



METALS WEEKLY

A Weekly Report on Metals



OUTLOOK

The coming week is expected to witness weak trade participation due to the Christmas holiday and the New Year eve. The volumes and open interest has already declined supporting the trend. Fundamentally the base metals have gained due to stronger cancelled warrants with Copper, Lead and Aluminum posting above 9 percent levels indicating the rise in the spot demand. The metal inventory has however witnessed drawdown from LME warehouses apart from Zinc and Nickel justifying the fall in prices.

The CFTC report indicates that the long positions have increased compared to the short due to the improving manufacturing and housing data from the US. Further the confidence and GDP from Euro and the political uncertainty have supported the metals pack to gain in the week gone by. In the coming week very few but important data are expected from around the globe. The economic releases may impact slightly as the markets are mostly expected to be off for festive holidays. However the economic importance for the same is crucial for the investors and the economy. From the US the data releases include Consumer confidence, Richmond and Dallas manufacturing index and jobless claims and are expected to increase. The increase in manufacturing and confidence is expected to support the prices of base metals. However the increase in claims may not support the gains, further the German inflation is expected to increase with a fall in retail sales numbers. The Euro-zone money supply is expected to be similar with a decrease in the Industrial production figures from Japan and all these may have a negative impact. China's manufacturing and industrial profits will be of importance and needs to be followed in the coming week. Overall the coming week is expected to be mixed for the metals as the contraction in pending homes sales coupled with inflation is supported by increased manufacturing and confidence. Hence buying at lows would be recommended as weak participation and increasing manufacturing numbers coupled with cancelled warrants provide a long term bullish outlook for base metals.

TECHNICAL RECOMMENDATIONS*									
Commodity	Series	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
LMEAluminiu	Fwd	1901	1931	1973	2016	2046	2076	2119	Trading range : 1925-2120
MCX	Dec-	101.7	102.7	104.3	105.8	106.8	107.8	109.4	Buy at 104.5-104.8 TP 107.6/108.8 SL 102.4
LME Copper	Fwd	6891	7044	7343	7641	7795	7948	8247	Buy at 7350-7400 TP 7800/7950SL
MCX Copper	Feb-	373.2	380.2	393.7	407.3	414.3	421.3	434.8	Buy at 400 TP 413/418 SL 390
LME Lead	Fwd	1840	1881	1950	2020	2061	2102	2171	Trading Range : 1900-2160
MCX Lead	Dec-	99.4	100.8	103.4	106.0	107.4	108.8	111.4	Buy at 104.5-104.7 TP 107.4/108.6 SL 102.2
LME Nickel	Fwd	1699	1752	1801	18505	19033	19562	20054	Trading range : 17400-19840
MCX Nickel	Dec-	926.0	945.7	965.2	984.8	1004.	1024.	1043.	Trading range : 940-1020
LME Zinc	Fwd	1772	1804	1829	1855	1887	1919	1945	Trading range : 1790-1930
MCX Zinc	Dec-	95.3	96.4	97.3	98.2	99.3	100.4	101.3	Trading Range : 95.2-101.5
Steel NCDEX	Dec-	3094	3122	3158	31950	32227	32503	32867	Trading Range : 31200-32780

*NOTE: The calls shown above are purely WEEKLY Recommendations

Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
12/27/2011 20:30	US	Consumer Confidence	DEC	58.6	56
12/28/2011 05:20	JN	Industrial Production (M/M)	NOV P	-0.80%	2%
12/29/2011 20:30	US	Pending Home Sales M/M	NOV	2%	10%
12/30/2011 08:00	CH	HSBC Manufacturing PMI	DEC	--	47.7

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	2010	2033.75	1961	2016	0.60	169,912	-3.23	2,331	-28.47
	Copper	7350	7650	7198	7641	4.03	165,483	-36.11	1,362	-31.00
	Lead	1965	2032	1921.5	2020	3.06	45,751	-17.68	790	-27.26
	Nickel	18510	19069	18048	18505	-0.24	34,173	-12.94	592	-48.57
	Zinc	1875	1893.75	1836	1855	-0.70	104,335	-21.75	2,425	12.27
MCX Futures (₹/Kg)	Aluminium	105.6	106.25	103.7	105.8	0.05	36,013	-1.53	2,859	0.53
	Copper	391.9	407.7	387.15	407.25	3.57	673,504	-15.81	30,473	31.11
	Lead	103.1	106.2	102.2	105.95	1.92	66,868	-15.55	2,215	-16.23
	Nickel	973	1004.5	965.3	984.8	0.81	322,212	-13.37	12,419	10.17
	Zinc	98.9	99.5	97.5	98.15	-0.86	82,078	-15.48	6,288	37.11

