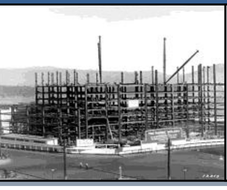
KARVY COMMODITIES BROKING




METALS WEEKLY

A Weekly Report on Metals


OUTLOOK

Base metals gained more than expectation as the Fed declared $1.2 trillion easing propelling the equities markets supporting the gains in metals pack. Though the Greece negotiation and downgrade of credit rating was mostly in focus in the Euro-zone but still the Euro gained 2.23 percent and may continue the trend in the coming week too.

Fundamentally the inventory has witnessed slight drawdown and the cancelled warrants are maintaining at higher levels indicating better spot demand. In the coming week the inventories may continue the trend as global manufacturing and production activity has also been increasing supporting the trend. The Automobile and aero-space outlook has also been improving supporting price gain of metals like Zinc, Aluminum and Nickel. The Euro-zone may continue to support the gaining spree as the Greece debt negotiation may settle as International Institute of Finance will talk on behalf of private creditors. However since the Asian markets have not yet faced the downgrade of Spain and Italy on Friday night, weak opening may be witnessed on Monday morning. However as the week unfolds positive data releases from Germany, UK and Euro-zone in the form of consumer confidence, PMI manufacturing and retail sales are mostly expected to be eco-friendly and may continue to support gains. The Chinese counterparts are also expected to return back after a week long holiday, due to profit booking coupled with weak manufacturing releases may have slight negative impact for base metals, however an easing by the Chinese central bank cannot be ruled out and anticipation of the same may push the prices further northwards. The bilateral-trade ties between US and China is also affected and US would probably impose higher subsidy to Chinese Steel and Aluminum imports. From the US, the personal income and spending are expected to increase after an increase in GDP. Further the manufacturing indexes are also expected to be supportive for price gain. The non-farm payrolls are expected to contract with a similar contraction of construction spending and factory orders may have slight negative effect. Therefore amidst all these dynamics we expect base metals to continue the bull rally. Overall we recommend to go for long positions at lower levels as positive equities coupled with positive economic data expectations may support the gains in metals.

TECHNICAL RECOMMENDATIONS*

Commodity	Series	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
LMEAluminiu	**Fwd**	1932	1988	2027	2065	2122	2178	2217	Buy at 2180-2200 TP 2275/2350 SL 2110
MCX	**Jan-12**	103.7	105.4	106.7	108.0	109.6	111.3	112.6	Trading Range : 108.7-113.55
LME Copper	**Fwd**	7305	7479	7647	7815	7989	8163	8331	Buy at 8280-8320 TP 8670/8850 SL
MCX Copper	**Feb-**	397.0	400.6	406.5	412.3	415.9	419.5	425.4	Buy at 417-419 TP 432/441 SL 408
LME Lead	**Fwd**	2022	2051	2108	2165	2195	2224	2281	Buy at 2200-2210 TP 2390 SL 2090
MCX Lead	**Feb-**	103.0	105.0	108.2	111.4	113.4	115.4	118.6	Buy at 110.8-111 TP 115/117.5 SL
LME Nickel	**Fwd**	1675	1715	1787	18600	1900	1940	20125	Trading Range: 20330-23150
MCX Nickel	**Feb-**	859.7	882.7	926.5	970.3	993.3	1016.	1060.1	Trading Range : 1020.2-1113.6
LME Zinc	**Fwd**	1880	1926	1965	2003	2050	2096	2135	Buy at 1980-2010 TP 2110 SL 1910
MCX Zinc	**Feb-**	100.5	101.9	103.2	104.6	105.9	107.3	108.6	Buy at102.6-103.2 TP 107.9 SL 100.6
Steel NCDEX	**Feb-**	3041	3083	3120	31570	3199	3241	32780	Range: 31650-33050

***NOTE: The calls shown above are purely WEEKLY Recommendations**

Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
01/30/2012 15:30	EC	Euro-Zone Economic Confidence	JAN	93.8	93.3
02/02/2012 03:30	US	Total Vehicle Sales	JAN	13.50M	13.52M
02/03/2012 19:00	US	Change in Nonfarm Payrolls	JAN	150K	200K
02/03/2012 19:00	US	Unemployment Rate	JAN	8.50%	8.50%

