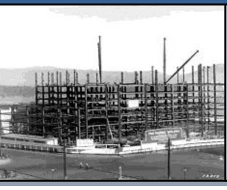
January 7, 2012




METALS WEEKLY

A Weekly Report on Metals


OUTLOOK

Base metals traded mixed for the week gone by though most of the manufacturing and industrial data releases were mostly favorable from the US, China and Euro-zone. But the Euro touched a 15 years low down by 1.88 percent and pulled the investor sentiments thereby resulting to deteriorating confidence and reduced the gains in metals pack.

In the coming week, base metals may continue to plunge as the market is occupied with more number of sellers compared to buyers. The equities have performed good as most of the indicators including unemployment came better than expected. Fundamentally, Inventory of the metals has witnessed slight drawdown from LME warehouses, but the cancelled warrants have declined considerably. Apart from Aluminum and Copper all other base metals warrants have witnessed fall indicating weak demand. Post the holidays, it was expected that the demand may improve providing cushion to the losing prices, however the same has still not materialized as participants prefer to wait and watch due to the growing speculation over the Euro-zone. The Chinese lunar New Year is expected to commence with weeklong holidays but stockpiling of metals has still not started leading to weak demand. However the demand may increase in coming days as investors might be expecting some relief in reserve requirements from the central bank. From the economic data front, China foreign reserve and trade balance are expected to narrow along with Japan and may put pressure on metal prices. From the Euro-Zone improvement in export, import numbers are expected along with reducing industrial and manufacturing from Germany and UK. However the most watched out event will be the Interest rate announcement by ECB and BOE and are expected to remain same. The US releases are mostly expected to be positive but the wholesale inventory and initial claims may turn out negative. **Overall, we expect base metals prices to remain under pressure during the first half of the week, but in the later half the prices may witness pullback as Chinese stockpiling along with unchanged interest rate by the banks may support prices.**

TECHNICAL RECOMMENDATIONS*

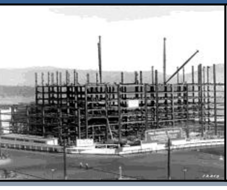
Commodity	Series	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
LMEAluminum	Fwd	1957	1986	2028	2069	2099	2128	2170	Trading Range : 1950-2160
MCX Aluminum	Jan-12	103.6	105.2	106.8	108.3	109.9	111.5	113.1	Trading Range : 105.2-110.7
LME Copper	Fwd	7081	7265	7423	7580	7764	7948	8105	Trading Range : 7260-7970
MCX Copper	Feb-12	378.7	388.6	395.5	402.3	412.2	422.1	429.0	Trading Range: 390-414
LME Lead	Fwd	1764	1860	1909	1959	2054	2150	2200	Sell at 1980-2000 TP 1860 SL 2100
MCX Lead	Jan-12	93.2	98.3	101.0	103.7	108.7	113.8	116.5	Sell 105 TP 101.2/99 SL 108.1
LME Nickel	Fwd	17785	18058	18404	18750	19023	19296	19642	Trading Range : 16550-19840
MCX Nickel	Jan-12	949.2	965.2	977.0	988.9	1004.8	1020.8	1032.6	Trading Range: 950-1031
LME Zinc	Fwd	1742	1783	1818	1853	1894	1935	1970	Sell at 1890-1900 TP 1740 SL 2000
MCX Zinc	Jan-12	92.1	94.4	96.1	97.9	100.2	102.5	104.2	Sell at: 99 TP 96.5/94 SL 101.3

***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

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KARVY COMMODITIES BROKING

PERFORMANCE SNAPSHOT

Exchange	Commodity	Open	High	Low	Close	Close % Change	Volume	Volume % Change	Open Interest	OI % Change
LME 3-mth Forward (USD/tonne)	Aluminium	2020	2087	2016	2069	2.43	112,740	82.60	2,694	-7.42
	Copper	7645	7790.25	7449	7580	-0.26	155,068	80.25	2,391	-9.43
	Lead	2045	2100.15	1955	1959	-3.73	45,410	112.80	1,629	6.19
	Nickel	18715	18950	18331	18750	0.21	21,564	37.81	575	-33.68
	Zinc	1856	1900	1824	1853	0.43	81,813	26.63	1,917	-48.48
MCX Futures (₹/Kg)	Aluminium	107.1	109.95	106.8	108.3	1.26	27,623	387.69	2,061	13.06
	Copper	405.95	415.3	398.55	402.3	-0.91	602,285	52.80	25,564	-2.24
	Lead	107.75	111.05	103.3	103.7	-3.67	79,103	547.59	4,176	138.77
	Nickel	992.5	1008.9	981.1	988.9	-0.23	244,420	273.82	6,977	-3.67
	Zinc	98.3	100.7	96.65	97.85	-0.61	68,255	280.36	4,550	8.18

