



METALS WEEKLY

A Weekly Report on Metals



OUTLOOK

The coming week will bring along the New Year celebrations all round the globe. Amidst weak economic developments coupled with reduced trade participation the week ahead may witness renewed confidence among investors and may support the prices.

Last week the metals managed to move range bound even when other safe heaven assets witnessed huge sell-offs. The metals pack traded flat due to the building uncertainty over Euro-area by heavy lending to banks. Further the industrial and manufacturing numbers gained from the prior with a decrease in home price index and the same prevented the fall in base metals. Fundamentally the cancelled warrants have also been declining in the week probably due to more number of holidays. The same are expected to improve in the coming week. The week ahead is packed with important economic releases like manufacturing PMI and change in payrolls. The PMI manufacturing data of China is expected to increase apart from UK while the Euro-zone may mostly be at blend. The business confidence and construction index are expected to contract from Euro-zone, however the industrial orders may increase supporting the gains among metals. From the US the payrolls data are mostly expected to be positive with gain in manufacturing payrolls. The jobless claims are also expected to reduce benefiting the overall economy with an increase in factory orders. However the construction spending may witness contraction along with vehicles sales. Though the US data mostly seems positive for base metals still the Unemployment figures may spoil the gains by the week-end as the same are expected to increase. Overall in the coming week the metals may be on a gaining spree due to the improved labor sector and FOMC meeting but the increase in unemployment may reduce the gains and also the confidence of investors all round the globe as they are expecting growth of the major economy. Hence we suggest being on the buying side for the coming week with caution of the US unemployment factor.

TECHNICAL RECOMMENDATIONS*

Commodity	Series	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
LMEAluminiu	Fwd	1954	1967	1994	2020	2033	2046	2073	Buy at 1990-2000 TP 2050/2090 SL 1945
MCX	Jan-	104.8	105.5	106.2	106.9	107.6	108.3	109.0	Buy at 106-106.2 TP 109.4 SL 104.2
LME Copper	Fwd	7206	7287	7444	7600	7681	7762	7918	Buy at 7400-7450 TP 7700/7920 SL
MCX Copper	Feb-	385.0	390.0	398.0	406.0	410.9	415.9	423.9	Buy at 400-402 TP 413/418 SL 392
LME Lead	Fwd	1896	1926	1980	2035	2065	2094	2149	Buy at 1980-2000 TP 2080/2170 SL 1910
MCX Lead	Jan-	101.1	102.6	105.2	107.8	109.3	110.8	113.4	Buy 106.4-106.6 TP 108.1/109.9 SL 104.1
LME Nickel	Fwd	1710	1742	1807	1871	1903	1935	1999	Trading Range : 16550-19850/20860
MCX Nickel	Jan-	921.5	937.7	964.7	991.6	1007.	1024.	1051.	Trading Range : 945-1020
LME Zinc	Fwd	1757	1782	1813	1845	1870	1895	1927	Trading range : 1750-1915/2030
MCX Zinc	Jan-	94.1	95.4	96.9	98.4	99.7	101.0	102.5	Trading Range : 96.1-101.3
Steel NCDEX	Dec-	3194	3222	3258	3289	3322	3350	3386	Buy at 32700 TP 33200/33790 SL 32300

*NOTE: The calls shown above are purely WEEKLY Recommendations

Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
01/03/2012 20:30	US	Construction Spending MoM	NOV	0.40%	0.80%
01/04/2012 20:30	US	Factory Orders	NOV	2.00%	-0.40%
01/05/2012 15:30	EC	Industrial New Orders SA (MoM)	OCT	2.50%	-6.40%
01/06/2012 19:00	US	Unemployment Rate	DEC	8.70%	8.60%

For all the data releases; [click here](#)



