



METALS WEEKLY

A Weekly Report on Metals



OUTLOOK

Base metals gained the most for the week gone by as the Fed increased the US debt ceiling from \$15.194 trillion to \$16.394 trillion followed by reduced bonds yield of France and Spain after the downgrade strengthening 'Euro' and supporting global equities. Lead was the top gainer and prices came up by 8.58 percent, followed by Nickel by 4.34 percent.

On the same note the coming week may also continue to remain volatile for the metals pack. The Equities have also performed better and the treasury yields has reduced indicating that investors are slowly moving away from safe heavens. Fundamentally the cancelled warrants are at an all time high for Copper and Aluminum however for Nickel and Zinc the warrants are comparatively lower. The inventories have also witnessed slight stockpiling indicating the fall in spot demand, followed by weaker volumes and interest. In the coming week the markets will keenly watch the FOMC meeting where the Fed will be injecting \$1 trillion easing as soon as this month coupled with buyback of mortgaged backed securities to reduce the interest rate further imbuing confidence within the economy. This easing may propel investor confidence and continue the gain in metals pack. The euro may continue to trade higher as the IMF may increase the crisis fund by another \$500 billion apart from the \$1 trillion raised last week. However the Deficit control mechanism set up by German Chancellor Merkel targeting 0.5% of GDP may have slight negative impact on Euro and base metals. From the economic data update the US GDP is expected to be handy as easing coupled with declining claims and better labor sector may continue the economic development. The trade deficit of Japan may narrow followed by better PMI and IFO numbers from Germany and Euro-zone may continue the gaining spree. Overall we expect the metals to continue the gaining spree ahead of the US easing coupled with IMF intervention in raising funds. However as the Chinese markets will remain close due to Lunar New Year the gains may get limited.

TECHNICAL RECOMMENDATIONS*

Commodity	Series	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
LME Aluminum	Fwd	2048	2090	2154	2217	2259	2301	2365	Buy at 2150-2170 TP 2295/2390 SL 2050
MCX Aluminum	Jan-	106.5	108.0	109.1	110.1	111.7	113.2	114.3	Buy at 108.9-109.1 TP 112.65/114.6 SL 106.5
LME Copper	Fwd	7425	7667	7944	8220	8463	8705	8982	Trading Range: 7870-8680
MCX Copper	Feb-	399.7	407.0	412.1	417.3	424.5	431.8	436.9	Trading Range : 408.5-435
LME Lead	Fwd	1868	1935	2060	2184	2251	2318	2443	Buy at 2090-2110 TP 2270/2390 SL 1980
MCX Lead	Jan-	98.8	101.1	104.7	108.3	110.7	113.0	116.6	Buy at 106.8-107 TP 110.8/112.3 SL104.9
LME Nickel	Fwd	1808	1862	1953	2045	2099	2154	2245	Buy at 19850 19850-1900 TP 20860/21885 SL
MCX Nickel	Jan-	941.1	961.3	994.3	1027.	1047.	1067.	1100.	Buy at 1010 TP 1048.5/1074.2 SL 979.2
LME Zinc	Fwd	1835	1883	1948	2013	2061	2108	2173	Buy at 1940-1960 TP 2108/2200 SL 1860
MCX Zinc	Jan-	97.8	99.1	100.1	101.1	102.3	103.6	104.6	Buy at 99.7-99.9 TP 104.1/105.9 SL 96.7
Steel Long	Dec-	3032	3099	3181	3263	3330	3397	3479	Buy at: 33100 TP 33760-34000 SL 32400

*NOTE: The calls shown above are purely WEEKLY Recommendations

Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
01/24/2012 14:00	GE	PMI Manufacturing	JAN A	49	48.4
01/25/2012 14:30	GE	IFO - Business Climate	JAN	107.5	107.2
01/25/2012 23:00	US	FOMC Rate Decision	25-Jan	0.25%	0.25%
01/27/2012 19:00	US	GDP QoQ (Annualized)	4Q A	3.00%	1.80%

