



METALS WEEKLY

A Weekly Report on Metals



OUTLOOK

The coming week is expected to open on a similar bearish note as the previous week as the rating agencies are going for a rate cut spree around the debt-ridden Euro zone. France has already been affected with a downgrade on Friday and Countries like Spain, Italy Belgium and other Euro nations are under scanner. The Euro has also depreciated and may continue the rally in the coming days. These weak developments have resulted in the fall of the metal prices. Fundamentally the inventory of the metals has witnessed weak drawdown figures and the cancelled warrants have also declined indicating weak participation in trading. However the volumes and open interest were mostly in a mix indicating no clear trend for the metals pack. From the economic data releases, most of the data from Euro Zone/Germany like Construction, Producer prices and Business climate are expected to be at a blend. Even the Bank of Japan is expected of no change in interest rate and all these may further support the prices to fall. But to provide some respite a lot of housing data are due to release from the US and the same are expected to be positive as the House price Index is showing some reduction from prior months indicating comparatively cheaper homes which can push New home sales. The same can be expected with an increase in personal spending and durable goods order. Further the GDP figures are expected to remain unchanged with an increase in Michigan confidence and National activity index. However these data from US may have a positive impact and support the pullback for a short term as the Building permits are expected to decline.

Hence, in the coming week the metals are expected to continue in the downtrend with some respite as the US releases will help in boosting the lost confidence in the economy. Overall, we suggest to be on the selling side at higher levels for the week as no solid measures are building in the week for the growing economic-crises.

TECHNICAL RECOMMENDATIONS*									
Commodity	Series	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
LMEAluminiu	Fwd	1832	1894	1949	2004	2066	2128	2183	Trading Range: 1940-2090
MCX Aluminium	Dec-	99.9	102.3	103.9	105.6	107.9	110.3	111.9	Trading Range : 103.2-108.6
LME Copper	Fwd	6374	6752	7049	7345	7724	8102	8399	Sell at 7526-7531 TP 7131 SL 7678
MCX Copper	Feb-10	355.9	371.0	381.3	391.6	406.7	421.8	432.1	Sell at 398-400.50 TP388 SL
LME Lead	Fwd	1699	1828	1894	1960	2088	2217	2283	Sell: at 2030-2050 TP1910 SL 2150
MCX Lead	Dec-	91.8	97.4	100.4	103.4	109.1	114.7	117.7	Sell: at 2030-2050 TP1910 SL 2150
LME Nickel	Fwd	1641	1686	1770	1855	1900	19466	20307	Trading Range: 17400-19600
MCX Nickel	Dec-	906.3	923.2	950.0	976.8	993.7	1010.	1037.	Trading Range : 940-1020
LME Zinc	Fwd	1632	1732	1800	1868	1968	2068	2136	Sell at 1914-1920 TP 1867 SL 2000
MCX Zinc	Dec-	90.2	94.1	96.5	98.8	102.7	106.6	109.0	Sell at 101.5-101.2TP98/95 SL104
Steel NCDEX	Dec-	3056	3096	3137	3178	3218	32580	32990	Trading Range : 31810-32870

*NOTE: The calls shown above are purely WEEKLY Recommendations

Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
12/20/2011 14:30	GE	IFO - Business Climate	DEC	106	106.60
12/20/2011 19:00	US	Housing Starts MOM%	NOV	1.10%	-0.30%
12/21/2011	JN	BOJ Target Rate	12/21/2011	0.10%	0.10%
12/22/2011 19:00	US	Chicago Fed Nat Activity Index	NOV	-0.1	-0.13

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	2073	2073	1955.75	2004	-2.95	156,083	-12.43	2,363	-62.20
	Copper	7806	7806	7131	7345	-6.01	230,163	19.44	2,307	-5.80
	Lead	2148	2150.5	1956	1960	-9.47	49,434	10.73	1,330	33.13
	Nickel	18550	18625	17326	18550	-0.27	33,517	-30.51	814	0.12
	Zinc	1996.5	2000	1832	1868	-6.74	114,464	15.68	2,084	-14.87
MCX Futures (₹/Kg)	Aluminium	107.6	108.6	104.6	105.6	-2.27	36,473	-3.04	2,864	37.49
	Copper	411.5	411.5	386.1	391.6	-5.11	796,557	1.18	23,532	-19.05
	Lead	111	111.7	103.05	103.4	-7.14	78,717	0.95	2,678	-34.81
	Nickel	968.8	983.8	940.1	976.8	0.59	370,451	-12.52	11,503	-22.15
	Zinc	104.3	104.3	98.05	98.8	-5.64	96,806	18.31	4,605	43.37