METALS WEEKLY

A Weekly Report on Metals



PERFORMANCE SNAPSHOT

Exchange	Commodity	Open	High	Low	Close	Close % Change	Volume	Volume % Change	Open Interest	OI % Change
LME 3-mth Forward (USD/tonne)	Aluminium	2016	2020	1980.5	2020	0.20	51,515	-71.05	2,451	41.76
	Copper	7539	7605.25	7368	7600	-0.54	64,810	-64.25	1,355	-27.15
	Lead	2008	2039.25	1955	2035	0.74	15,074	-68.36	605	2.89
	Nickel	18590	18711	17750	18710	1.11	12,835	-64.83	535	-14.81
	Zinc	1850.25	1863.75	1807	1845	-0.54	53,509	-53.35	2,695	38.21
MCX Futures (₹/Kg)	Aluminium	107.1	107.55	106.15	106.9	-0.09	5,629	55.80	1,814	99.78
	Copper	407.7	407.85	394.9	405.95	-0.26	392,712	-42.01	26,191	-12.03
	Lead	106.95	108.25	104.15	107.75	0.70	12,055	204.19	1,743	217.49
	Nickel	993	997.2	954	991.6	-0.01	64,788	96.95	7,245	133.71
	Zinc	99.3	99.5	96.7	98.4	-1.11	17,533	236.20	4,202	316.45

MARKET OVERVIEW

- Base metals traded mixed for the week and some of them gained due to the rising uncertainty and geo-political tension. The inventory of Aluminum and Nickel has appreciated however the other metals witnessed drawdown.
- Nickel was the top gainer and the prices appreciated by 1.11 percent at LME. In India the scenario was entirely different and Nickel prices came down by 0.01 percent. However Lead gained at the Indian markets. Fundamentally the cancelled warrant of the metal is weak and loses of the previous week is only recovered from the gains.
- The trade participation has depleted for all the metals when compared to the past but the volumes have increased by more than 100 percent supporting the gains. The open interest has also increased for base metals apart from Copper indicating that the investors are holding their positions expecting the prices to gain in future.

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	55940	55460	-480	-0.86%
Zinc	14865	14650	-215	-1.45%
Aluminum	16050	15990	-60	-0.37%

COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	346.35	343.6	-2.75	-0.79%



METALS WEEKLY

A Weekly Report on Metals



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	12/20/2011	12/27/2011	Change	% Change
Long	28339	28669	330	1.16%
Short	33294	32261	-1033	-3.10%
Spreading	10608	11094	486	4.58%
Commercial				
Long	67210	67188	-22	-0.03%
Short	55838	56805	967	1.73%
Total				
Long	106157	106951	794	0.75%
Short	99740	100160	420	0.42%

INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	372300	370900	-1400	-0.38%
Zinc	826300	821700	-4600	-0.56%
Aluminium	4950550	4970400	19850	0.40%
Lead	356225	353075	-3150	-0.88%
Nickel	90042	90048	6	0.01%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	87626	87983	357	0.41%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	79570	82283	2713	3.41%
Zinc	374174	366064	-8110	-2.17%
Aluminium	189521	191941	2420	1.28%



METALS WEEKLY

A Weekly Report on Metals



ECONOMIC REVIEW

Christmas Holidays...then New Year Holidays!! The week gone by had mostly holidays in major countries of Euro-zone and US. However, economic releases from US were mostly positive for the economy. Improvement in US manufacturing activities is seen as leading indicators in the form of Dallas Fed Manufacturing activities and Richmond Fed activities increased more than expectation in December. Pending home sales and Chicago purchasing manager increased more than expectation in the month of November. However, increase in jobless claims was witnessed in the last week. Projecting the US debt to rise within \$100 billion of the \$15.194 trillion limit, the congress is expected to be requested to raise the limit by \$1.2 trillion as the nation approaches the debt limit. On the other side, industrial production of Japan declined in Japan to the lowest level in last two months of time. Yields on three and 10-year debt fell as Italy sold €7.017 billion (\$9.07 billion) in the auction, against a top aim of €8.5 billion. ECB showed its balance sheet soared to a record 2.73 trillion Euros after lending to banks last week to keep credit moving. Lending has certainly jumped to 879 billion Euros from 214 billion Euros in just one week, raising concern about the risk of higher lending amid debt crisis. Indian rupee depreciated by 0.20 percent against US Dollar. Stocks markets remained little changed over the prior week's closing. World equities measured by the MSCI all country world indexes, posted a mild gain of 0.03% while the Asian benchmark index rose 0.16%. On the other hand, European equities gained about 1 percent in weekly basis, the CRB Index; a bellwether for commodities fell by 0.25%.