MARKET OVERVIEW

- Base metals traded mixed for the week and some of them gained due to the rising uncertainty and geo-political tension. Nickel and Zinc prices came down slightly due to the decreasing cancelled warrants indicating fall in the spot demand.
- Copper was the top gainer and the prices appreciated by 4.03 percent at LME. In India the scenario was similar and Copper prices came up by 3.57 percent. Fundamentally the cancelled warrant of the metal is hovering above 11 percent, considerably high when compared to other metal stocks indicating the increase in the spot demand for the metal and justifying the gains.
- The trade participation has depleted for all the metals when compared to the past. The volumes have come down by more than 15 percent supporting the same. The open interest has also come down for base metals apart from Zinc indicating that the investors are holding their positions to exit at higher levels.

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	54450	55940	1490	2.74%
Zinc	14830	14865	35	0.24%
Aluminum	15890	16050	160	1.01%

COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	332.4	346.35	13.95	4.20%



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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 buyers than sellers; indicating that the investors are holding their positions due to increasing global uncertainty expecting the metals to gain. However due to the fall in trade participation and decrease in volumes the gains are expected to be limited.

CFTC Report - Copper (In contracts)				
Non-Commercial	12/13/2011	12/20/2011	Change	% Change
Long	27040	28339	1299	4.80%
Short	30396	33294	2898	9.53%
Spreading	10752	10608	-144	-1.34%
Commercial				
Long	67361	67210	-151	-0.22%
Short	59408	55838	-3570	-6.01%
Total				
Long	105153	106157	1004	0.95%
Short	100556	99740	-816	-0.81%

INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	381250	372300	-8950	-2.35%
Zinc	758900	826300	67400	8.88%
Aluminium	4822725	4950550	127825	2.65%
Lead	358075	356225	-1850	-0.52%
Nickel	88710	90042	1332	1.50%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	87580	87752	172	0.20%



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SHANGHAI WAREHOUSE STOCKS (In tonnes)

Commodity	Previous week	This week	Change	% Change
Copper	72712	79570	6858	9.43%
Zinc	373906	374174	268	0.07%
Aluminium	184363	189521	5158	2.80%

ECONOMIC REVIEW

Last week was for US Housing sector basically as housing sectors data climbed up more than expectation. Declining housing price index might have supported investors to put more money in housing sectors. Thus, numbers have increased both in existing and new home sales data in the month of November. Increasing income and spending from US people have reflected in the last week data. In the month of November, Durable goods orders have increased on expectation of higher demand in short term. Similarly, personal consumption has increased in a slower pace in last month. Improvement is seen in weekly jobless claims, which declined to three and half years' low. On the other side, annualized GDP for the third quarter revised to 1.8%, reported by US commerce department. Spending on health care dropped by \$2.2bn, whereas spending in Durable goods orders have increased. This indicates appetite for household buying is strong in US. So we can say that US economy is resilient over ally. From Germany, IFO numbers came out more than expectation. Increasing business investment is seen in UK last quarter, by more than 0.30 percent. GDP of UK for the third quarter improved to 0.60 percent. Ongoing debt concerns have made consumer confidence of Euro to fall continuously. In the last week, ECB provided 489.2billion Euros to more than 500 banks, as a step for taming the debt crisis. Euro closed at 1.3044, with loss of 0.02 percent in the last week. Banks will be charged a low interest rate of one per cent on the three year loans. North Korean Leader Kim Jung II died in last week, which created concern for the Korean economy. So, Korean won depreciated against Dollar. However, on weekly basis Dollar index declined by 0.33 percent and settled at 79.994 levels. World equity market bounced back, MSCI world climbed up by three percent in the last week. Performance from US and Euro-zone equity market was better than Asian market. Similarly, most of the non agro commodities rally, where crude oil futures gained the most. *(Courtesy: KCTL's Weekly Economic report)*

Currency	Last Week	This Week	% Change
Dollar Index	80.256	79.994	-0.33%
EUR/USD	1.3046	1.3044	-0.02%
GBP/USD	1.5545	1.5588	0.28%
USD/INR	52.745	52.9587	0.41%

Bond Yields	Last Week	This Week	Change (in bps)
US 10 year bond	1.8474	2.0244	17.7
German 10 year bond	1.852	1.96	10.8
India 10 year bond	8.388	8.358	-3.0