MARKET OVERVIEW

- Base metals retreated for the week and the prices came down by 0.2 to 9.5 percent both at LME as well as MCX. However Nickel managed to close positive with a gain of just 0.59 percent for the week. The entire metals pack witnessed huge sell off for the entire week.
- Lead was the top among all metals to continue with the downtrend and the prices retreated by 9.47 percent at LME. In India the scenario was similar and Lead prices came down by 7.14 percent. Fundamentally the cancelled warrants of the metal is hovering above 11 percent, considerably high when compared to other metal stocks but still the fall in prices can be justified by the less volumes and the change in open interest over the week
- The trade participation has improved for all the metals when compared to the past. However the volumes and open interest has been mostly mixed indicating a dicey trend in the future

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	57790	54450	-3340	-5.78%
Zinc	15525	14830	-695	-4.48%
Aluminum	16130	15890	-240	-1.49%

COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	354.7	332.4	-22.3	-6.29%



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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 mostly been driven by the huge sell off's and global economic updates

CFTC Report - Copper (In contracts)				
Non-Commercial	12/6/2011	12/13/2011	Change	% Change
Long	26715	27040	325	1.22%
Short	29347	30396	1049	3.57%
Spreading	10722	10752	30	0.28%
Commercial				
Long	65290	67361	2071	3.17%
Short	57566	59408	1842	3.20%
Total				
Long	102727	105153	2426	2.36%
Short	97635	100556	2921	2.99%

INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	386075	381250	-4825	-1.25%
Zinc	757350	758900	1550	0.20%
Aluminium	4589050	4822725	233675	5.09%
Lead	361700	358075	-3625	-1.00%
Nickel	90042	88710	-1332	-1.48%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	87737	87580	-157	-0.18%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	57655	72712	15057	26.12%
Zinc	368897	373906	5009	1.36%
Aluminium	177415	184363	6948	3.92%



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ECONOMIC REVIEW

Again the leading currency fell the most. Yes! It is Euro which fell by more than two percent (1.2946) in the last week against US dollar. This is the highest weekly fall in last one month of time. Pressure on Euro started when Moody, the credit rating agency declared on last Monday to review the credit ratings of major Euro nations, Euro depreciated by near one percent on the same day. However, little pull back in euro was seen as economic sentiment of German consumers improved more than expectation on Second day of the week. Along with Euro got support as Spain has sold 12 and 18 months bills at 4.94 billion Euros, which is higher than target of 4.25 billion Euros. From US, Fed refrained from taking new measures to spur growth where Federal Reserve kept the interest rate unchanged at 0.25%. Thus, slow economic growth concern shifted to lower supply and demand of goods, so commodities prices fell. Fall in leading indicator of China also created concern of slow growth, which reflected mostly in Asian equity markets. From economic data perspective, Industrial production declined to seven month's low level, which is also reflected in lower retail sales and higher business inventories data of US in November. No change is seen in US inflation rate in the form of Consumer Price Index, whereas Producer price indexes have improved slightly. However, improvement in empire manufacturing and employment numbers is seen in the last week. By taking cues from the ups and downs in major economy world equity market index MSCI World, fell by more than three percent. From India, Rupee appreciated by more than 1.6% at 52.21 levels, the highest appreciation in last one month of time. So, a bearish movement was seen on commodity prices in India market on last Friday. *(Courtesy: KCTL's Weekly Economic report)*

Currency	Last Week	This Week	% Change
Dollar Index	78.632	80.256	2.07%
EUR/USD	1.3386	1.3046	-2.54%
GBP/USD	1.5671	1.5545	-0.80%
USD/INR	52.0425	52.745	1.35%

Bond Yields	Last Week	This Week	Change (in bps)
US 10 year bond	2.0611	1.8474	-21.4
German 10 year bond	2.149	1.852	-29.7
India 10 year bond	8.523	8.388	-13.5