MARKET OVERVIEW

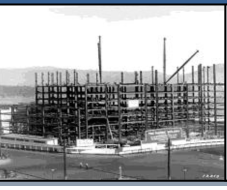
- Base metals traded mixed for the week and Copper and Lead lost due to the uncertainty over the Euro-zone debt crisis that haunted as Germany and France sold bonds that pulled the Euro to a fifteen month low by 1.88 percent down against the greenback.
- Aluminum was the top gainer as the cancelled warrants increased to 13.05 percent highest among all base metals. Lead was the top loser as prices came down by 3.73 percent supported by weak spot demand and deteriorating euro zone performance. Copper prices also came down due to speculation over the Euro coupled with weak equities.
- The trade participation has improved when compared to the past weeks and the volumes and open interest have also increased for base metals. The volumes have increased as the New Year and festive season are over and it may provide clear trend in the future.

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	55460	55940	480	0.87%
Zinc	14650	14570	-80	-0.55%
Aluminum	15990	15975	-15	-0.09%

COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	343.6	343.5	-0.1	-0.03%



Commodity Futures Trading Commission (CFTC) Report- Copper

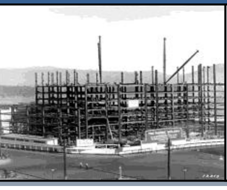
The data released by CFTC on last Thursday tells us that market is occupied with more weights of sellers than buyers; indicating that the investors are going for a short positions due to increasing global uncertainty expecting the metals to fall. However due to the increase in trade participation coupled with increase in volumes the gains are expected to be limited as buying may be witnessed in the week ahead.

CFTC Report - Copper (In contracts)				
Non-Commercial	12/27/2011	1/3/2012	Change	% Change
Long	28669	29629	960	3.35%
Short	32261	31177	-1084	-3.36%
Spreading	11094	11918	824	7.43%
Commercial				
Long	67188	68300	1112	1.66%
Short	56805	60466	3661	6.44%
Total				
Long	106951	109847	2896	2.71%
Short	100160	103561	3401	3.40%

INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	370900	368125	-2775	-0.75%
Zinc	821700	820075	-1625	-0.20%
Aluminium	4970400	4975600	5200	0.10%
Lead	353075	349775	-3300	-0.93%
Nickel	90048	89838	-210	-0.23%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	87983	88163	180	0.20%



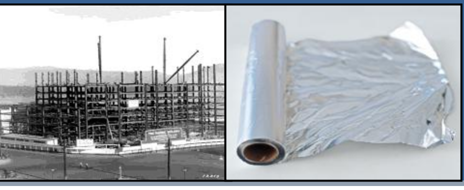

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	**Previous week**	**This week**	**Change**	**% Change**
Copper	82283	93219	10936	13.29%
Zinc	366064	364186	-1878	-0.51%
Aluminium	191941	207966	16025	8.35%

ECONOMIC REVIEW

The last week has gone through most of the major events. The last week started with better manufacturing activities reported from nations like China, US, Euro-zone and India also. US manufacturing activities climbed up to last six month's high in December. However, PMI releases from Euro-zone were declined in the last month, which pressurized Euro to depreciate. Bond selling from Euro-zone nations, like German, Spain, Portugal took place. French AAA rated bond yield Increase to 3.29% from 3.18%. Thus, by taking negative cues from increasing borrowing costs Euro came under pressure and traded below 15 month's low. On the other side, payrolls data from US indicated for increase in employment in December. The US Unemployment rate declined to 8.5 percent. Overall, world equity market climbed up by almost one percent in the last week, mostly contributed by European equities. Indian currencies have appreciated by more than 0.60 percent against US Dollar, for the first time since last November ***(Courtesy: KCTL's Weekly Economic report)***

Currency	Last Week	This Week	% Change
Dollar Index	80.178	81.26	1.35%
EUR/USD	1.2961	1.2717	-1.88%
GBP/USD	1.5543	1.5426	-0.75%
USD/INR	53.065	52.7225	-0.65%