For all the data releases; click here

METALS WEEKLY

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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	2218	2290.25	2203	2266	2.21	117,568	-29.74	4,611	109.69
	Copper	8211	8679.5	8183	8525	3.71	192,381	-29.48	3,263	37.74
	Lead	2176	2329	2170	2295	5.08	69,083	-2.34	1,452	10.92
	Nickel	20440	21788	20225	21700	6.11	35,523	-4.56	1,248	30.27
	Zinc	2013.75	2220	2003	2150	6.81	156,008	11.71	4,188	88.82
MCX Futures (₹/Kg)	Aluminium	110.1	111.55	109.25	110.35	0.18	19,005	-43.77	1,526	-15.27
	Copper	418.4	430.25	415.25	425.55	1.78	527,773	-29.34	34,165	1.19
	Lead	108.35	114.25	108.05	111.65	2.95	70,359	-19.21	2,273	-24.51
	Nickel	1026	1071.4	1011.5	1066.9	3.78	236,175	-6.53	9,774	-10.53
	Zinc	101.1	108.7	100.45	105.55	4.30	108,259	40.52	2,603	-1.96

MARKET OVERVIEW

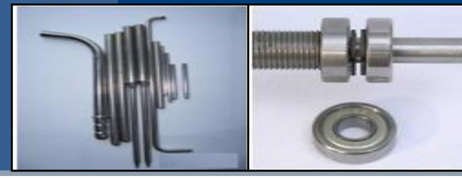
- Metal sector continued the gaining spree and all base metals closed on the positive side as Fed maintained its lower interest rate stance coupled with $1 trillion easing pushed the equities and also supporting the gains in metals. In India, the gains were limited as the Reserve bank eased the cash reserve ratio by 0.50 percent appreciating the Rupee by 2.02 percent against the USD
- Zinc was the top gainer and prices gained 6.81 percent followed by increase in volume and open interest. Though fundamentally Zinc is most weak with cancelled warrants maintaining at only 2.58 percent the price gain was due to better auto-sector outlook coupled with US and Euro-zone recovery
- The trade participation has been slight poor compared to past weeks as the volumes have declined, however the open interest has increased at LME indicating that traders are holding position expecting further gains in metals pack

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	60290	0	-60290	-100.00%
Zinc	15535	0	-15535	-100.00%
Aluminum	16190	0	-16190	-100.00%

COMEX MARKET PERFORMANCE

PRICES (USD/LB)				
Commodity	Previous Week	This Week	Change	% Change
Copper	374.5	388.9	14.4	3.85%



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 moribund forecast from Fed coupled with Greek debt negotiations. However the metals are expected to continue the gaining spree though the gains may limit due to profit booking as Chinese markets open.

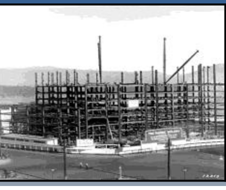
CFTC Report - Copper (In contracts)				
Non-Commercial	1/17/2012	1/24/2012	Change	% Change
Long	34047	36031	1984	5.83%
Short	31736	31508	-228	-0.72%
Spreading	17572	22434	4862	27.67%
Commercial				
Long	67784	70960	3176	4.69%
Short	65652	70786	5134	7.82%
Total				
Long	119403	129425	10022	8.39%
Short	114960	124728	9768	8.50%

INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	348750	335425	-13325	-3.82%
Zinc	843325	848350	5025	0.60%
Aluminium	5005050	4996650	-8400	-0.17%
Lead	347525	343050	-4475	-1.29%
Nickel	91668	95016	3348	3.65%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	89815	89651	-164	-0.18%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	120452	131645	11193	9.29%
Zinc	367407	369698	2291	0.62%
Aluminium	226927	237425	10498	4.63%