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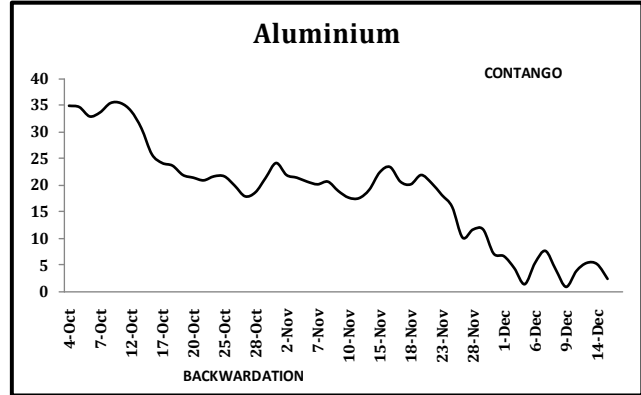
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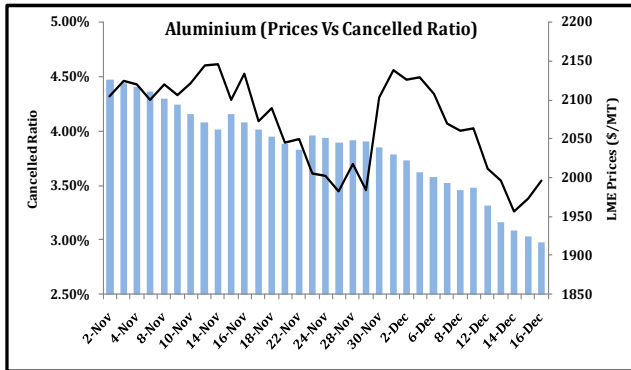
ALUMINIUM

- ❖ Aluminum stocks crashed 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 to spend another \$2.7 billion to modernize its Kitimat aluminum smelter in British Columbia increasing the output by 420000t/y by 2014.
- ❖ 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

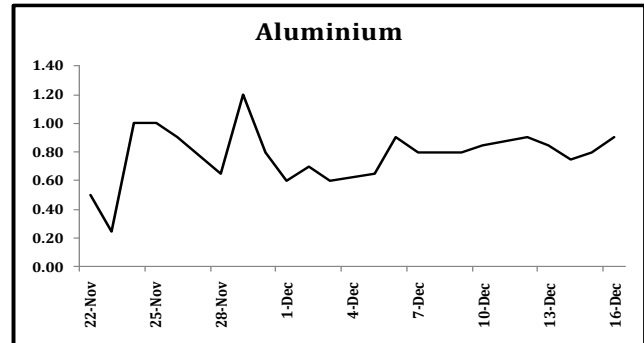
BASIS CHART
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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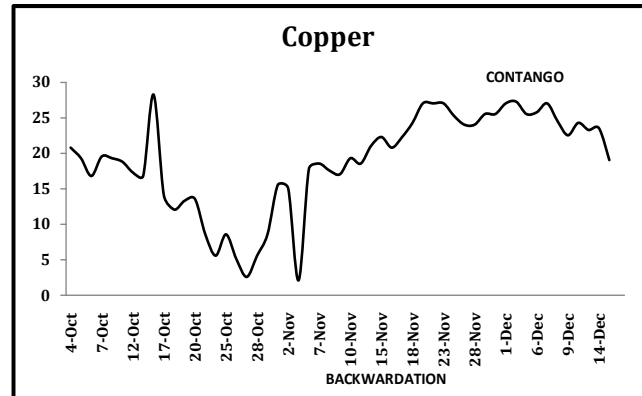