Bond Yields	Last Week	This Week	Change (in bps)
US 10 year bond	1.8762	1.9578	8.2
German 10 year bond	1.829	1.854	2.5
India 10 year bond	8.567	8.285	-28.2



METALS WEEKLY

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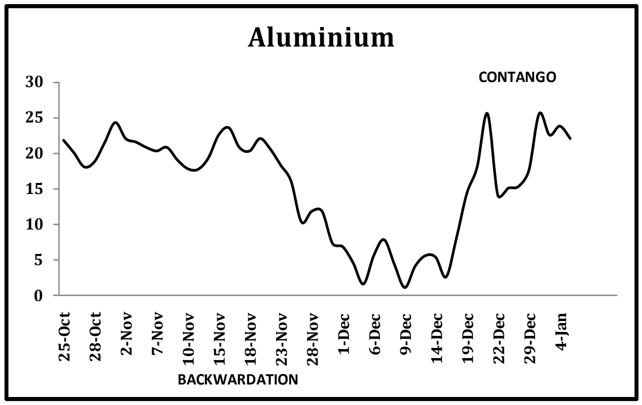
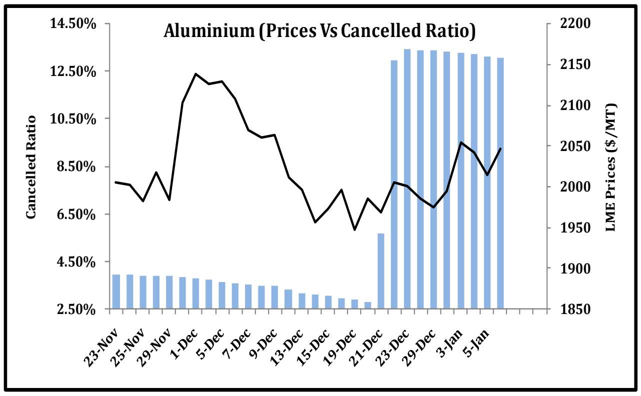
ALUMINIUM

- *Aluminum was the top performer of the week and the cancelled warrants are also maintaining highest among all base metals*
- ***Alcoa the largest producer of Aluminum is reducing its production of refined metal by 12 percent to improve the cost position due to the falling prices. The company is curtailing 531000 tones of annual capacity by permanently closing its Alcoa, Tennessee in USA***

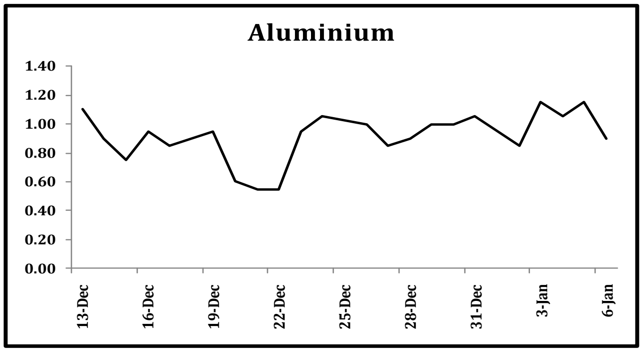
BASIS CHART
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes}