ECONOMIC REVIEW

The week gone by major events like Greek debt talk and FED meeting has taken place. Optimism in Greek debt talk has supported Euro to trade on higher side. Euro gained more than 2 percent against US Dollar in the last week. However, pressure was witnessed in between due to rejection on plan. Besides, Societe Generale, the second largest bank and Credit Agricole the third are the two French banks to have their credit grades cut from A+ to A by S & P after France was stripped of its rating earlier this month. IMF has cut the global outlook growth for 2012. On the other side, Despite Republican opposition, the Senate on Thursday voted to allow President Barack Obama to **increase the debt ceiling by $1.2 trillion**, an amount large enough to ensure the federal government can pay its bills through the November elections. Fed unexpectedly extended its pledge to keep the rate unchanged till 2014 compared to previous target of mid 2013. Thus, spike in dollar index was seen on Thursday. From economic front, most of the economic releases from Euro-zone and US were mostly positive. The acceleration in US GDP growth to 2.8% annualized in Q4, from 1.8%, suggests that the recovery is gathering momentum. Overall, world equity market continues the rally and MXWO index climbed up by more than one percent. Asian equities have performed better than Euro-zone and US equity market. Indian rupee continued to appreciate against US dollar. In the last week, Indian rupee has appreciated by more than 2 percent at 49.31 levels.***(Courtesy: KCTL's Weekly Economic report)***

Currency	Last Week	This Week	% Change
Dollar Index	80.223	78.836	-1.73%
EUR/USD	1.2931	1.322	2.23%
GBP/USD	1.5576	1.5729	0.98%
USD/INR	50.335	49.3162	-2.02%

Bond Yields	Last Week	This Week	Change (in bps)
US 10 year bond	2.0246	1.891	-13.4
German 10 year bond	1.929	1.858	-7.1
India 10 year bond	8.155	8.346	19.1

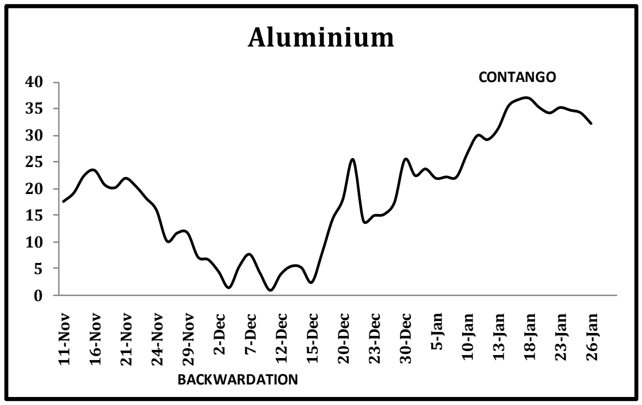
ALUMINIUM

- *Aluminum was the least gainer and prices increased by 2.21 percent at LME followed by decrease in volume and increased open interest, the cancelled warrants have also recorded an increase and is presently maintaining at 19.39 percent*

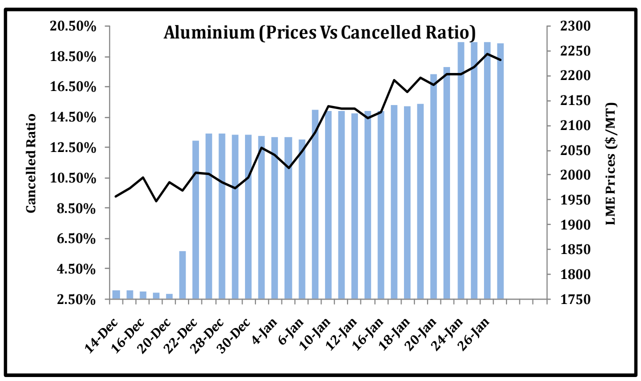
- ***The Government of India is planning to invest $1 trillion in infrastructural development for the 12th five year plan and it may support the gaining spree among base metals including Aluminum and Steel***

BASIS CHART

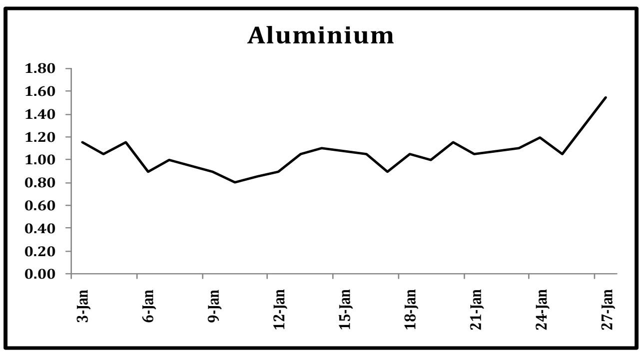
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes}