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	2140	2237.75	2132.25	2217	3.36	156,053	-37.24	2,514	-51.90
	Copper	7950	8428.5	7909.5	8220	2.75	237,005	-17.55	2,602	-26.06
	Lead	2015	2193.5	2002	2184	8.58	63,187	-2.49	1,652	93.22
	Nickel	19475	20635	19176	20450	4.34	32,294	-45.38	1,337	46.76
	Zinc	1951	2042.75	1930	2013	2.70	125,505	-23.00	2,519	1.45
MCX Futures (₹/Kg)	Aluminium	109.65	112.15	109.55	110.1	0.09	33,749	-29.89	1,813	-5.57
	Copper	415.25	426.6	414.2	417.25	0.31	743,445	-4.68	34,203	5.43
	Lead	103.8	109.4	103.45	108.3	4.08	86,884	8.94	3,037	-27.43
	Nickel	1006.1	1034.8	981.6	1027.2	1.89	251,441	-15.73	11,089	33.49
	Zinc	100.65	102.55	100.3	101.05	0.10	76,791	-7.09	2,680	-22.92

MARKET OVERVIEW

- Base metals gained the most in the week gone by as the European nations namely France and Spain had a successful bond auction after the downgrade strengthening the “Euro” currency propelling confidence followed by signs of monetary easing of \$1 trillion by Fed and possibility of buy-back of mortgaged backed securities to reduce the interest rate to near zero propelled metal prices.
- Lead was the top gainer and the prices increased by 8.58 percent at LME; however the gains were limited to 4.08 percent due to rupee appreciation, followed by Nickel by 4.64 percent at LME. The open interest for the same has increased supporting the gains.
- The trade participation has declined when compared to the past weeks and the volumes and open interest have also reduced for base metals. The volumes have decreased as investors are preferring to rather wait and watch due to US and Euro-zone developments.

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	57080	60290	3210	5.62%
Zinc	14995	15535	540	3.60%
Aluminum	15990	16190	200	1.25%

COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	363.7	374.5	10.8	2.97%



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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 nearly equal weights of buyers and sellers; however the sellers are slightly more when compared to buyers indicating that the investors are going for short positions due to credit downgrade of Euro nations followed by contraction in Asia. However due to the decrease in trade participation coupled with decrease in jobless claims in US, gains are expected as buying may be witnessed in the week ahead.

CFTC Report - Copper (In contracts)				
Non-Commercial	1/10/2012	1/17/2012	Change	% Change
Long	31413	34047	2634	8.39%
Short	33123	31736	-1387	-4.19%
Spreading	14467	17572	3105	21.46%
Commercial				
Long	68689	67784	-905	-1.32%
Short	61854	65652	3798	6.14%
Total				
Long	114569	119403	4834	4.22%
Short	109444	114960	5516	5.04%

INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	356825	348750	-8075	-2.26%
Zinc	817500	843325	25825	3.16%
Aluminium	4970550	5005050	34500	0.69%
Lead	352500	347525	-4975	-1.41%
Nickel	92460	91668	-792	-0.86%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	89722	89815	93	0.10%



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SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	105258	120452	15194	14.44%
Zinc	365763	367407	1644	0.45%
Aluminium	221624	226927	5303	2.39%