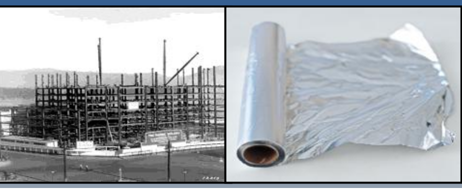


CANCELLED WARRANT RATIO ON LME



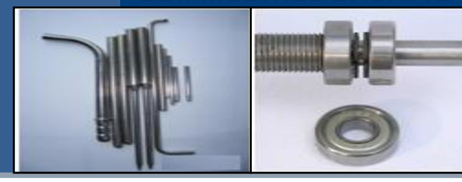
CALENDAR SPREAD ON MCX





METALS WEEKLY

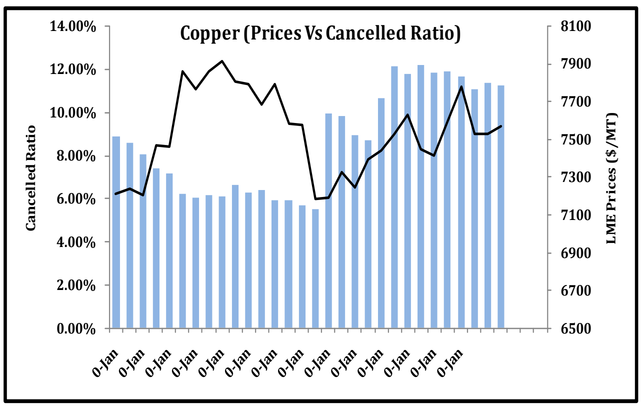
A Weekly Report on Metals

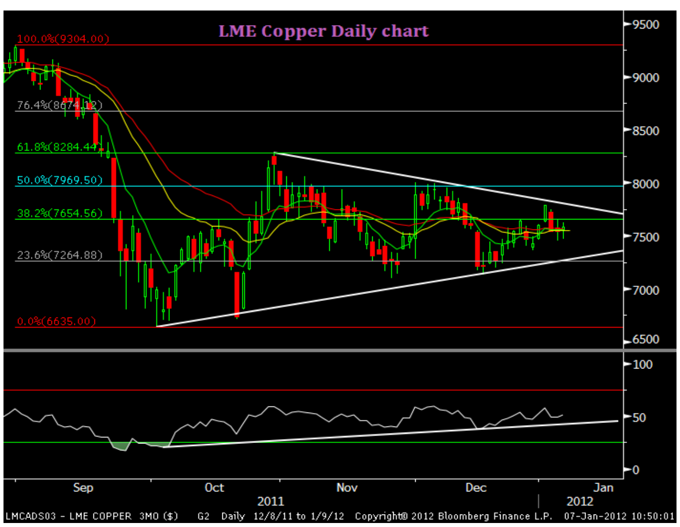


COPPER

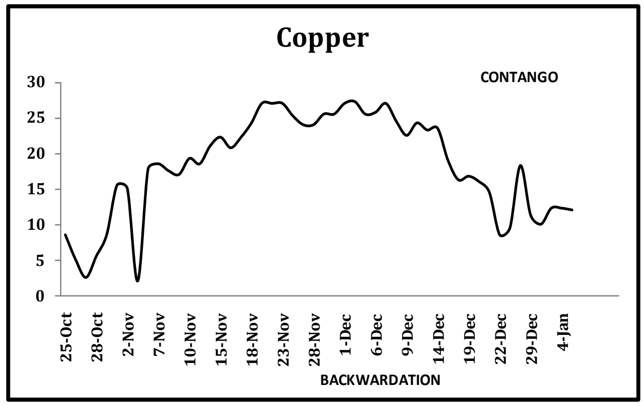
- *Copper prices came down by 0.26 percent at the LME, but the cancelled warrants have increased over the previous week indicating increasing demand*
- ***Production in Zambia's biggest mine has been halted following a strike by the workers who are demanding for improved working conditions. First Quantum Minerals Ltd has been incurring a daily loss of 700 tonnes of ore per day***

CANCELLED WARRANT RATIO ON LME

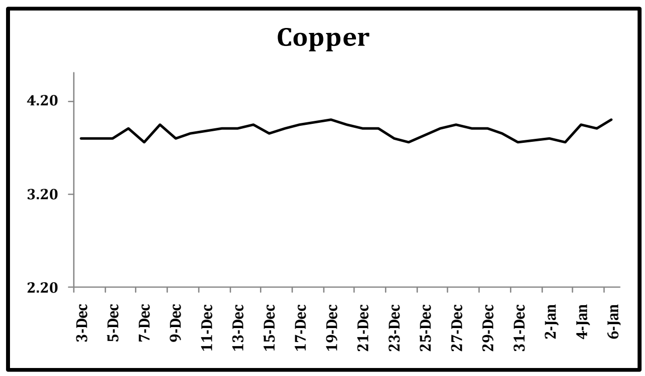




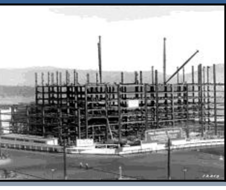
BASIS CHART
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes}



CALENDAR SPREAD ON MCX



LME Copper prices traded marginally lower last week made a high of $7790 against the low of $7449 and finally closed at $7580 level, which is marginally lower than the previous week. The principle of Fibonacci retracement states that prices have major resistance is seen at trend line resistance which is around $7700, if breach trend line resistance the next resistance is seen at 79700 and 8280 levels which are 50.00% and 61.80% retracement of the range of $9304-$6635 levels. The trend analysis also suggests LME Copper prices settled at $7580 level which is below 36.4% of the retracement, for the next week we expect prices may trade under pressure and if breaches levels of $7280 that is 23.6% retracement of the above mentioned range. The chart shows support zone might be seen at $7260 levels, which has trend line support. The indicator analysis RSI-14 on a daily chart is trade near 50 which is near the center line (50) suggesting that copper prices will trade in the range. Over all we may expect prices will trade in the range for the next week.



