



METALS WEEKLY

A Weekly Report on Metals



OUTLOOK

The coming week is expected to unveil the Pandora's Box as the markets are prepared to witness the impact of the European Summit. The member nations have failed to stand together to sort any solid measure for the debt-ridden economy. Presently, the members are trying hard to cut their budget requirements to fund IMF for bailout. This will reduce the government spending and may not support the metal prices due to weak development activity in the region. However, other factors would also play major role, like the US FOMC meeting as it is expected to keep the rates unchanged, some contraction is also expected in Industrial and manufacturing production of US and it may put some pressure in the metal prices. Last week we saw the metals moving in tandem with the equities and the metals are expected to continue the trend. The bond yields are also sustaining at higher levels and all these would make metals to remain fragile. Presently the metals are trading with gains majorly due to the economic data impact as the market is eagerly waiting for any developments and the trends are just reflections to the same.

Hence, each of the metals is trading on their own fundamentals. Nickel has been the top performer in the last week but it may not continue similar trend in the coming week as the cancelled warrants had reduced to 3.82percent. While comparing LME metals performance with MCX in India, we see at MCX metals have gained more and the major reason is the volumes as it has increased for most of the metals. Overall, we suggest being on the selling side for the week ahead.

TECHNICAL RECOMMENDATIONS*									
Commodity	Series	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
LME Aluminium	Fwd	1932	1988	2027	2065	2122	2178	2217	Range :1875-2220
MCX Aluminium	Nov-	103.7	105.4	106.7	108.0	109.6	111.3	112.6	Range : 105-110.90
LME Copper	Fwd	7305	7479	7647	7815	7989	8163	8331	Buy at 7700-7750 TP 8280 SL 7310
MCX Copper	Nov-	397.0	400.6	406.5	412.3	415.9	419.5	425.4	Buy at 405-407 TP 426 SL 392
LME Lead	Fwd	2022	2051	2108	2165	2195	2224	2281	Trading Range 1990-2270
MCX Lead	Nov-	103.0	105.0	108.2	111.4	113.4	115.4	118.6	Trading range : 108-117.5
LME Nickel	Fwd	1675	1715	1787	1860	1900	19400	20125	Trading Range : 16710-20300
MCX Nickel	Nov-	859.7	882.7	926.5	970.3	993.3	1016.	1060.	Trading Range : 905.7-1020.1
LME Zinc	Fwd	1880	1926	1965	2003	2050	2096	2135	Buy at 1980-2010 TP 2110 SL 1910
MCX Zinc	Nov-	100.5	101.9	103.2	104.6	105.9	107.3	108.6	Buy at 102.6-103.2 TP 107.9 SL
Steel NCDEX	Dec-11	3041	3083	3120	3157	3199	32410	32780	Range: 30900-31500

*NOTE: The calls shown above are purely WEEKLY Recommendations

Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
12/13/2011 00:30	US	Monthly Budget Statement	NOV	-\$139.0B	-\$150.4B
12/14/2011 10:00	JN	Industrial Production (M/M)	OCT F	-	0.024
12/14/2011 00:45	US	FOMC Rate Decision	13-Dec	0.25%	0.25%
12/16/2011 15:30	EC	Euro-Zone Trade Balance	OCT	1.0B	2.9B

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	2129	2140	2045	2065	-3.05	157,910	-29.35	3,643	-26.92
	Copper	7933.75	7995	7653	7815	-0.95	168,200	-47.63	2,145	-43.07
	Lead	2105	2167.5	2081	2165	2.61	38,744	-28.26	1,508	75.76
	Nickel	17750	18675	17550	18600	4.85	44,369	-7.15	889	-23.36
	Zinc	2035	2058	1973	2003	-2.39	83,955	-40.97	1,665	-1.60
MCX Futures (₹/Kg)	Aluminium	109.35	109.95	107	108	-1.32	37,468	2.86	2,091	-6.86
	Copper	407.25	413.7	404.25	412.3	1.07	781,551	26.74	29,360	24.07
	Lead	107.5	112.2	107	111.4	3.34	77,393	38.13	4,148	96.49
	Nickel	905.7	972.5	905.7	970.3	7.33	420,601	30.50	15,103	-28.70
	Zinc	104.95	106	103.3	104.55	-0.52	81,428	24.12	3,243	9.41