(Courtesy: KCTL's Weekly Economic report)

Currency	Last Week	This Week	% Change
Dollar Index	79.93	80.178	0.31%
EUR/USD	1.3044	1.2961	-0.64%
GBP/USD	1.5588	1.5543	-0.29%
USD/INR	52.9587	53.065	0.20%

Bond Yields	Last Week	This Week	Change (in bps)
US 10 year bond	2.0244	1.8762	-14.8
German 10 year bond	1.96	1.829	-13.1
India 10 year bond	8.358	8.567	20.9



METALS WEEKLY

A Weekly Report on Metals

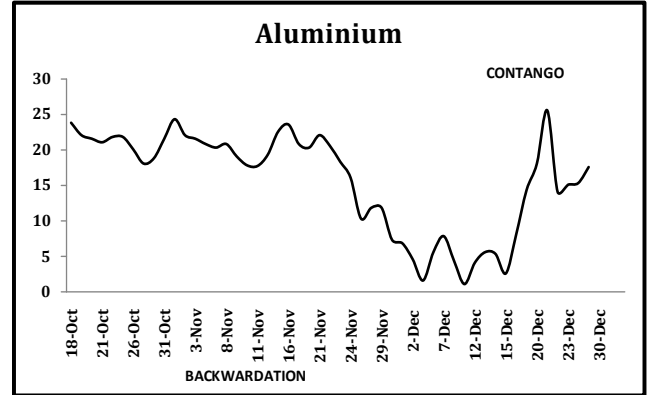


ALUMINIUM

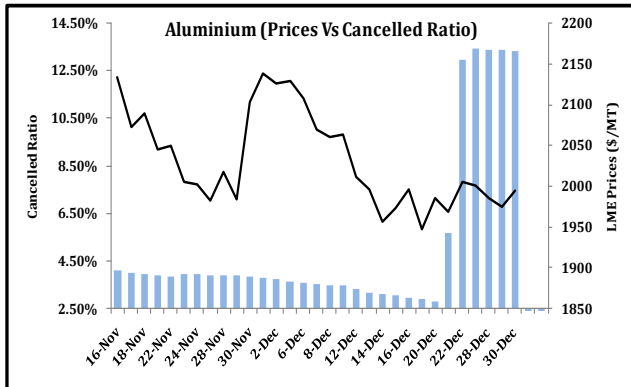
- ❖ Aluminum prices gained slightly last week on the verge of weak investor confidence round the globe. The cancelled warrants have spiraled upwards supporting the gains
- ❖ Guinea the world's biggest exporter for Bauxite (Aluminum ore) is planning to set the selling price of bauxite applicable to the manufactures according to their new mining code. This may impact the production cost and thereby narrow the profits

BASIS CHART

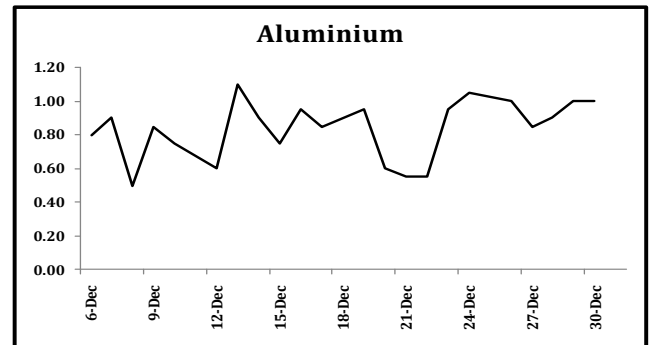
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