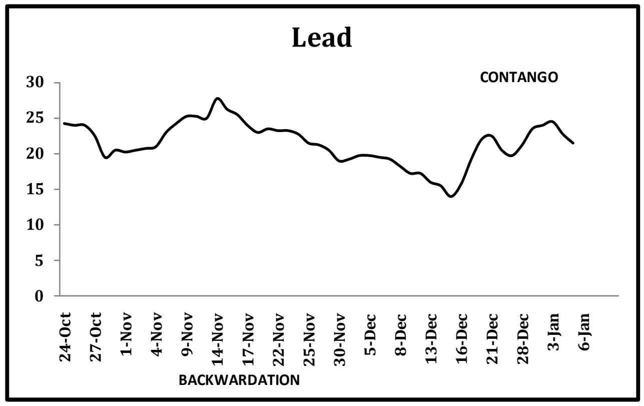

METALS WEEKLY

A Weekly Report on Metals


LEAD

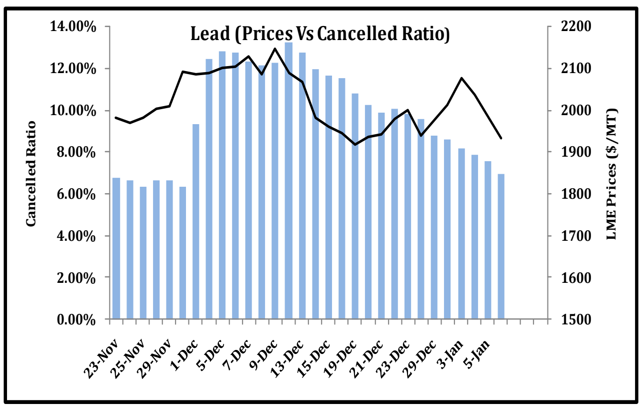
- *Lead was the top loser of the week and prices came down by 3.73 percent at LME and the prices declined 3.67 percent at MCX*
- *The cancelled warrants have been declining and has came down to 6.95 percent from 8.57 percent indicating the future dicey trend in the coming weeks*

BASIS CHART
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)



CALENDAR SPREAD ON MCX

CANCELLED WARRANT RATIO ON LME



Lead Technicals

LME Lead future prices last week trade lower down by -3.73% and made a high of $2100 against the low of $1955 and finally settled at lower at $1959 which is almost near lower levels and we expect prices may trade lower for next week. LME Lead prices has broken crucial trend line support at $1974 levels, The principle of Fibonacci projection states that prices has next support is seen at $1860 and $1763 which is 38.2% and 50% of the range of $2589-$1770-$2167. Over all we may expect LME prices may trade lower for the next week and it may continue their negative direction. The indicator analysis RSI-14 days trade below 50 and it is negative for the Lead prices, suggesting that prices have room for further downside. Going by the above analysis we expect for the next week traders may enter at higher levels and may be expected its downtrend direction and recommended selling at higher levels for the coming week.