MARKET OVERVIEW

- Metal sector traded mixed in the last week as some of them like Aluminium, Copper and Zinc were negative while Nickel and Lead showed positive trend. However, at MCX the scenario was different and all the metals closed on a positive note except Aluminum and Zinc. The gains were appreciated and the losses were minimized due to Indian rupee depreciation. INR depreciated by 1.6 per cent against the dollar
- Nickel was the top gainer among the metals and the prices appreciated by 7.33 percent for the week at MCX. The gain in prices was majorly because of fundamentals as the metal is slowly building the contango
- The trade participation has been really poor for all the metals since past one to two weeks, in fact in the last week volumes have declined for most of the metals at LME. In MCX, the scenario was very different and the volumes showed some improvement especially that of Copper and Nickel. Interestingly, Open Interests have also declining except Lead, 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	58170	57790	-380	-0.65%
Zinc	15725	15525	-200	-1.27%
Aluminum	16235	16130	-105	-0.65%

COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	357.25	354.7	-2.55	-0.71%



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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 more weights of sellers than buyers; hence the price differentials have been drastic. Each commodities performance has been driven by the global economic updates

CFTC Report - Copper (In contracts)				
Non-Commercial	11/29/2011	12/6/2011	Change	% Change
Long	26425	26715	290	1.10%
Short	29733	29347	-386	-1.30%
Spreading	11900	10722	-1178	-9.90%
Commercial				
Long	64354	65290	936	1.45%
Short	54748	57566	2818	5.15%
Total				
Long	102679	102727	48	0.05%
Short	96381	97635	1254	1.30%

INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	388150	386075	-2075	-0.53%
Zinc	737250	757350	20100	2.73%
Aluminium	4554975	4589050	34075	0.75%
Lead	366825	361700	-5125	-1.40%
Nickel	90822	90042	-780	-0.86%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	87571	87737	166	0.19%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	65205	57655	-7550	-11.58%
Zinc	368939	368897	-42	-0.01%
Aluminium	179574	177415	-2159	-1.20%



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ECONOMIC REVIEW

The last week started with announcement from Italy president Mario Monti for 30 billion Euros of austerity measures. However, the main focus was on ECB meet where France President and German Chancellor stated about the comprehensive plan. Before ECB meet, it cut the interest rate by 25 bps and kept rate at 1%, a historic low. On last Friday, German Chancellor Angela Merkel said the leaders of the 17 euro nations reached an accord to tighten budget controls and add 200 billion Euros (\$267 billion) to their crisis-fighting war chest. They also sought to get the ECB to step up its rescue operations and outlined a new fiscal agreement to prevent future debt run-ups, accelerated the start of a planned 500 billion-euro rescue fund and watered down bondholder loss-sharing provisions. However, British Prime Minister David Cameron said early Friday that he had decided not to participate in a deal proposed by Germany and France to amend the European Union treaty and bind the 27 EU members into a closer fiscal union. On the other side trade balance of major countries fell. US trade deficit dropped to \$43.5 billion, its lowest level of the year, as imports fell - almost entirely because of a plunge in demand for oil. Exports to China and Latin America reached records, indicating demand from developing nations may cushion the U.S. economy from a slowdown in Europe. Trade balance of China, Japan and German also results lower than expectation. *(Courtesy: KCTL's Weekly Economic report)*

Currency	Last Week	This Week	% Change
Dollar Index	78.625	78.632	0.01%
EUR/USD	1.3391	1.3386	-0.04%
GBP/USD	1.5597	1.5671	0.47%
USD/INR	51.2062	52.0425	1.63%