COPPER

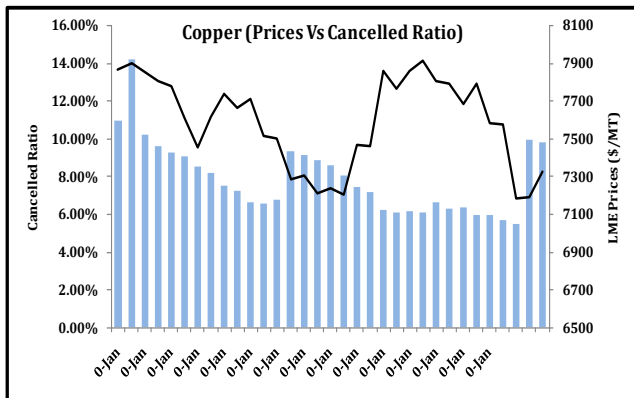
- ❖ *Indonesian workers at Grasberg mine Freeport-McMoRan's largest copper mine said they were ready to end the three-month strike after the company reportedly agreed to a 37 percent wage hike.*
- ❖ *Antofagasta PLC approved US\$1.3 billion for Antucoya copper project in the north of Chile this week. The project is expected to produce an average of 80,000 tons of copper cathodes per year.*

BASIS CHART

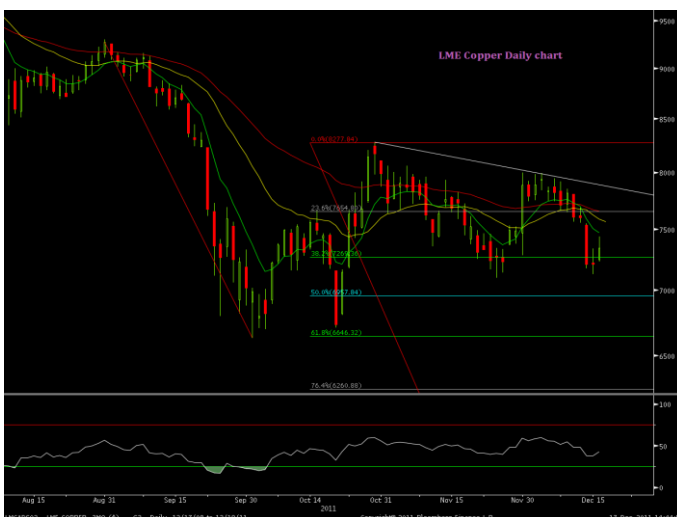
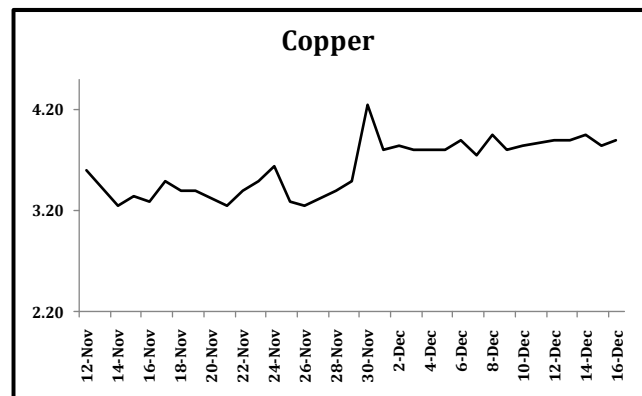
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



In last week futures have traded down side by making a low of \$7131 levels. Closing of the long black candle is suggesting downside momentum in coming session. Principle of fibonacci projections states that prices are witnessing immediate resistance at \$7526 levels which is 23.6 percent of the range \$9913-\$8304-\$6656 level. On breach and sustained trade above is likely to test short term weekly moving average level of \$7675 level. Prices are witnessing falling trend line crucial resistance at \$7801 and also this is almost matching with previous high thus this is consider as a crucial resistance level . Down side previous low may act as an initial support \$7131 level. Next support is seen around \$6656 levels where fibonacci projections 50 percent and recent and recent low of the futures is falling at these levels. On breach and sustained trade below is likely to trade down side for short term. Momentum indicator RSI-14 is supporting prices to downside by trading at 0.44 levels. Overall expecting prices to trade downside and recommended to sell at resistance levels.