METALS WEEKLY

A Weekly Report on Metals

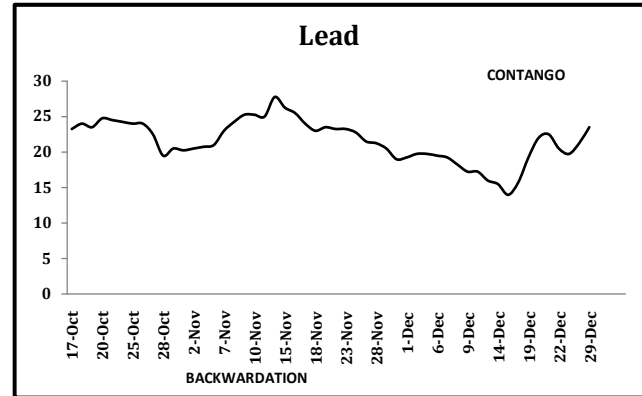


LEAD

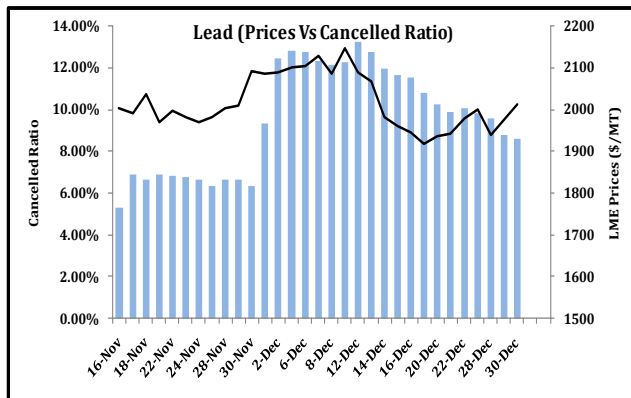
- ❖ Lead prices came up by 0.74 percent at the LME and in the Indian markets it came up by 0.70 percent indicating the rise in demand for the metal
- ❖ The cancelled warrant has however decreased from past week coupled with an increase in open interest indicating the demand for the metal

BASIS CHART

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



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX

LME Lead future prices last week trade higher and made a high of 2039 against the low of 1955 and finally settled at 2033 which is almost near higher levels and we expect prices may trade higher for next week. The principle of Fibonacci retracement states that prices have crucial support at \$1974 levels, which is 64.8% of retracement levels of the range of 1772-2460. The trend analysis also suggests immediate resistance is seen at \$2080 levels, which is 23.6% of retracement of the above mentioned range. If breaches this levels and trade above the same level prices can test the levels of 2170 levels which is 0.00 of the above mentioned range. We may expect LME prices may take support from the levels of 2000 levels will continue their upward direction. The indicator analysis RSI-14 days is trade near 51 and it is supportive for the Lead prices which is above the central line (50) suggesting that prices have room for further upside side. Going by the above analysis we expect for the next week traders may enter at lower levels near 2000 levels and may be expected its uptrend and recommended buying at lower levels for the coming week.





METALS WEEKLY

A Weekly Report on Metals

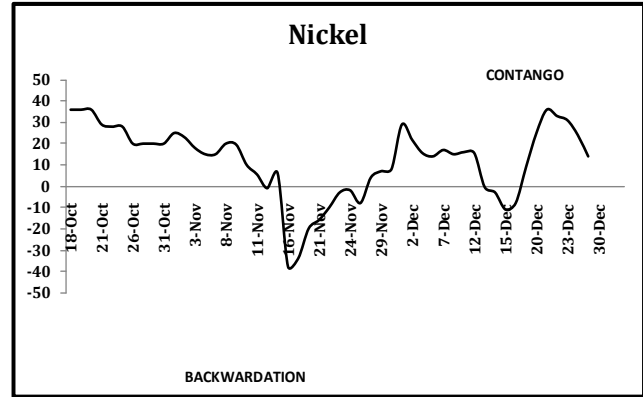


NICKEL

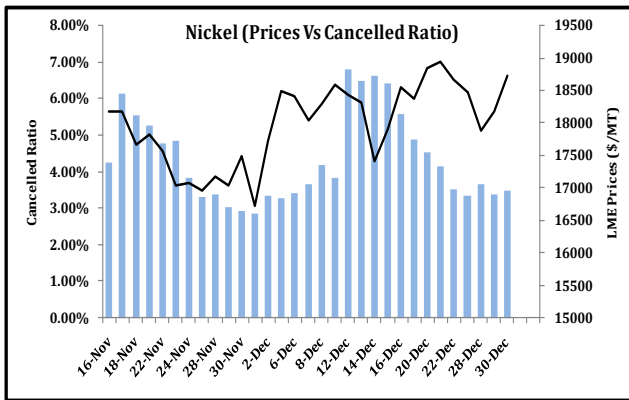
- ❖ Nickel prices gained the most at LME, however the metal prices came down by 0.01 percent at the MCX coupled with an increase in open interest and volumes indicating the rise in future demand for the metal
- ❖ Ca Nickel mining's Bucko lake mine is reducing the production from 600-700 tpd to 400-500 tpd due to the fall in the metal prices