Bond Yields	Last Week	This Week	Change (in bps)
US 10 year bond	2.0331	2.0611	2.8
German 10 year bond	2.135	2.149	1.4
India 10 year bond	8.672	8.523	-14.9



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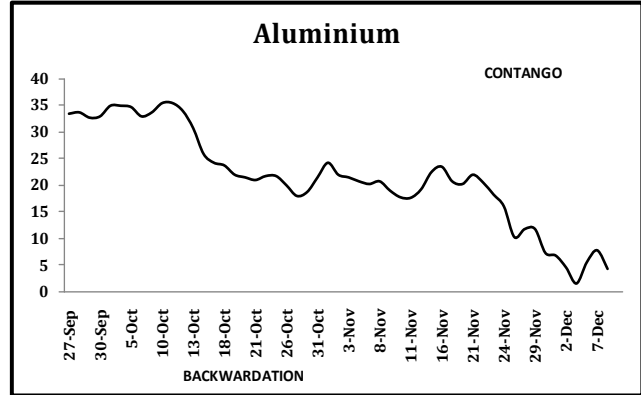
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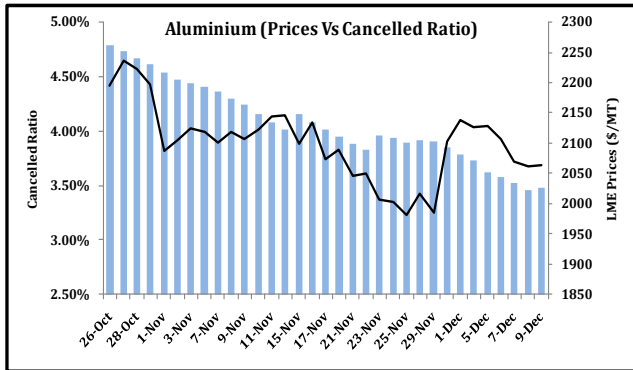
ALUMINIUM

- ❖ Aluminum stocks crashed the most last week on the verge of weak industrial and manufacturing activity round the globe. The prices retreated majorly because of decrease in consumption
- ❖ Rio Tinto the world's third largest miner announced that it would sell off large sections of its lower-margin Aluminum business in Australia due to rising labor costs
- ❖ Cancelled warrant ratio have been reducing from previous days and holding lower while inventories shows increase in tonnage keeping a dicey phase in the market

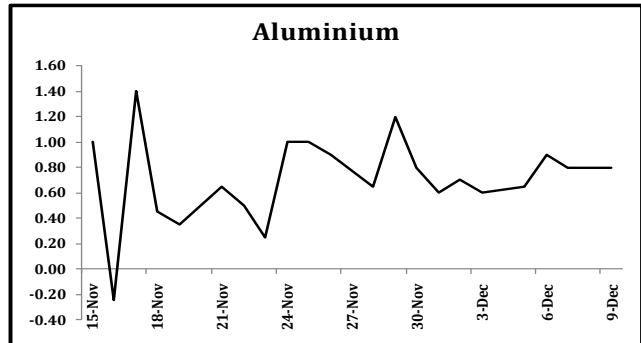
BASIS CHART
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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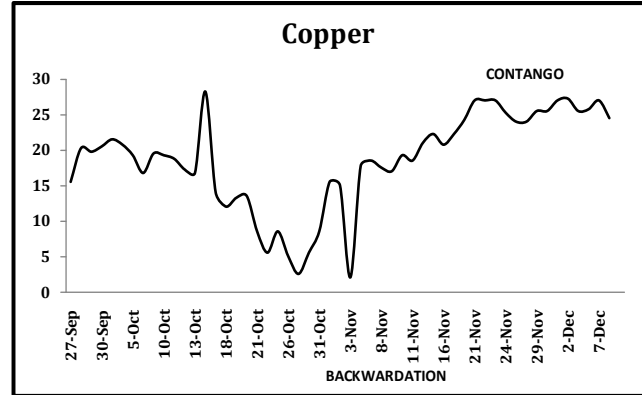