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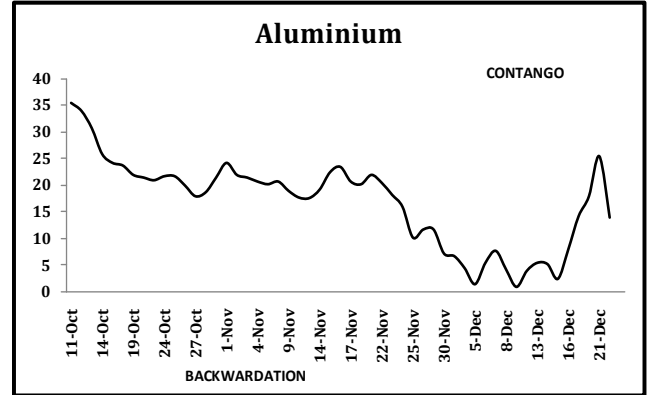


ALUMINIUM

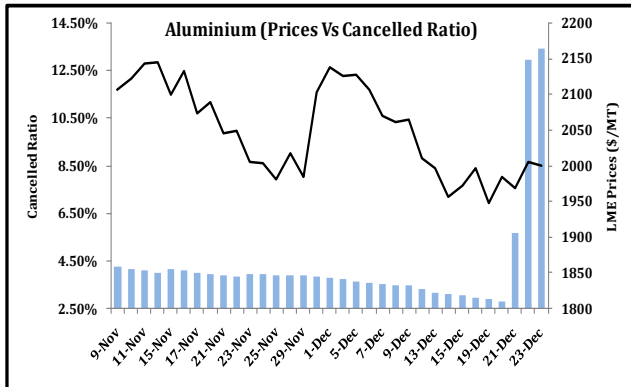
- ❖ Aluminum stocks gained slightly last week on the verge of weak investor confidence round the globe. The volume and open interest reduced indicating a dicey trend
- ❖ Japan's Kobe Steel and China's Jiangsu Alcha Aluminium is investing 40 billion yen to start a joint venture Aluminium product company expected to produce 200 MT of refined aluminum for auto-parts and drinking can in Mongolia.

BASIS CHART

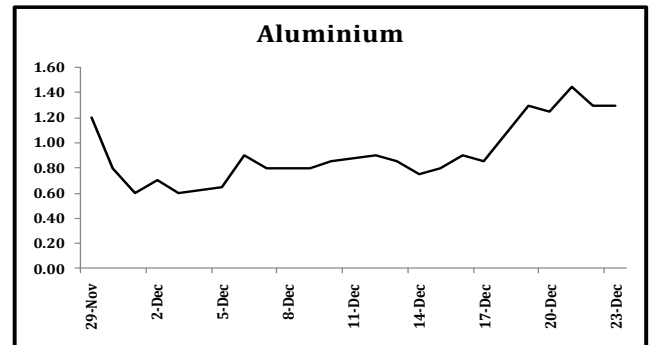
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



Last week, LME Aluminium futures contract has made high of \$2033 against the low of \$1961 and finally closed at \$2016 which is marginally higher from the earlier week. Over all LME Aluminium futures prices continues to trade in channel, While watching the RSI – 14 days on a daily chart we can see that prices are trading in channel and continues has made a new low but currently RSI is trade at 45.17, and shows that positive divergence on the daily chart and we may expect it might be slightly positive for the coming week.



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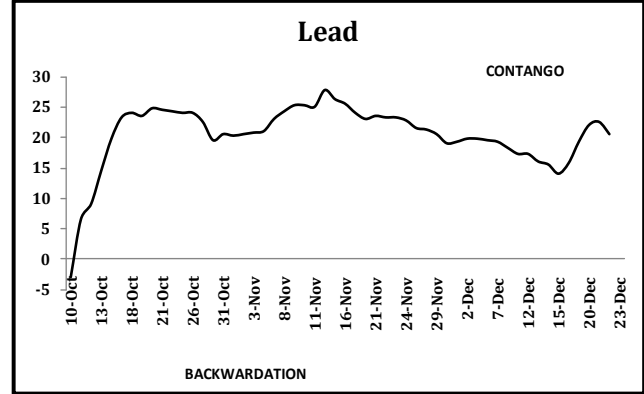