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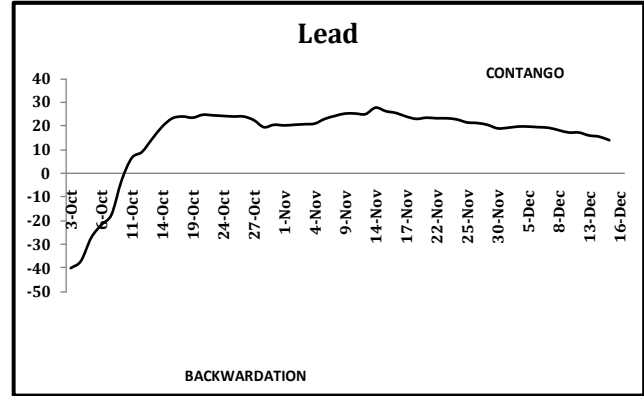


LEAD

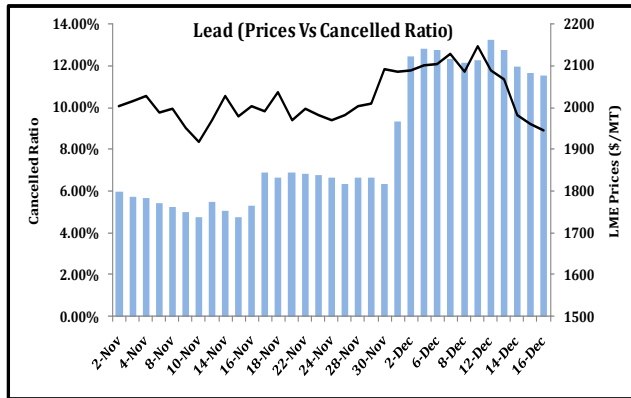
- ❖ Lead crashed by 9.47 percent at the LME while at MCX the metal prices retreated by 7.14 percent
- ❖ South African miner Exxaro sold its 50 percent stake in the Rose Pinah Zinc and Lead mine in Namibia to Glencore due to rising costs and lowering profits

BASIS CHART

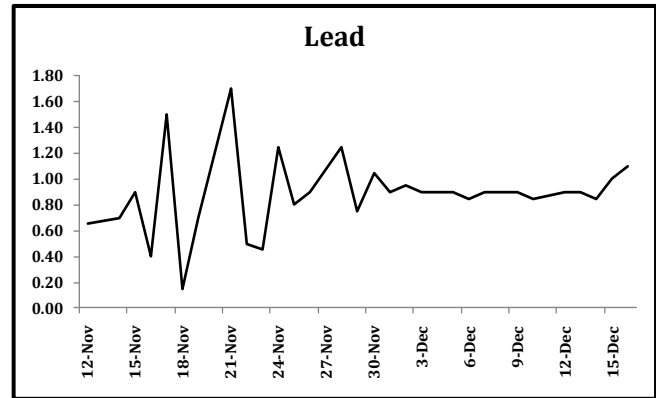
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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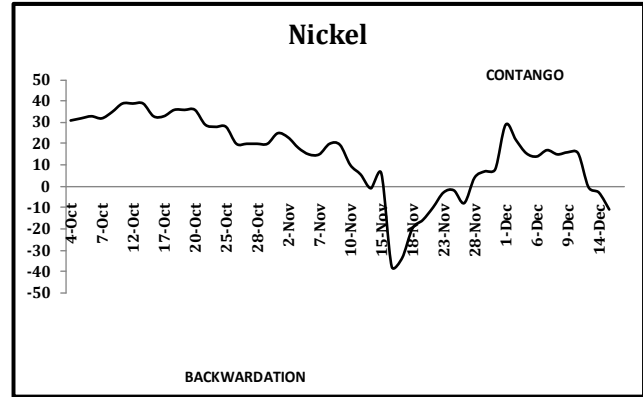


NICKEL

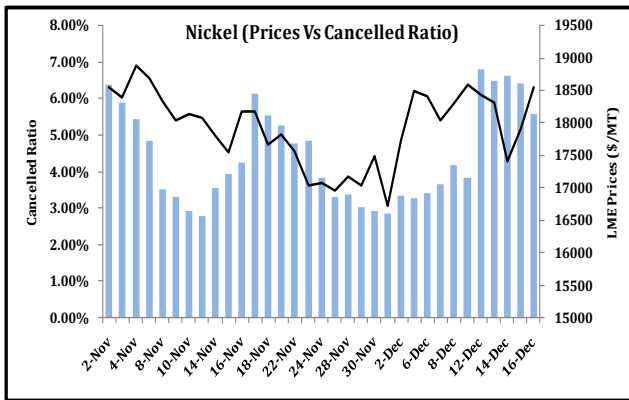
- ❖ Nickel was the only gainer in the week and the prices came up slightly by 0.59 percent, however the metal came down by 0.27 percent at LME
- ❖ World's No. 1 nickel producer Norilsk is planning to invest US \$ 10.9 billion to expand its mineral resource base including development of existing mines and construction and commissioning of new mines in Norilsk and Murmansk regions