ECONOMIC REVIEW

Week ahead, market will be closely eyeing FOMC meet. Fed is likely to step in with \$1 trillion easing as soon as this month. Also, the central bank may bind to buy the mortgage backed securities with an objective to drive down the interest rate even further from the current record low level to spur confidence into the economy. The handsome economic releases for the US for last couple of months are likely to reflect in the Q4 GDP data with its component, namely personal consumption may increase. Jobless claims has already fallen to four years low and is likely to remain at a lower level as labor sector is showing improvement for quite a few time. From the Euro zone and Germany PMI numbers are expected to remain slightly strong which may support the Euro. The International Monetary Fund's move to a likely push for another \$500 billion in further lending resources has helped lift the euro. But, the deficit control treaty set by Merkel, ruled a correction mechanism which will be triggered automatically in case of significant deviation from a target deficit of 0.5% of GDP may restrict gain in Euro. Overall, week ahead most of the US releases are expected to remain positive for the economy; while market will be eyeing the FOMC meet keenly. An expectation of another easing may keep the market buoyed while any update from the 17-bloc Euro nations should be notable. We therefore expect another volatile market in the next week with heighten optimism of the Fed outcome for the next stimuli. **(Courtesy: KCTL's Weekly Economic report)**

Currency	Last Week	This Week	% Change
Dollar Index	81.515	80.156	-1.67%
EUR/USD	1.268	1.2931	1.98%
GBP/USD	1.5318	1.5576	1.68%
USD/INR	51.5288	50.335	-2.32%

Bond Yields	Last Week	This Week	Change (in bps)
US 10 year bond	1.8636	2.0246	16.1
German 10 year bond	1.765	1.929	16.4
India 10 year bond	8.212	8.155	-5.7



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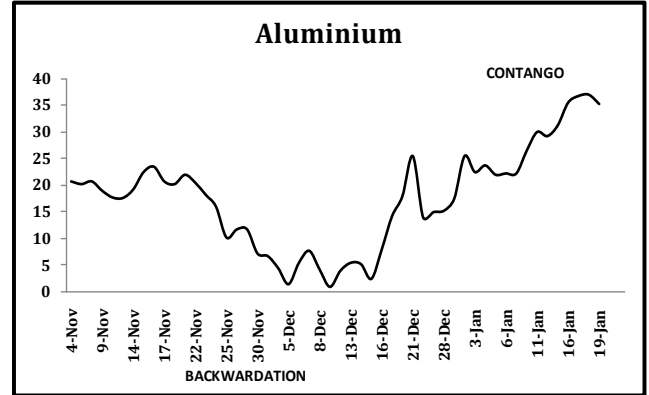


ALUMINIUM

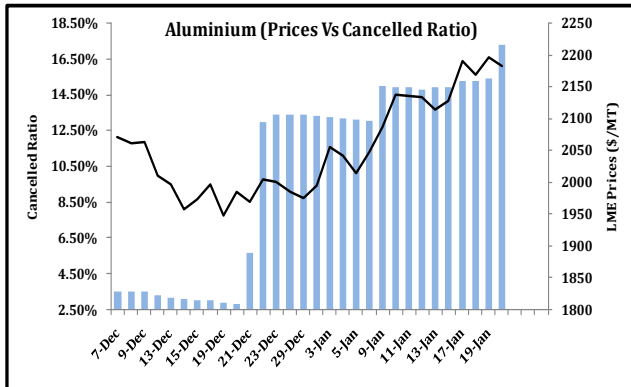
- ❖ Aluminum prices continued to gain consecutively and came up by 3.36 percent supported by stronger warrants maintaining above 17 percent
- ❖ Presently most of the Smelters in North America and Europe are witnessing constrained production due to obsolete technology and high energy prices shifting the production hub to China and Asian nations indicating change in supply trend and supporting price gains