COPPER

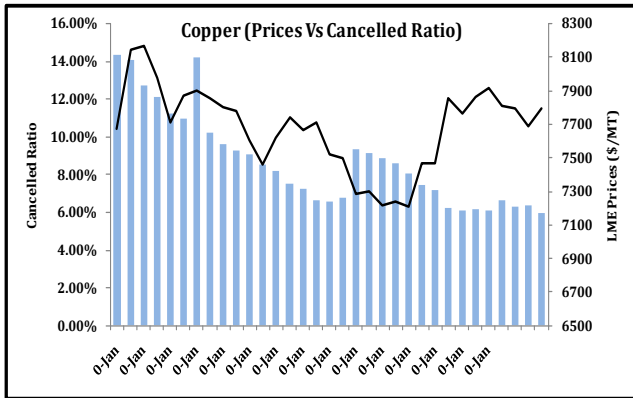
- ❖ *Copper like equities tend to move in tandem as both are seen as growth-sensitive assets that investors favor as the economic outlook improves*
- ❖ *However, the exports of Copper from Chile the world's largest copper miner retreated in the last month from \$4.1 billion to \$3.7 billion, indicating supply constrains may support the price movement*

BASIS CHART

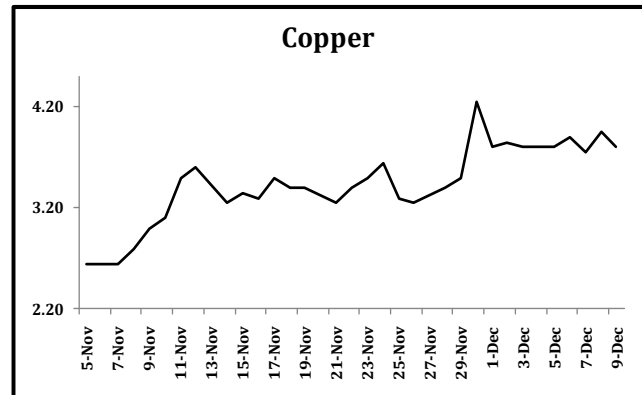
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



The week has gone by making a high of 7995 then low of 7653 and settled at 7836 levels. Last week copper futures have broken crucial resistance level of 7664 level now this is turned as a good support level for coming session. Closing of the candle is showing buyer interest at this levels incase on break below price may test (7100) which is recent low. Looking at above price chart we may notice that price are trying to breach resistance level of 7875 levels on sustained above strong buying may seen nest resistance is seen at 8260 level which is recent high of copper futures. Momentum Indicator RSI-14 is trading at 0.557 is supporting price to trade higher side. Overall expecting price to trade higher side recommended buying at support levels.



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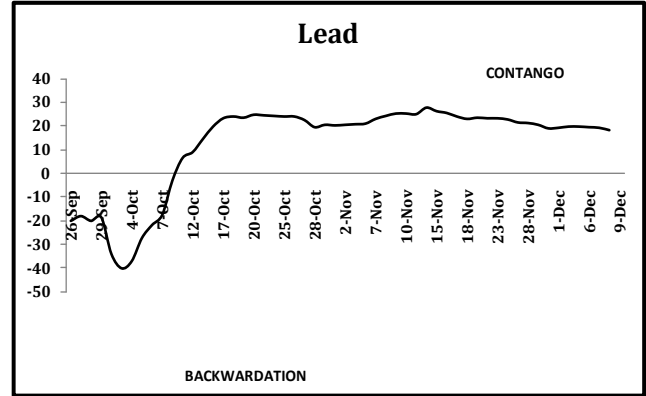