BASIS CHART

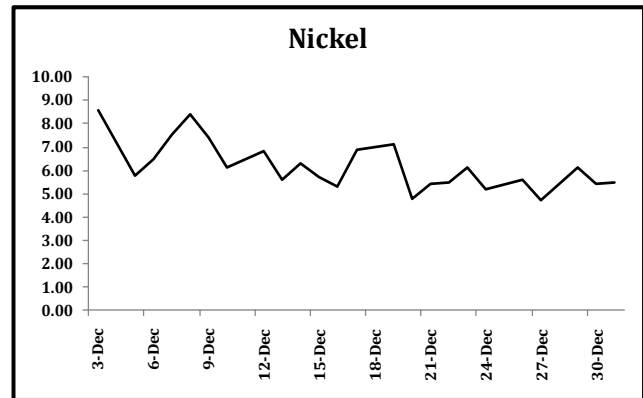
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





METALS WEEKLY

A Weekly Report on Metals

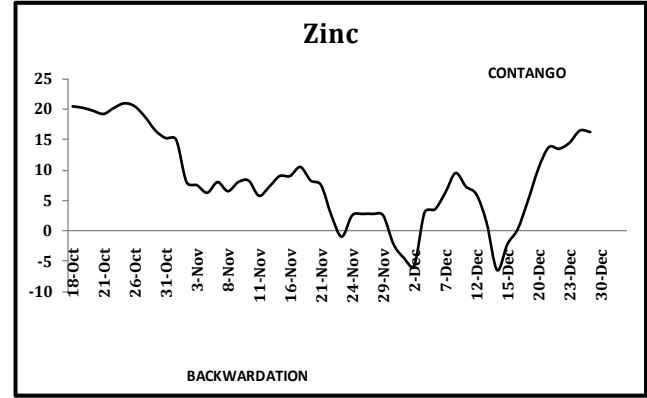


ZINC

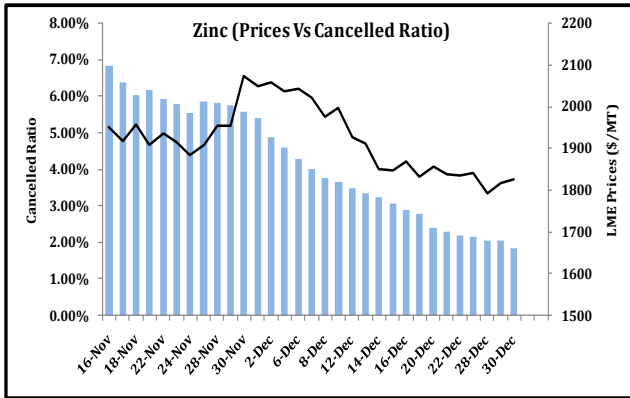
- ❖ Zinc lost consecutively for the week and the prices came down by 0.54 percent at the LME. At MCX, the metal was the top loser and the prices retreated by 1.11 percent
- ❖ Xstrata Zinc and MIPAC are working together to increase the production capacity of its Georgia Fisher mine in Queensland, Australia to increase the concentrate lead/zinc capacity

BASIS CHART

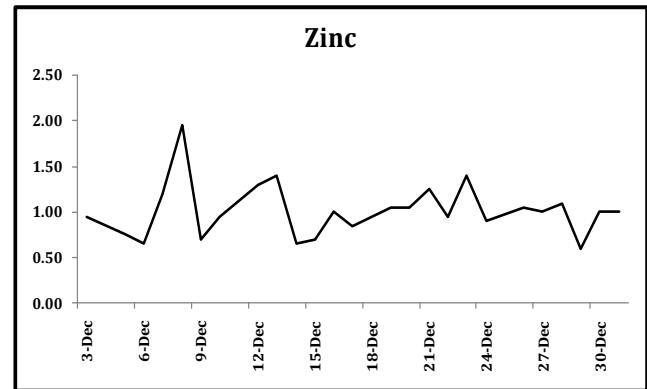
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





