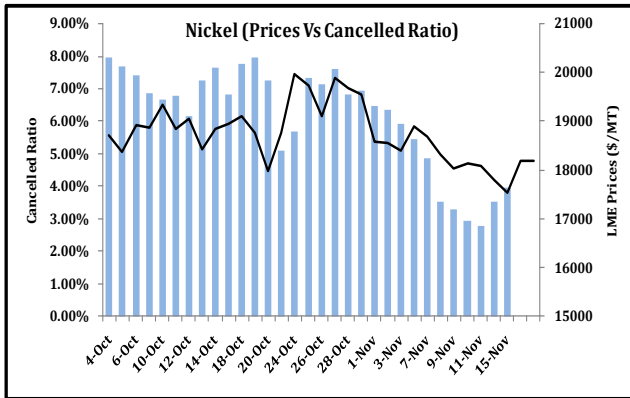
Nickel has been highly volatile and the cancelled warrants have improved in the recent two session. However, prices are trading mixed in the recent past. The basis has now come down to backwardation suggesting short term demand to remain mixed to poor.

BASIS CHART

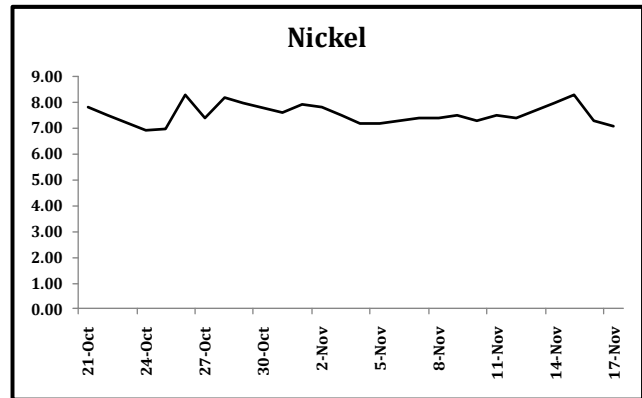
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CALENDAR SPREAD ON MCX





METALS WEEKLY

A Weekly Report on Metals

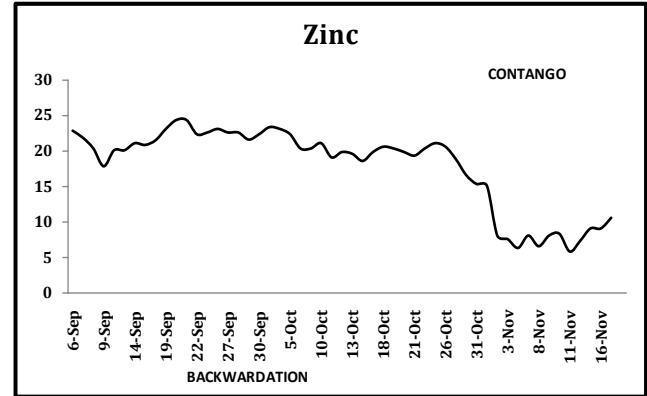


ZINC

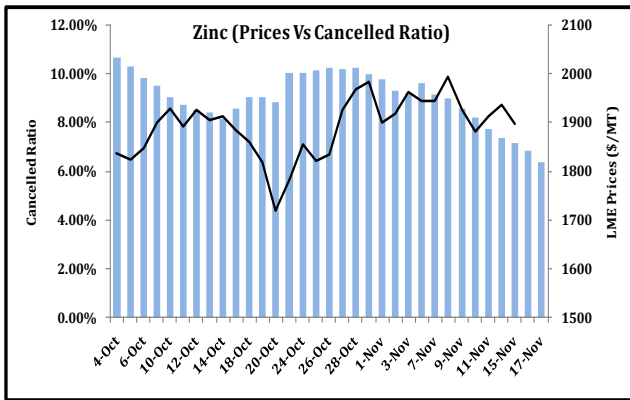
Zinc has been the second performer among the metals trend though cancelled warrant ratios are seen declining while the time spread is at 10 levels. However, spreads are looking to improve in the recent past may support this commodity to rise.