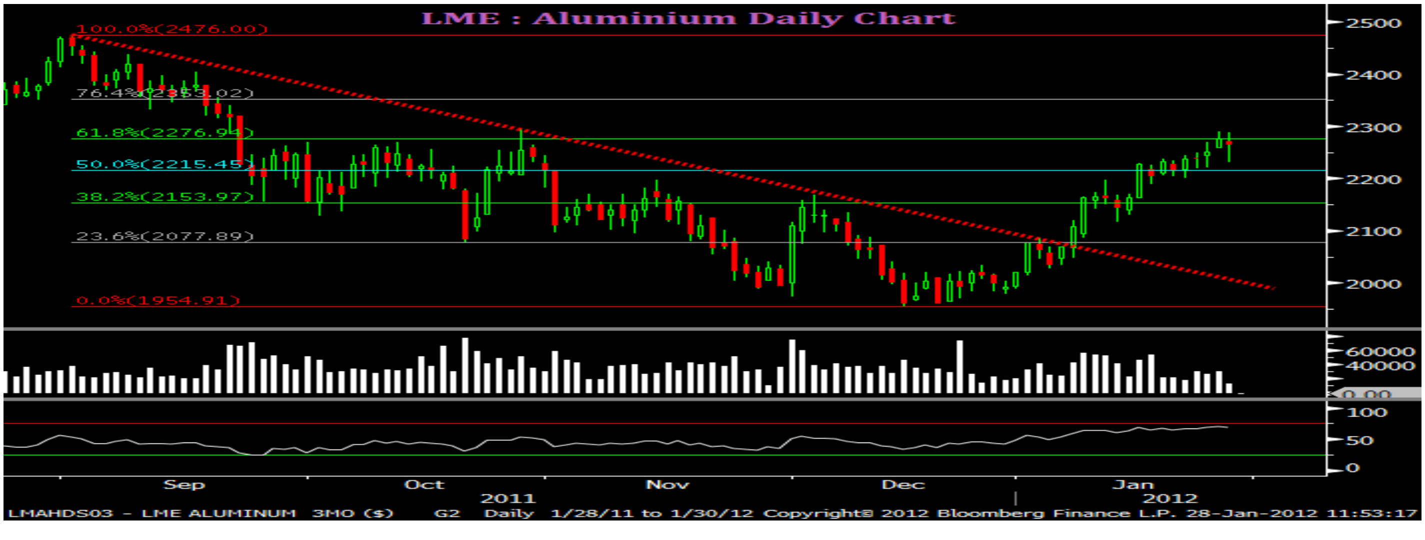


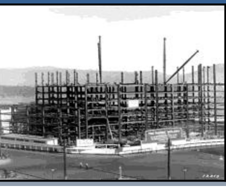
CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX








METALS WEEKLY

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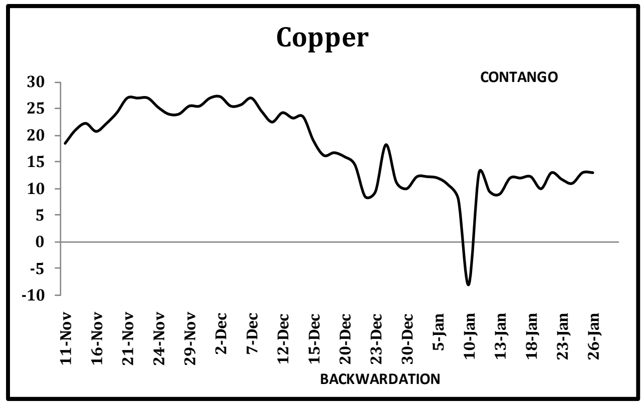
COPPER

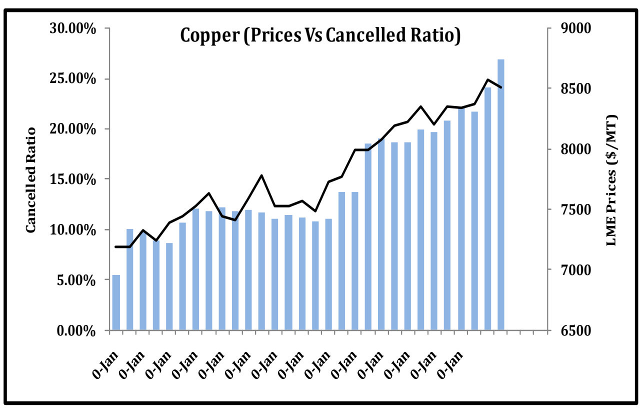
- ***Zambia's Konkola Copper Mines, a unit of London-listed Vedanta Resources Plc, has launched a copper reclamation project that will add 24,000 tones to the company's annual output***