LEAD

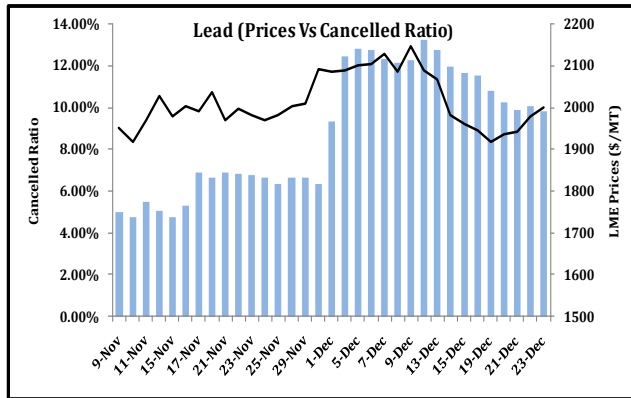
- ❖ Lead prices came up by 3.06 percent at the LME and in the Indian markets it came up by 1.92 percent indicating the rise in demand for the metal
- ❖ The cancelled warrant has however decreased from past week coupled with a fall in volume and open interest

BASIS CHART

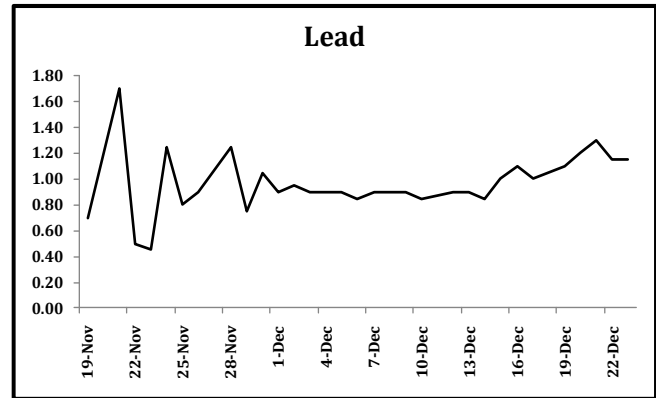
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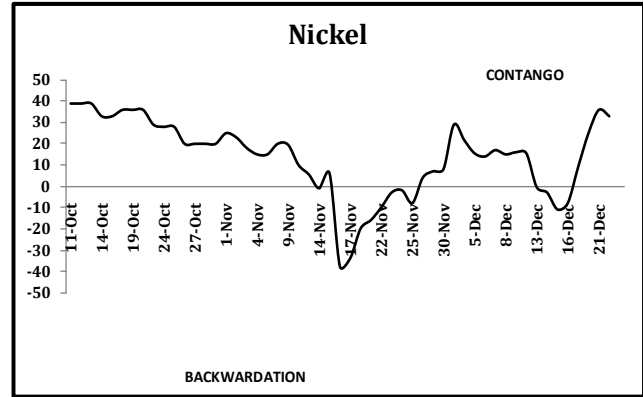


NICKEL

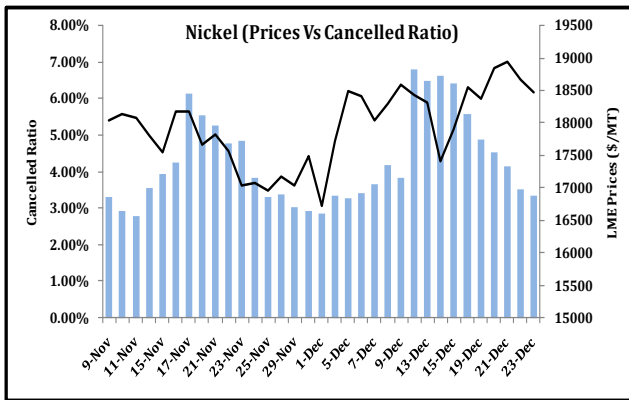
- ❖ *Nickel prices retreated at LME, however the metal gained 0.81 percent at the MCX coupled with an increase in open interest indicating the rise in future demand for the metal*
- ❖ *Ramu Nickel Project is expected to start production from 2012, the single-largest mining investment in Papua New Guinea of Australia by China even after the environmental appeal and local protest*