BASIS CHART

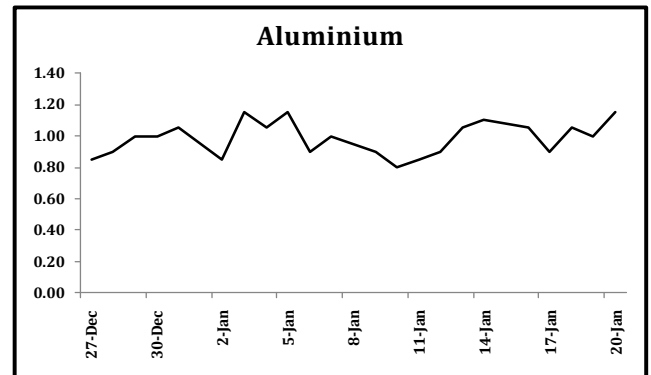
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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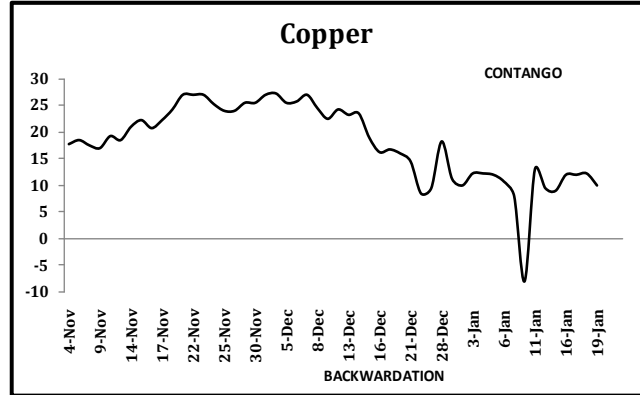


COPPER

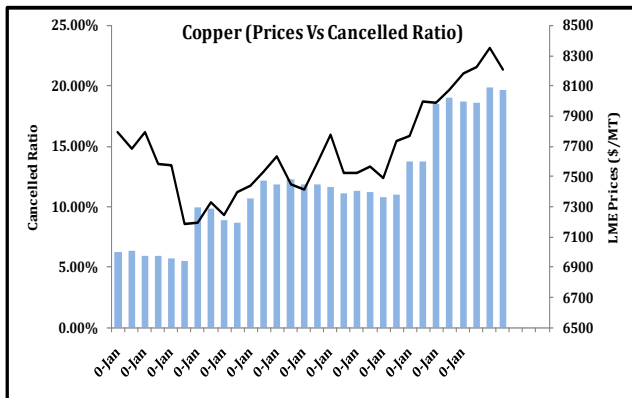
- ❖ Copper prices also gained consecutively for the week and increased by 2.75 percent at LME. The cancelled warrants are also maintaining above 19 percent supporting the gains
- ❖ Chinese demand ahead of the New year was comparatively less and the inventory at Shanghai warehouses increased by 14.44 percent indicating slow economic developments from the region increasing speculation of further easing

BASIS CHART

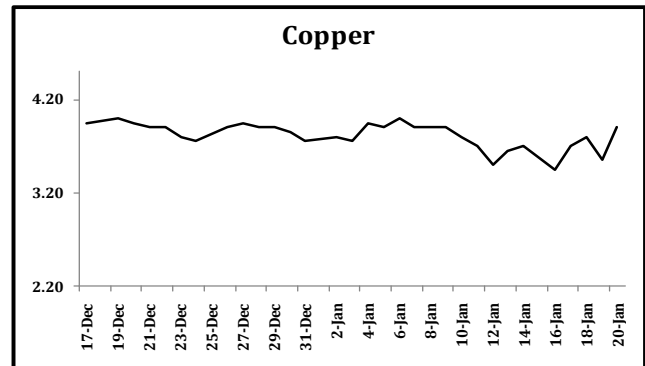
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



LME Copper prices has closed higher from the previous week last week made a high of \$8428 against the low of \$7909 and finally closed at \$8220 level, which is higher than the previous week. The principle of Fibonacci retracement states that prices have major resistance is seen at trend line resistance which is around \$8670, if breach this levels, which is 76.4% retracement of the range of \$9304-\$6635 levels. For the next week we expect prices may trade in the range of \$8680 to 7790 levels. The chart shows support zone might be seen at \$8100 levels, which has support of 8 days EMA, if breaches this levels than next support may seen at \$7870 levels that is 21 days EMA. The indicator analysis RSI-14 on a daily chart is trade near 63.56 which is supportive for the copper prices that copper prices will trade higher side for the coming week, buy we may expect prices may suffer profit booking, going by the above analysis next week copper prices may trade in the range.