BASIS CHART

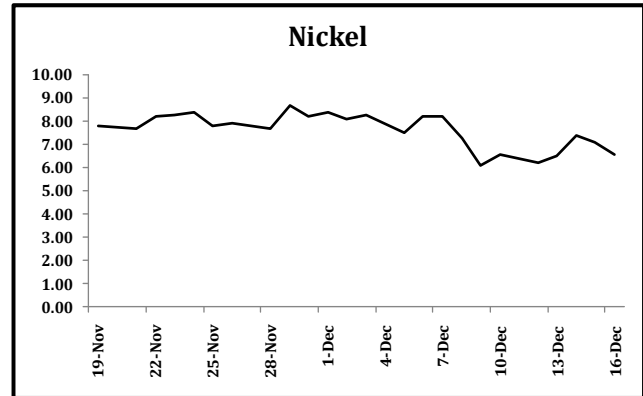
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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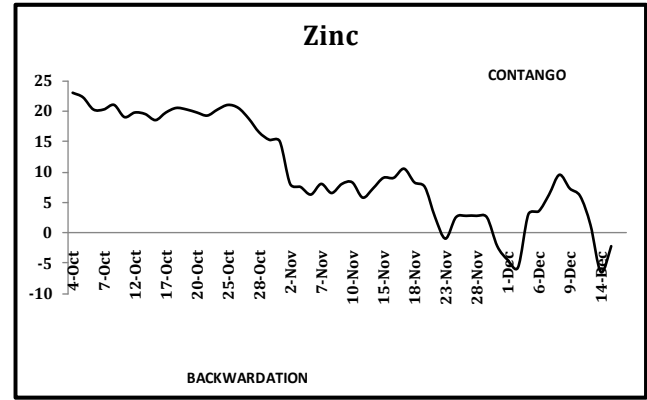


ZINC

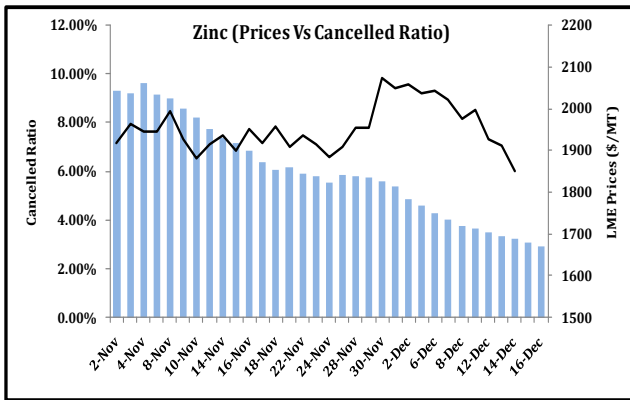
- ❖ *Canadian Zinc Corporation has confirmed this week that its new Zinc mine named Prairie Creek has cleared environmental review and post commissioning would produce 600 tons of ore initially*
- ❖ *Fundamentally the cancelled warrants have been decreasing consecutively for the third week indicating weak spot demand and justifying the price fall*

BASIS CHART

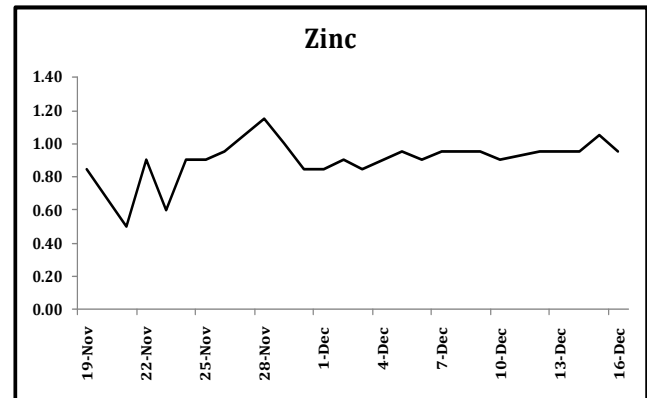
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