BASIS CHART

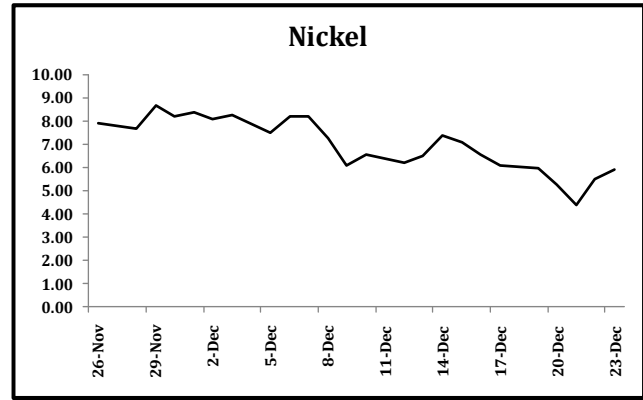
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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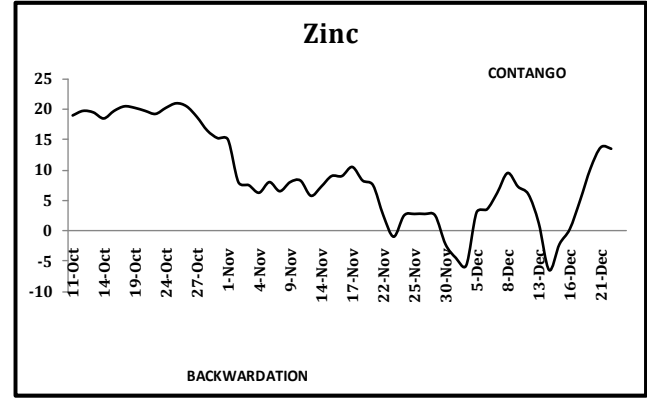


ZINC

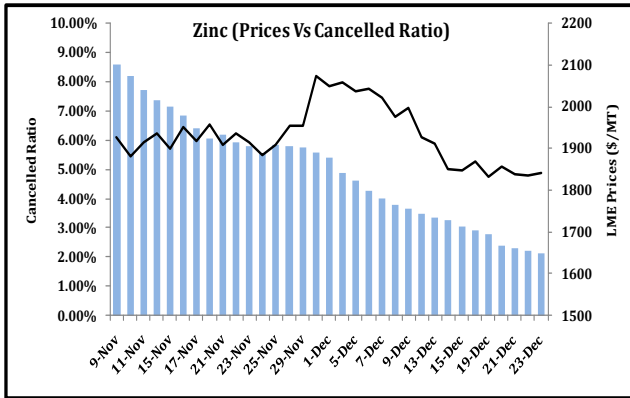
- ❖ Zinc was the only metal to lose last week and the prices came down by 0.70 percent at the LME and 0.86 percent in India.
- ❖ Fundamentally the metal stock has witnessed a drastic drop in spot demand as the cancelled warrants have come down to 2.14 percent from 5 percent levels at the beginning of the month

BASIS CHART

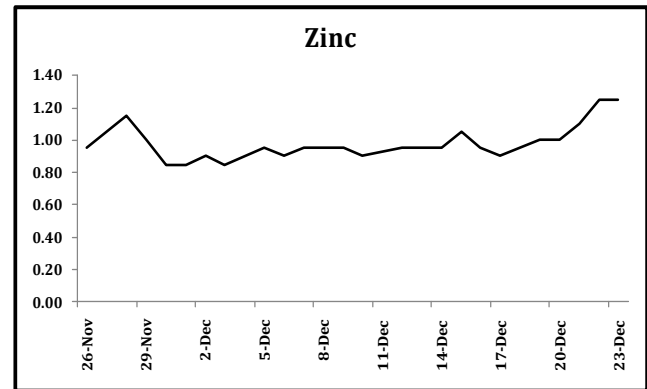
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
12/27/2011	07:30	CH	Industrial Profits YTD Y/Y	NOV	--	0.25
12/27/2011	19:30	US	S&P/CaseShiller Home Price Ind	OCT	--	141.97
12/27/2011	20:30	US	Consumer Confidence	DEC	58.6	56
12/27/2011	20:30	US	Richmond Fed Manufact. Index	DEC	5	0
12/27/2011	21:00	US	Dallas Fed Manf. Activity	DEC	4.5	3.2
27-31	DEC	CH	Leading Index	NOV	--	100.4
12/28/2011	05:20	JN	Industrial Production (M/M)	NOV P	-0.80%	2%
12/29/2011	14:30	EC	Euro-Zone M3 s.a. 3 mth ave.	NOV	3%	3%
12/29/2011	19:00	US	Initial Jobless Claims	40901	374K	364K
12/29/2011	19:00	US	Continuing Claims	40894	3590K	3546K
12/29/2011	20:15	US	Chicago Purchasing Manager	DEC	61	62.6
12/29/2011	20:30	US	Pending Home Sales M/M	NOV	2%	10%
12/29/2011		GE	Consumer Price Index (M/M)	DEC P	1%	0%
12/30/2011	04:45	JN	Markit/JMMA Manufacturing PMI	DEC	--	49.1
12/30/2011	08:00	CH	HSBC Manufacturing PMI	DEC	--	47.7
12/30/2011	01:05	GE	Retail Sales (M/M)	NOV	0%	1%

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