LEAD

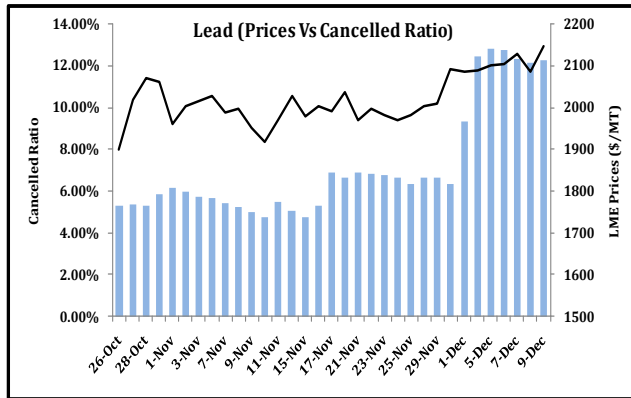
- ❖ The metal gained in prices last week both at MCX and at LME, owing to the strong fundamentals that are driving the prices
- ❖ The cancelled warrants have increased to 2 folds in the last week indicating increase in the spot demand for the metals
- ❖ The basis is gradually narrowing and has edged to \$ 17.25 indicating uncertainty in the future demand

BASIS CHART

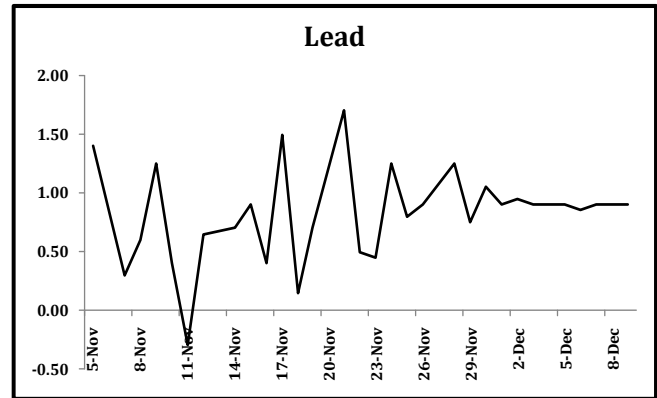
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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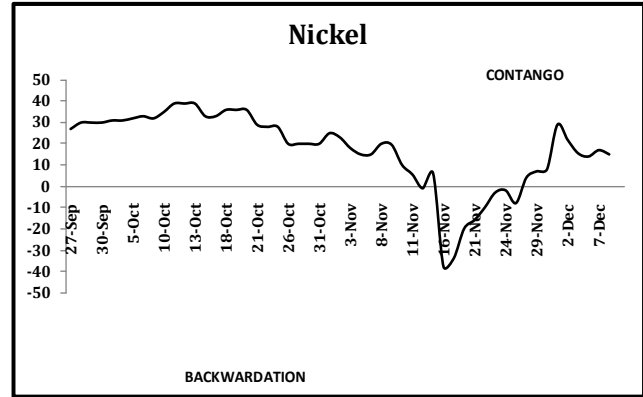


NICKEL

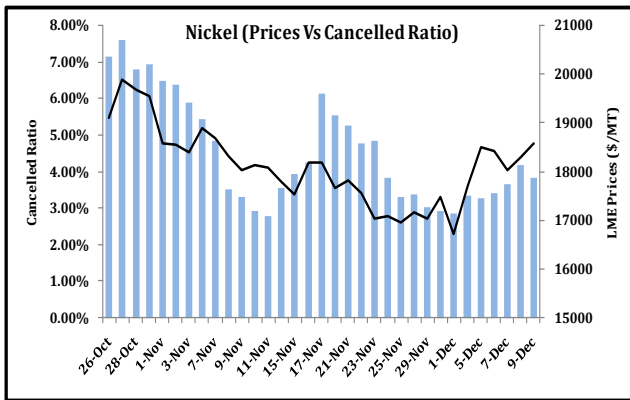
- ❖ Nickel was the top gainer for the week and the prices increased from Rs. 905.7 to Rs. 970.3.
- ❖ The cancelled warrants have shown some improvement in the last few days session and the fundamentals are supporting the price movement