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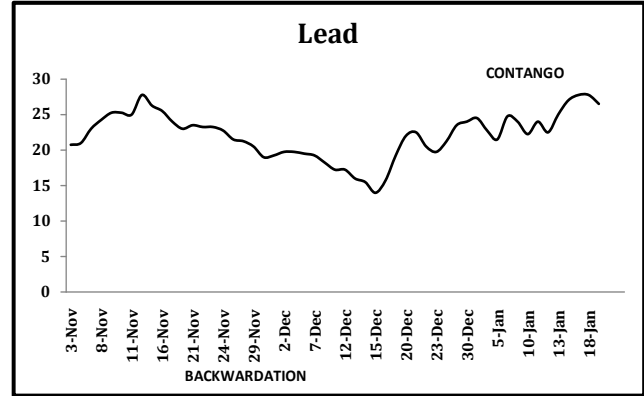


LEAD

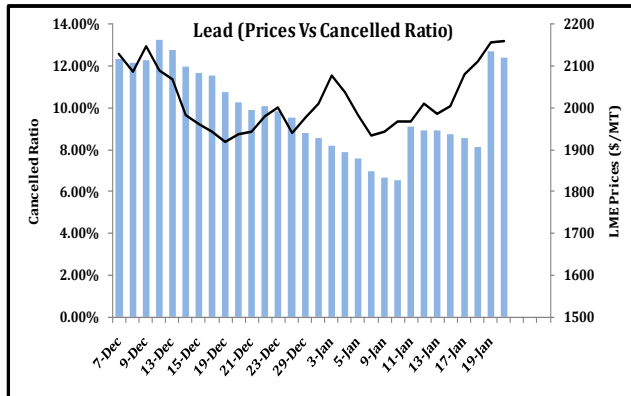
- ❖ Lead was the top performer of the week and prices increased by 8.58 percent at LME, followed by 4.08 percent gain at MCX
- ❖ The cancelled warrants have increased to 12.42 percent indicating better spot demand. The Euro has contributed much gain as the strengthening of Euro has improved the future outlook

BASIS CHART

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



CANCELLED WARRANT RATIO ON LME



Last week, LME Lead future prices ended higher up by +8.78%, and made a high of \$2193 against the low of \$2002 and finally settled at higher at \$2184. The principle of Fibonacci retracement states that prices has next resistance is seen at \$2270 and \$2390 levels which are 50% and 61.8% of the range of \$2773-\$1770. Last week Lead prices have given trend line breakout and prices will trade higher for the next week and it may continue their positive direction. The indicator analysis RSI-14 days trade at 65.46 and it might be positive for the Lead prices also, suggesting that prices have room for further upside. Going by the above analysis we expect for the next week traders may enter at lower levels and may be expected its positive direction and recommended buying at lower levels for the coming week.





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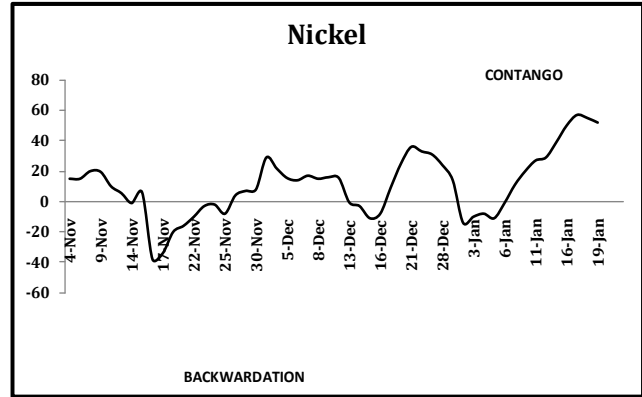
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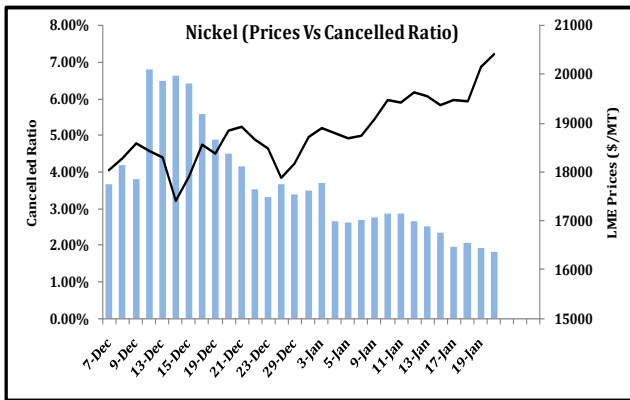
NICKEL