- ***Rio Tinto PLC expects to make management changes at Ivanhoe Mines Ltd. after grabbing majority control of the Canadian mining company, and may seek direct ownership in the massive Oyu Tolgoi copper-and-gold project in Mongolia***

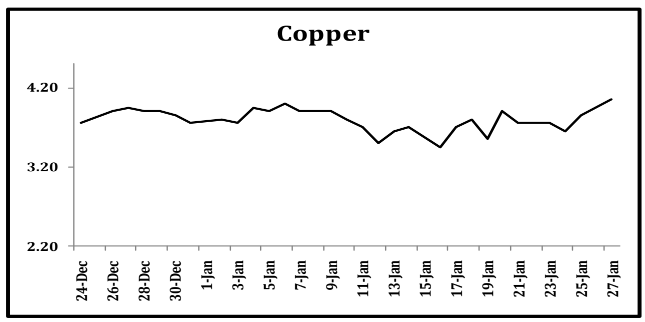
BASIS CHART
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes}

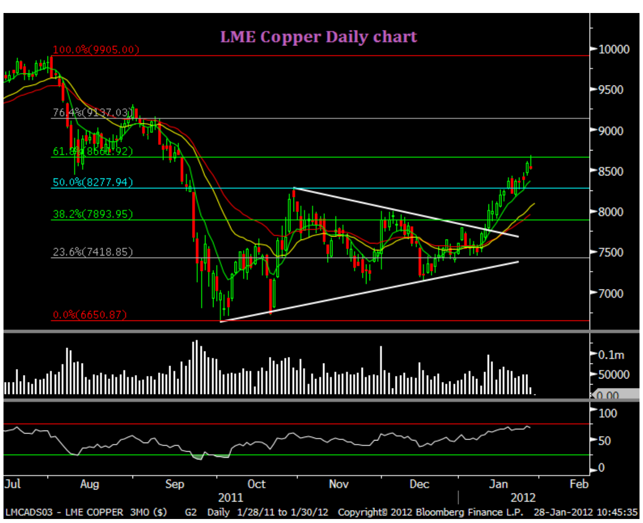


CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





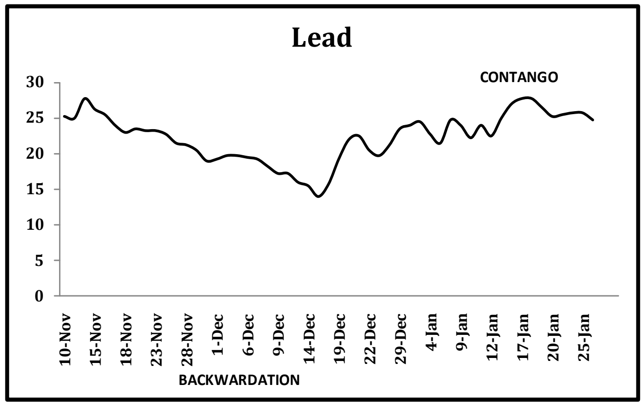
LME Copper prices has closed higher from the previous week up by +3.78%, last week made a high of $8679 against the low of $8183 and finally closed at $8525 level, which is higher than the previous week. The principle of Fibonacci retracement states that prices have major resistance is seen at $9130 levels which are 76.4% of the range of 9905-6650. Copper prices may continue their bullish trend but we may expect correction till 8300 levels before its resuming their positive direction. The chart shows support zone might be seen at $88280levels, which is 50% retracement of the above mentioned range. if breaches this levels than next support may seen at $7890 levels that is 38.2% retracement. The indicator analysis RSI-14 on a daily chart is trade near 68.37 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 correct before its going upward direction, traders may use enter at lower levels strategy.