Zinc futures have traded completely downside by breaking previous consolidation phase. Closing of the Black opening marubozu is showing strength in bears at these levels at the same time this is indicating downside momentum in coming session also. Principle of the fibonacci retracement states that prices are witnessing immediate resistance at \$1916 level which 23.6% of the range \$2541-\$1723. Next resistance is seen at \$1958 levels where short term moving average is falling. In case on breach and sustained trade above is likely to test previous candle high(\$2000) then there is scope to rebound up to fibonacci Retracement level of 38.2% (\$2035) of the above mentioned range. Down side support is seen at 1867 level which is previous candle low. On break below the same level might put pressure on prices to test origin level of the fibonacci retracement (\$1723). Going through above analysis expecting prices to trade down side recommended to sell at Resistance levels.



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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
12/19/2011	14:30	EC	ECB Euro-Zone Current Account SA	OCT	--	0.5B
12/19/2011	15:30	EC	Construction Output SA MoM	OCT	--	-1.30%
12/19/2011	20:30	US	NAHB Housing Market Index	DEC	20	20
12/20/2011	10:00	JN	All Industry Activity Index (MoM)	OCT	1.00%	-0.90%
12/20/2011	10:30	JN	Leading Index CI	OCT F	--	91.5
12/20/2011	12:30	GE	Producer Prices (MoM)	NOV	0.10%	0.20%
12/20/2011	14:30	GE	Ifo - Business Climate	DEC	106	106.60
12/20/2011	14:30	GE	Ifo - Current Assessment	DEC	116	116.70
12/20/2011	14:30	GE	Ifo - Expectations	DEC	97	97.30
12/20/2011	19:00	US	Housing Starts MOM%	NOV	1.10%	-0.30%
12/20/2011	19:00	US	Building Permits MOM%	NOV	-1.40%	10.90%
12/21/2011	05:20	JN	Merchnds Trade Balance Total	NOV	-¥484.7B	-
12/21/2011	12:30	GE	Import Price Index (MoM)	NOV	--	-0.30%
12/21/2011	15:00	UK	Public Sector Net Borrowing	NOV	16.6B	3.4B
12/21/2011	17:30	US	MBA Mortgage Applications	12/16/2011	--	4.10%
12/21/2011	20:30	EC	Euro-Zone Consumer Confidence	DEC A	-21	-20.4
12/21/2011	20:30	US	Existing Home Sales MoM	NOV	2.60%	1.40%
12/21/2011		JN	BOJ Target Rate	12/21/2011	0.10%	0.10%
12/22/2011	15:00	UK	GDP (QoQ)	3Q F	0.50%	0.50%
12/22/2011	15:00	UK	Current Account (BP)	3Q	-6.1B	-2.0B
12/22/2011	15:00	UK	Total Business Investment(QoQ)	3Q F	-1.40%	-1.40%
12/22/2011	19:00	US	Chicago Fed Nat Activity Index	NOV	-0.1	-0.13
12/22/2011	19:00	US	GDP QoQ (Annualized)	3Q T	2.00%	2.00%
12/22/2011	19:00	US	Personal Consumption	3Q T	2.30%	2.30%
12/22/2011	19:00	US	GDP Price Index	3Q T	2.50%	2.50%
12/22/2011	19:00	US	Initial Jobless Claims	12/17/2011	378K	366K
12/22/2011	19:00	US	Continuing Claims	12/10/2011	3600K	3603K
12/22/2011	20:25	US	U. of Michigan Confidence	DEC F	68	67.7
12/22/2011	20:30	US	Leading Indicators	NOV	0.30%	0.90%
12/22/2011	20:30	US	House Price Index MoM	OCT	0.20%	0.90%
12/23/2011	19:00	US	Durable Goods Orders	NOV	2.00%	-0.70%
12/23/2011	19:00	US	Personal Income	NOV	0.20%	0.40%
12/23/2011	19:00	US	Personal Spending	NOV	0.30%	0.10%
12/23/2011	20:30	US	New Home Sales	NOV	315K	307K
12/23/2011	20:30	US	New Home Sales MoM	NOV	2.60%	1.30%



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