- ❖ Nickel cancelled warrants continued to reduced but the prices continued north wards and gained by 4.34 percent at LME and 1.89 percent at MCX
- ❖ The gain in metal prices was due to increased open interest indicating that traders are holding positions expecting bullish future trend. The gains may continue as the easing from Fed may support the bullish trend

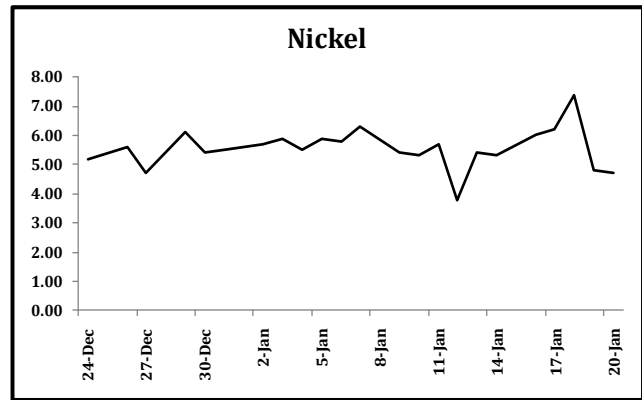
BASIS CHART
(LME 3 MTH FWD-LME CASH PRICES) (\$/Tonnes)



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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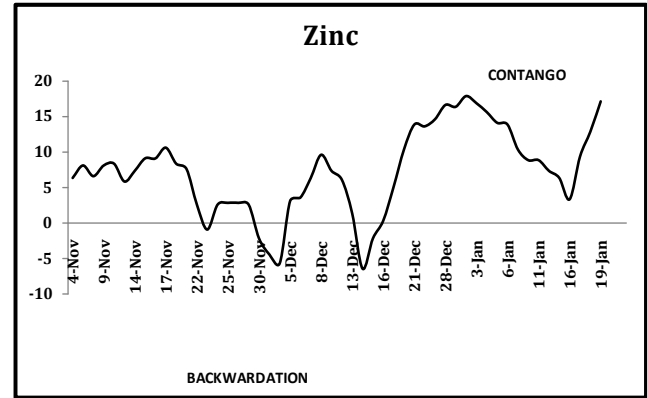


ZINC

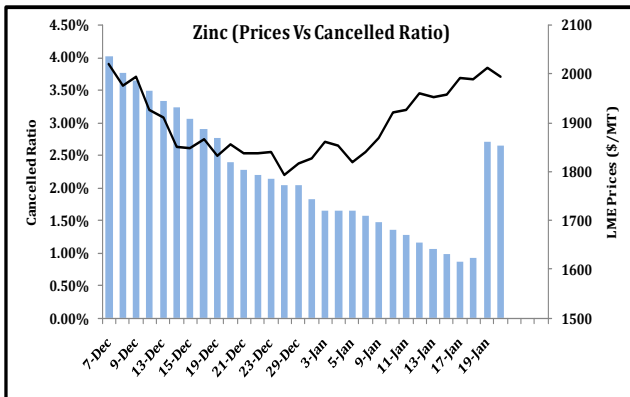
- ❖ Zinc followed other base metals and prices increased 2.70 percent at LME and it came up slightly by 0.10 percent at MCX
- ❖ Fundamentally Zinc was the weakest among all as the cancelled warrants were maintaining 1percent but has improved in the last trading session and are presently at 2.66 percent indicating improved demand