LEAD

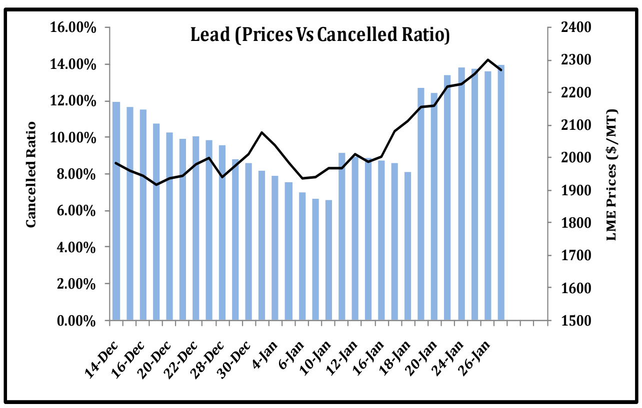
- *Lead prices gained 5.08 percent at LME and cancelled warrants have also increased to 13.98 percent supporting price gain*
- *The volumes and open interest has also increased slightly and the gain in prices may continue as successful Greek negotiation hopes unfolds in the coming week*

BASIS CHART

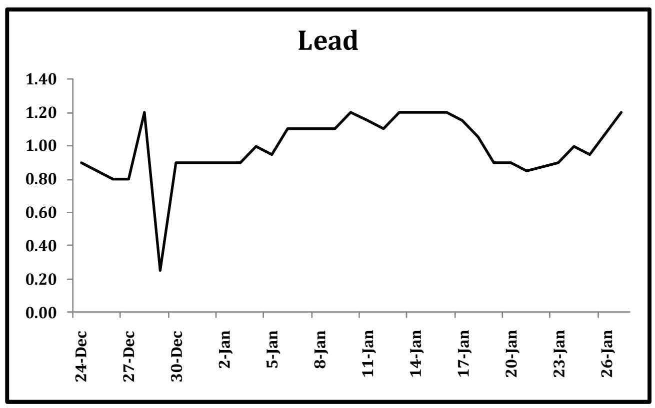
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



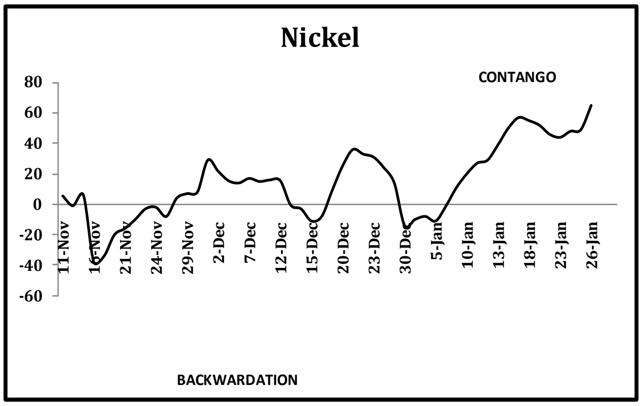
NICKEL

- *Nickel prices gained 6.11 percent followed by increase in volumes coupled with inventory and cancelled warrants*

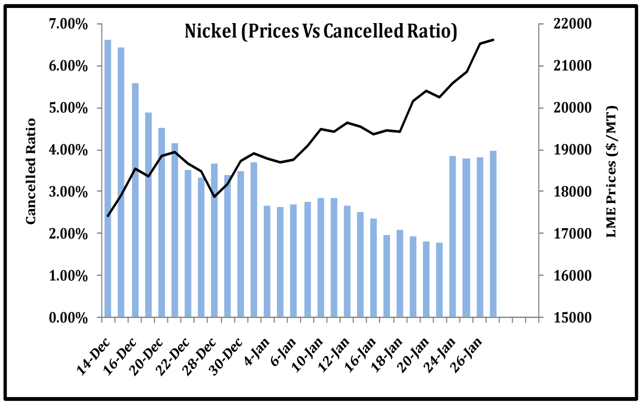
- ***Tanzania is expecting to increase its GDP contribution from mining sector from 2.8 percent to 10 percent by increased Nickel mining from its high grade reserves and ores***

BASIS CHART

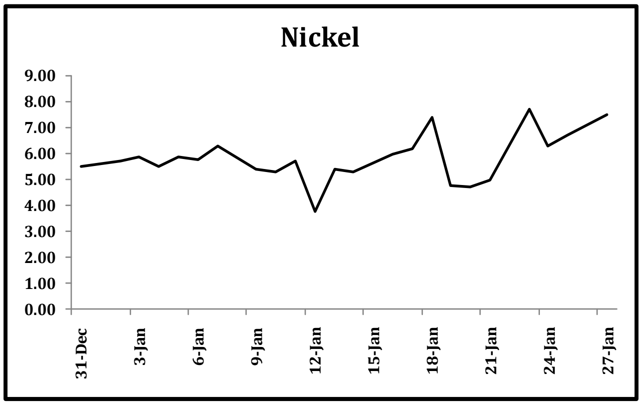
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