METALS WEEKLY

A Weekly Report on Metals



DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
01/01/2012	06:30	CH	PMI Manufacturing	DEC	49.1	49
01/02/2012	14:25	GE	PMI Manufacturing	DEC F	48.1	48.1
01/02/2012	14:30	EC	PMI Manufacturing	DEC F	46.9	46.9
01/03/2012	15:00	UK	PMI Manufacturing	DEC	47.3	47.6
01/03/2012	20:30	US	Construction Spending MoM	NOV	0.40%	0.80%
01/03/2012	20:30	US	ISM Manufacturing	DEC	53.4	52.7
01/03/2012	20:30	US	ISM Prices Paid	DEC	48	45
01/04/2012	00:30	US	Minutes of FOMC Meeting			
01/04/2012	14:25	GE	PMI Services	DEC F	52.7	52.7
01/04/2012	14:30	EC	PMI Composite	DEC F	47.9	47.9
01/04/2012	14:30	EC	PMI Services	DEC F	48.3	48.3
01/04/2012	15:00	UK	PMI Construction	DEC	51.8	52.3
01/04/2012	20:30	US	Factory Orders	NOV	2.00%	-0.40%
01/05/2012	03:30	US	Total Vehicle Sales	DEC	13.50M	13.59M
01/05/2012	12:30	GE	Retail Sales (MoM)	NOV	0.20%	0.70%
01/05/2012	15:30	EC	Industrial New Orders SA (MoM)	OCT	2.50%	-6.40%
01/05/2012	15:30	EC	Euro-Zone PPI (MoM)	NOV	0.10%	0.10%
01/05/2012	18:45	US	ADP Employment Change	DEC	175K	206K
01/05/2012	19:00	US	Initial Jobless Claims	31-Dec	375K	381K
01/05/2012	19:00	US	Continuing Claims	24-Dec	3578K	3601K
01/06/2012	15:30	EC	Business Climate Indicator	DEC	-0.48	-0.44
01/06/2012	15:30	EC	Euro-Zone Consumer Confidence	DEC F	-21.2	-21.2
01/06/2012	15:30	EC	Euro-Zone Economic Confidence	DEC	93.3	93.7
01/06/2012	15:30	EC	Euro-Zone Indust. Confidence	DEC	-7.5	-7.3
01/06/2012	15:30	EC	Euro-zone Services Confidence	DEC	-2.1	-1.7
01/06/2012	15:30	EC	Euro-Zone Retail Sales (MoM)	NOV	-0.40%	0.40%
01/06/2012	19:00	US	Change in Nonfarm Payrolls	DEC	150K	120K
01/06/2012	19:00	US	Change in Private Payrolls	DEC	170K	140K
01/06/2012	19:00	US	Change in Manufact. Payrolls	DEC	5K	2K
01/06/2012	19:00	US	Unemployment Rate	DEC	8.70%	8.60%
07-12 JAN		GE	Wholesale Price Index (MoM)	DEC	--	0.70%



METALS WEEKLY

A Weekly Report on Metals



To unsubscribe please mail us at commodity@karvy.com

Disclaimer

The report contains the opinions of the author, which are not to be construed as investment advice. The author, directors and other employees of Karvy and its affiliates cannot be held responsible for the accuracy of the information presented herein or for the results of the positions taken based on the opinions expressed above. The above mentioned opinions are based on the information which is believed to be accurate and no assurance can be given for the accuracy of this information. There is risk of loss in trading in derivatives. The author, directors and other employees of Karvy and its affiliates cannot be held responsible for any losses in trading.

Commodity derivatives trading involve substantial risk. The valuation of underlying may fluctuate, and as a result, clients may lose entire of their original investment. In no event should the content of this research report be construed as an express or an implied promise, guarantee or implication by or from Karvy Comtrade that you will profit or that losses can or will be limited in any manner whatsoever. Past results are no indication of future performance. Information provided on this report is intended solely for informative purposes and is obtained from sources believed to be reliable. Information is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted.

We do not offer any sort of portfolio advisory, portfolio management or investment advisory services. The reports are only for information purpose and not to be construed as investment advices.

For Detailed disclaimer please go to following URL's:

<http://www.karvycomtrade.com/disclaimer.asp>

<http://www.karvycomtrade.com/riskDisclaimer.asp>