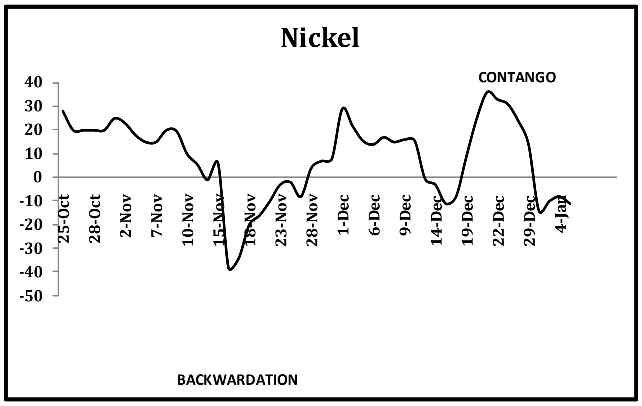
METALS WEEKLY

A Weekly Report on Metals

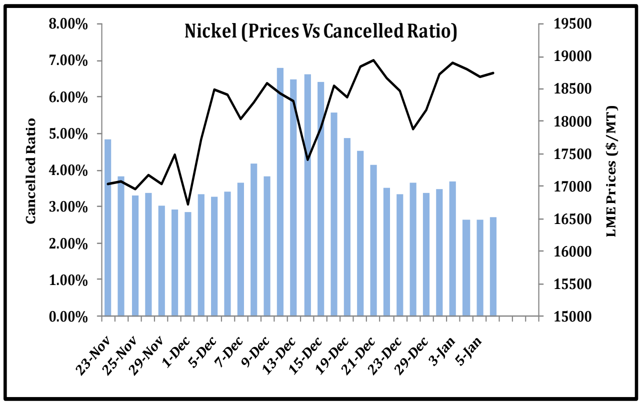
NICKEL

- *Nickel performed mix as the prices came up by 0.21 percent at LME. However the prices came down by 0.23 percent at the Indian Commodities Exchange*
- *The cancelled warrants have reduced coupled with a reduction in open interest. The basis has also entered backwardation indicating the future dicey trend*

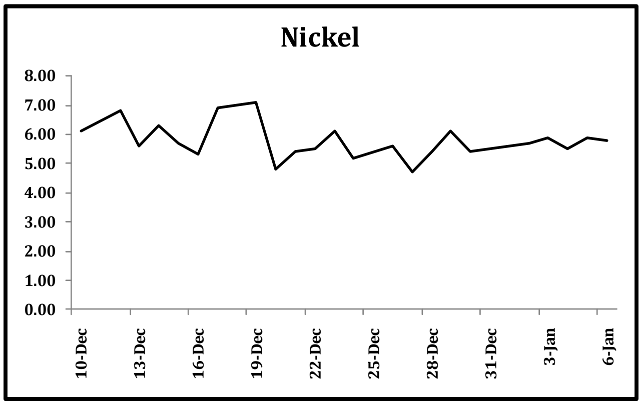
BASIS CHART
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



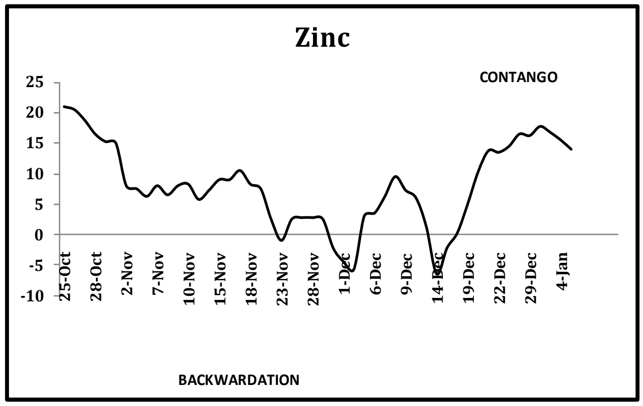
ZINC

- *Zinc performed mix as the prices gained at LME, however at MCX the prices continued to fall due to glooming economic outlook*

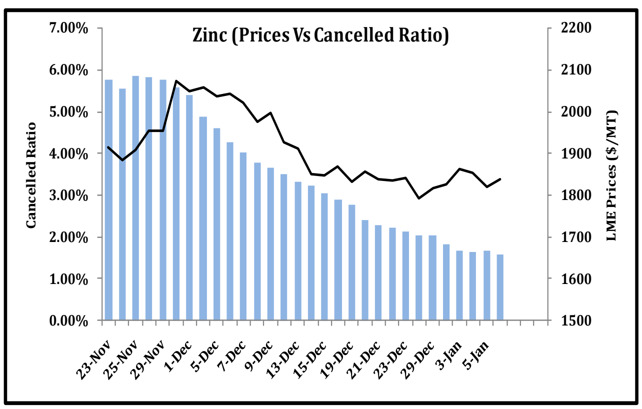
- *The cancelled warrants have came down to 1.58 percent, lowest among metals pack indicating weak spot demand. Prices may continue to witness pressure in the coming week as well*