METALS WEEKLY

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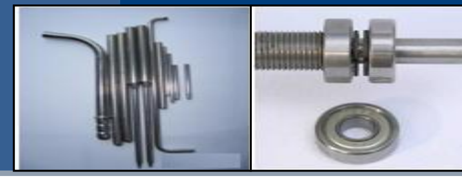
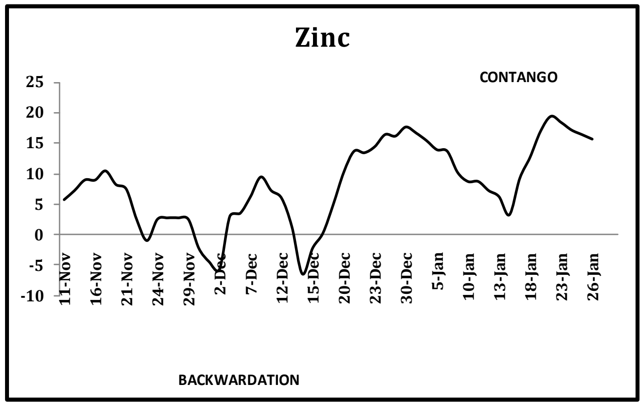


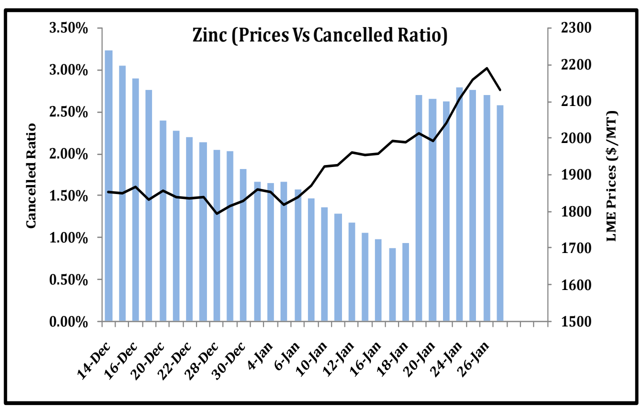
ZINC

- *Zinc was the top gainer of the weak and prices increased by 6.81 percent coupled with increased volume and open interest*
- ***Better Automobile outlook coupled with increased manufacturing from NAFTA region may continue to support the prices in the coming week***

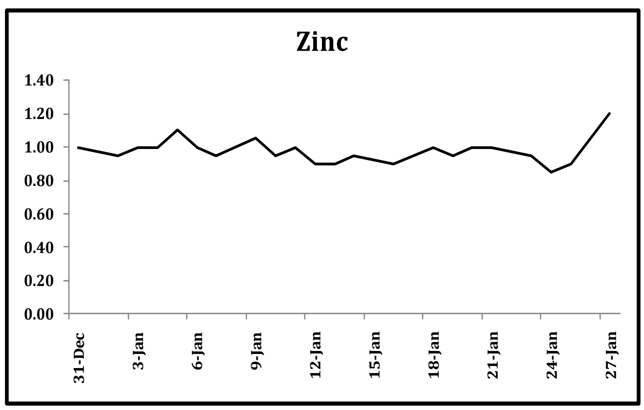
BASIS CHART
(LME 3 MTH FWD–LME CASH PRICES) {$/Tonnes)