BASIS CHART

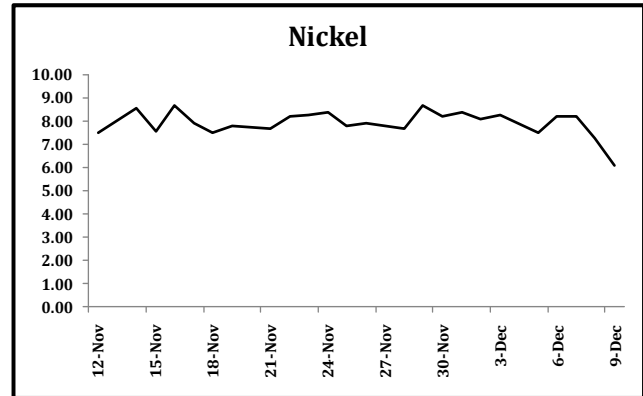
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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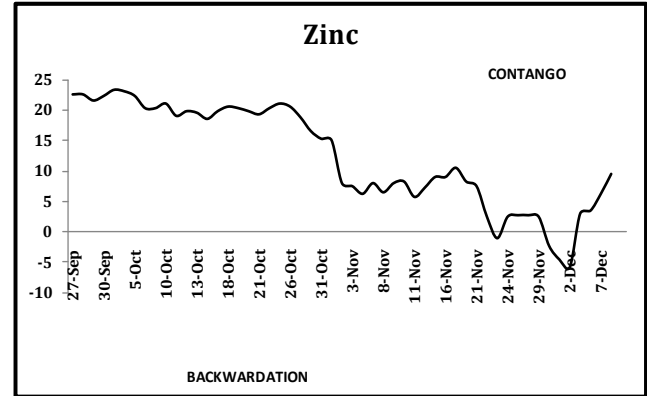


ZINC

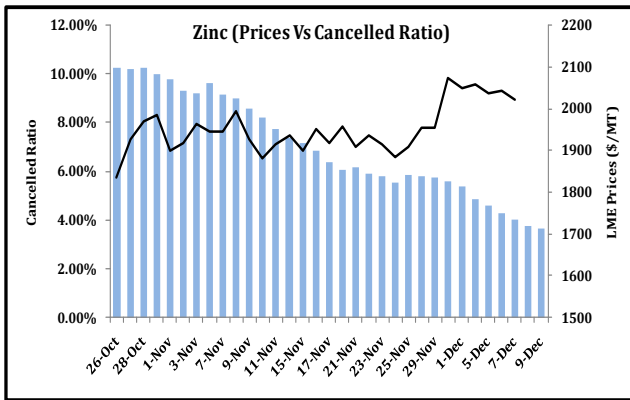
- ❖ *Jiangxi Copper Co. China's largest copper producer by output has started commercial operations at its lead and zinc smelter. In the first phase of operation the plant is expected to produce 100000 metric tons of refined lead and zinc per year*
- ❖ *The cancelled warrants have been decreasing consecutively for the third week indicating weak spot demand*

BASIS CHART

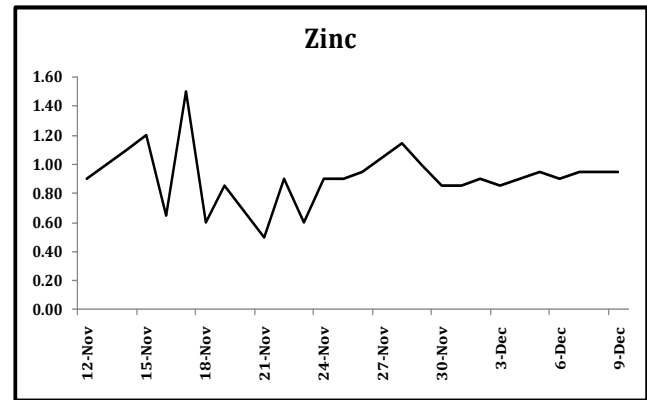
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