BASIS CHART

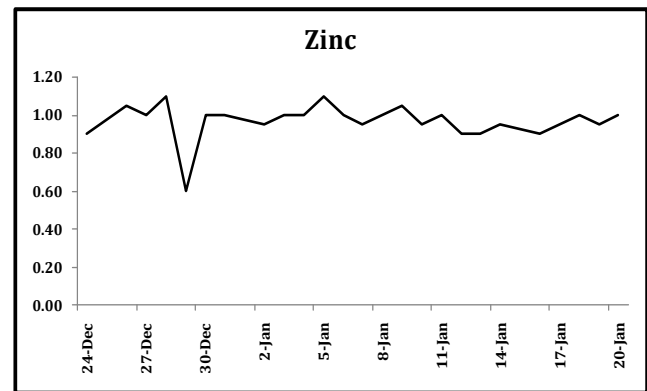
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



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
01/23/2012	20:30	EC	Euro-Zone Consumer Confidence	JAN A	-21.4	-21.1
01/24/2012	14:00	GE	PMI Manufacturing	JAN A	49	48.4
01/24/2012	14:00	GE	PMI Services	JAN A	52.4	52.4
01/24/2012	14:30	EC	PMI Composite	JAN A	48.5	48.3
01/24/2012	14:30	EC	PMI Manufacturing	JAN A	47.2	46.9
01/24/2012	14:30	EC	PMI Services	JAN A	49	48.8
01/24/2012	15:30	EC	Industrial New Orders SA (MoM)	NOV	-2.20%	1.80%
01/24/2012	20:30	US	Richmond Fed Manufact. Index	JAN	7	3
01/24/2012		JN	BOJ Target Rate	24-Jan	0.10%	0.10%
01/25/2012	05:20	JN	Merchnds Trade Balance Total	DEC	-¥154.9B	-
01/25/2012	05:20	JN	Merchnds Trade Exports YoY	DEC	-7.4	-4.5
01/25/2012	05:20	JN	Merchnds Trade Imports YoY	DEC	8	11.4
01/25/2012	14:30	GE	IFO - Business Climate	JAN	107.5	107.2
01/25/2012	14:30	GE	IFO - Current Assessment	JAN	116.8	116.7
01/25/2012	14:30	GE	IFO - Expectations	JAN	99	98.4
01/25/2012	15:00	UK	GDP (QoQ)	4Q A	-0.10%	0.60%
01/25/2012	20:30	US	House Price Index MoM	NOV	0.10%	-0.20%
01/25/2012	20:30	US	Pending Home Sales YoY	DEC	--	6.90%
01/25/2012	23:00	US	FOMC Rate Decision	25-Jan	0.25%	0.25%
01/26/2012	19:00	US	Durable Goods Orders	DEC	2.20%	3.80%
01/26/2012	19:00	US	Initial Jobless Claims	21-Jan	370K	--
01/26/2012	19:00	US	Continuing Claims	14-Jan	3500K	--
01/26/2012	20:30	US	Leading Indicators	DEC	0.70%	0.50%
01/26/2012	20:30	US	New Home Sales	DEC	320K	315K
01/27/2012	12:30	GE	Import Price Index (MoM)	DEC	0.30%	0.40%
01/27/2012	19:00	US	GDP QoQ (Annualized)	4Q A	3.00%	1.80%
01/27/2012	19:00	US	GDP Price Index	4Q A	1.90%	2.60%
01/27/2012	19:00	US	Personal Consumption	4Q A	2.40%	1.70%
01/27/2012	20:25	US	U. of Michigan Confidence	JAN F	74	74



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