BASIS CHART

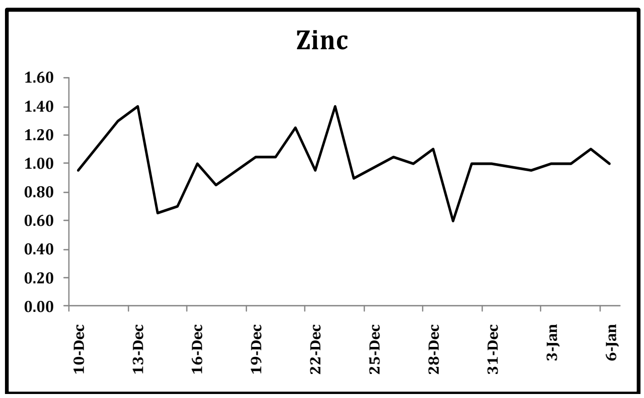
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)

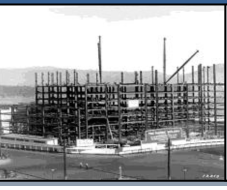


CANCELLED WARRANT RATIO ON LME



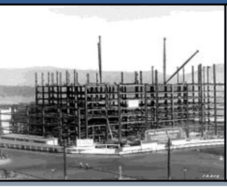
CALENDAR SPREAD ON MCX






DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date Time	Region	Event	Period	Survey	Prior
01/09/2012 12:30	GE	Exports SA (MoM)	NOV	0.5%	-3.6%
01/09/2012 12:30	GE	Imports SA (MoM)	NOV	0.5%	-1.0%
01/09/2012 12:30	GE	Current Account (EURO)	NOV	11.0B	10.3B
01/09/2012 12:30	GE	Trade Balance	NOV	12.0B	11.6B
01/09/2012 16:30	GE	Industrial Production MoM (sa)	NOV	-0.5%	0.8%
01/10/2012 01:30	US	Consumer Credit	NOV	$7.000B	$7.645B
01/10/2012 18:00	US	NFIB Small Business Optimism	DEC	94	92
01/10/2012 20:30	US	Wholesale Inventories	NOV	0.005	0.016
01/10/2012	CH	Trade Balance (USD)	DEC	$8.80B	$14.53B
01/11/2012 13:30	GE	GDP (Annual Growth Rate)	2011	3.00%	3.60%
11-15 JAN	CH	Foreign Exchange Reserves	DEC	$3150.0B	$3201.7B
11-15 JAN	CH	Money Supply - M2 (YoY)	DEC	0.129	0.127
01/12/2012 05:20	JN	Trade Balance - BOP Basis	NOV	-¥599.4B	-¥206.1B
01/12/2012 07:00	CH	Producer Price Index (YoY)	DEC	1.6%	2.7%
01/12/2012 07:00	CH	Consumer Price Index (YoY)	DEC	4.0%	4.2%
01/12/2012 11:30	JN	Machine Tool Orders (YoY)	DEC P	- -	15.8%
01/12/2012 12:30	GE	Consumer Price Index (MoM)	DEC F	0.7%	0.7%
01/12/2012 15:00	UK	Industrial Production (MoM)	NOV	-0.1%	-0.7%
01/12/2012 15:00	UK	Manufacturing Production (MoM)	NOV	-0.2%	-0.7%
01/12/2012 15:30	EC	Euro-Zone Ind. Prod. sa (MoM)	NOV	-0.2%	-0.1%
01/12/2012 17:30	**UK**	**BOE ANNOUNCES RATES**	**40920**	**0.5%**	**0.5%**
01/12/2012 18:15	**EC**	**ECB Announces Interest Rates**	**40920**	**1.0%**	**1.0%**
01/12/2012 19:00	US	Advance Retail Sales	DEC	0.3%	0.2%
01/12/2012 19:00	US	Initial Jobless Claims	40915	375K	372K
01/12/2012 19:00	US	Continuing Claims	41274	3575K	3595K
01/12/2012 20:30	US	Business Inventories	NOV	0.4%	0.8%
12-17 JAN	GE	Wholesale Price Index (MoM)	DEC	- -	0.7%
01/13/2012 00:30	US	Monthly Budget Statement	DEC	-$80.0B	- -
01/13/2012 15:30	EC	Euro-Zone Trade Balance sa	NOV	0.5B	0.3B
01/13/2012 19:00	US	Import Price Index (MoM)	DEC	-0.1%	0.7%
01/13/2012 19:00	US	Trade Balance	NOV	-$45.0B	-$43.5B
01/13/2012 20:25	US	U. of Michigan Confidence	JAN P	71.5	69.9





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