Last week prices have traded in limited range the week has gone by making a high of 2058 then low of 1973 and settled at 2009 levels. The closing of the small black candle is suggesting indecisive momentum in prices. In weekly price chart prices are witness support at 1982 levels which short term moving average. On sustained trade below is likely test Fibonacci retracement level of 23.6% (1907) level higher side same tool resistances are falling at 2126 level which is 50% and also this level is almost matching with recent high. Momentum Indicator RSI-14 is trading is at 0.461 is supporting prices to trade higher side in coming session. Overall expecting price to trade limited higher side recommended to buy at support levels



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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
12/12/2011	11:30	JN	Machine Tool Orders (Y/Y)	NOV P	--	0.26
12/12/2011	12:30	GE	Wholesale Price Index (M/M)	NOV	--	-1.00%
12/13/2011	00:30	US	Monthly Budget Statement	NOV	-\$139.0B	-
12/13/2011	15:00	UK	CPI (M/M)	NOV	0.20%	0.10%
12/13/2011	15:30	GE	Zew Survey (Current Situation)	DEC	31	34.2
12/13/2011	15:30	EC	ZEW Survey (Econ. Sentiment)	DEC	--	-59.1
12/13/2011	15:30	GE	ZEW Survey (Econ. Sentiment)	DEC	-55.8	-55.2
12/13/2011	19:00	US	Advance Retail Sales	NOV	0.60%	0.50%
12/13/2011	20:30	US	Business Inventories	OCT	0.80%	0.00%
12/14/2011	00:45	US	FOMC Rate Decision	13-Dec	0.25%	0.25%
12/14/2011	10:00	JN	Industrial Production (M/M)	OCT F	--	0.024
12/14/2011	10:00	JN	Capacity Utilization (M/M)	OCT F	--	-0.036
12/14/2011	15:30	EC	Euro-Zone Ind. Prod. sa (M/M)	OCT	0	-0.02
12/14/2011	17:30	US	MBA Mortgage Applications	9-Dec	--	0.128
12/14/2011	19:00	US	Import Price Index (M/M)	NOV	1.00%	-0.60%
14-17 DEC		CH	Actual FDI (Y/Y)	NOV	--	0.088
12/15/2011	14:00	GE	PMI Manufacturing	DEC A	47.5	47.9
12/15/2011	14:00	GE	PMI Services	DEC A	50	50.3
12/15/2011	14:30	EC	PMI Composite	DEC A	46.5	47
12/15/2011	14:30	EC	PMI Manufacturing	DEC A	46	46.4
12/15/2011	14:30	EC	PMI Services	DEC A	47	47.5
12/15/2011	15:30	EC	Euro-Zone CPI (M/M)	NOV	0.10%	0.30%
12/15/2011	15:30	EC	Euro zone Employment (Q/Q)	3Q	--	0.30%
12/15/2011	19:00	US	Producer Price Index (M/M)	NOV	0.20%	-0.30%
12/15/2011	19:00	US	Current Account Balance	3Q	-\$108.7B	-
12/15/2011	19:00	US	Empire Manufacturing	DEC	3	0.61
12/15/2011	19:00	US	Initial Jobless Claims	10-Dec	390K	381k
12/15/2011	19:00	US	Continuing Claims	3-Dec	3630K	3583k
12/15/2011	19:30	US	Net Long-term TIC Flows	OCT	--	\$68.6B
12/15/2011	19:30	US	Total Net TIC Flows	OCT	--	\$57.4B
12/15/2011	19:45	US	Industrial Production	NOV	0.20%	0.70%
12/15/2011	19:45	US	Capacity Utilization	NOV	77.90%	77.80%
12/15/2011	20:30	US	Philadelphia Fed.	DEC	5	3.6
12/16/2011	15:30	EC	Euro-Zone Trade Balance	OCT	1.0B	2.9B
12/16/2011	19:00	US	Consumer Price Index (MoM)	NOV	0.10%	-0.10%



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