BASIS CHART

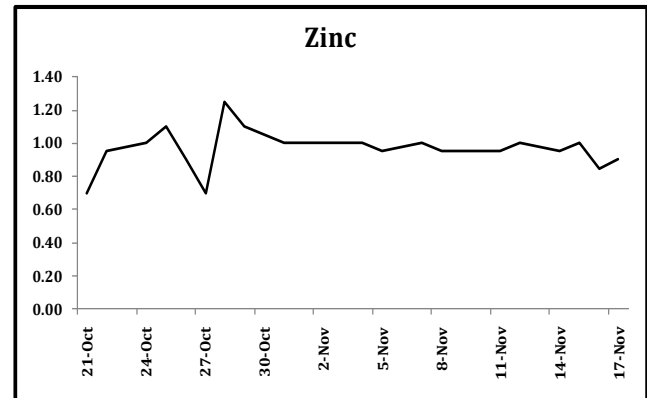
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CANCELLED WARRANT RATIO ON LME



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METALS WEEKLY

A Weekly Report on Metals



DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
11/21/2011	14:30	EC	ECB Euro-Zone Current Account SA	SEP	--	-5.0B
11/21/2011	19:00	US	Chicago Fed Nat Activity Index	OCT	0.19	-0.22
11/21/2011	20:30	US	Existing Home Sales	OCT	4.80M	4.91M
11/22/2011	19:00	US	GDP QoQ (Annualized)	3Q S	2.50%	2.50%
11/22/2011	19:00	US	Personal Consumption	3Q S	2.40%	2.40%
11/22/2011	19:00	US	GDP Price Index	3Q S	2.50%	2.50%
11/22/2011	20:30	EC	Euro-Zone Consumer Confidence	NOV A	-21	-19.9
11/22/2011	20:30	US	Richmond Fed Manufact. Index	NOV	-1	-6
11/23/2011	00:30	US	Minutes of FOMC Meeting			
11/23/2011	14:00	GE	PMI Manufacturing	NOV A	48.5	49.1
11/23/2011	14:00	GE	PMI Services	NOV A	50	50.6
11/23/2011	14:30	EC	PMI Composite	NOV A	46.1	46.5
11/23/2011	14:30	EC	PMI Manufacturing	NOV A	46.5	47.1
11/23/2011	14:30	EC	PMI Services	NOV A	46	46.4
11/23/2011	19:00	US	Durable Goods Orders	OCT	-1.20%	-0.80%
11/23/2011	19:00	US	Personal Income	OCT	0.30%	0.10%
11/23/2011	19:00	US	Personal Spending	OCT	0.30%	0.60%
11/23/2011	19:00	US	Initial Jobless Claims	19-Nov	390K	388K
11/23/2011	19:00	US	Continuing Claims	12-Nov	3610K	3608K
11/23/2011	20:25	US	U. of Michigan Confidence	NOV F	64.5	64.2
11/24/2011	12:30	GE	Exports	3Q	1.60%	2.30%
11/24/2011	12:30	GE	Government Spending	3Q	0.20%	0.20%
11/24/2011	12:30	GE	Construction Investment	3Q	-0.10%	-0.90%
11/24/2011	12:30	GE	Imports	3Q	1.50%	3.20%
11/24/2011	12:30	GE	Private Consumption	3Q	0.50%	-0.70%
11/24/2011	14:30	GE	IFO - Business Climate	NOV	105.2	106.4
11/24/2011	14:30	GE	IFO - Current Assessment	NOV	115	116.7
11/24/2011	14:30	GE	IFO - Expectations	NOV	96	97
11/24/2011	15:00	UK	GDP (QoQ)	3Q P	0.50%	0.50%
11/24/2011	15:00	UK	Private Consumption	3Q P	0.20%	-0.80%



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