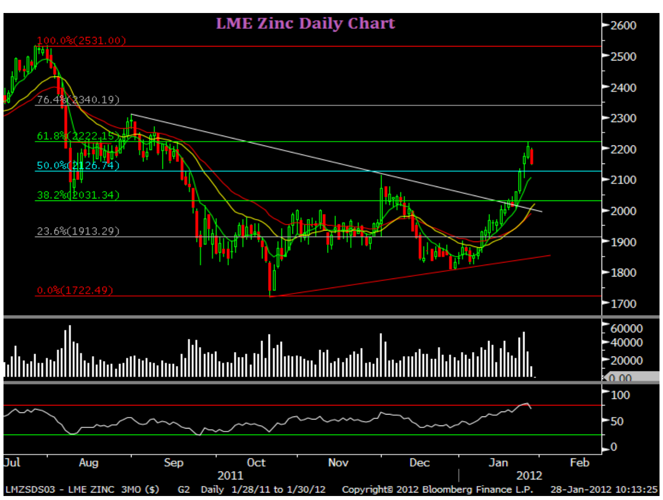


CANCELLED WARRANT RATIO ON LME

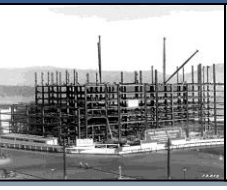


CALENDAR SPREAD ON MCX





LME zinc future prices last week closed higher up by +6.80%, and made a high of $2220 against the low of $2003 and finally settled at higher at $2150. The principle of Fibonacci retracement states that prices have next resistance is seen at $2340 and $2531 which are 76.4% and 100% of the range of $2531-$1722. Over all we may expect zinc prices may trade higher for the next week and it may continue their positive direction. The indicator analysis RSI-14 day's trade at 68.55 and it might be positive for the zinc prices, suggesting that prices have room for further upside. Going by the above analysis we expect for the next week zinc prices may correct before its resuming its uptrend, traders may enter at lower levels and may be expected its positive direction and recommended buying at lower levels for the coming week.



DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date Time	Region	Event	Period	Survey	Prior
01/30/2012 15:30	EC	Euro-Zone Consumer Confidence	JAN F	-20.6	-20.6
01/30/2012 15:30	EC	Euro-Zone Economic Confidence	JAN	93.8	93.3
01/30/2012 15:30	EC	Euro-Zone Indust. Confidence	JAN	-6.8	-7.1
01/30/2012 15:30	EC	Euro-zone Services Confidence	JAN	-1.6	-2.1
01/30/2012 19:00	US	Personal Income	DEC	0.40%	0.10%
01/30/2012 19:00	US	Personal Spending	DEC	0.10%	0.10%
01/30/2012 21:00	US	Dallas Fed Manf. Activity	JAN	0.5	-3
01/30/2012	GE	Consumer Price Index (MoM)	JAN P	-0.40%	0.70%
01/31/2012 05:20	JN	Industrial Production (MoM)	DEC P	2.90%	-2.70%
01/31/2012 12:30	GE	Retail Sales (MoM)	DEC	0.80%	-0.90%
01/31/2012 14:25	GE	Unemployment Rate (s.a)	JAN	6.80%	6.80%
01/31/2012 15:30	EC	Euro-Zone Unemployment Rate	DEC	10.40%	10.30%
01/31/2012 19:30	US	S&P/CaseShiller Home Price Ind	NOV	- -	140.3
01/31/2012 20:30	US	Consumer Confidence	JAN	68	64.5
02/01/2012 06:30	CH	PMI Manufacturing	JAN	49.6	50.3
02/01/2012 08:00	CH	HSBC Manufacturing PMI	JAN	- -	48.7
02/01/2012 14:25	GE	PMI Manufacturing	JAN F	50.9	50.9
02/01/2012 14:30	EC	PMI Manufacturing	JAN F	48.7	48.7
02/01/2012 15:00	UK	PMI Manufacturing	JAN	50	49.6
02/01/2012 17:30	US	MBA Mortgage Applications	27-Jan	- -	-5.00%
02/01/2012 18:45	US	ADP Employment Change	JAN	183K	325K
02/01/2012 20:30	US	Construction Spending MoM	DEC	0.50%	1.20%
02/01/2012 20:30	US	ISM Manufacturing	JAN	54.5	53.9
02/01/2012 20:30	US	ISM Prices Paid	JAN	49.8	47.5
02/02/2012 03:30	US	Domestic Vehicle Sales	JAN	10.50M	10.45M
02/02/2012 03:30	US	Total Vehicle Sales	JAN	13.50M	13.52M
02/02/2012 15:30	EC	Euro-Zone PPI (MoM)	DEC	-0.10%	0.20%
02/02/2012 19:00	US	Nonfarm Productivity	4Q P	0.80%	2.30%
02/02/2012 19:00	US	Initial Jobless Claims	28-Jan	370K	377K
02/02/2012 19:00	US	Continuing Claims	21-Jan	3530K	3554K
02/03/2012 06:30	CH	China Non-manufacturing PMI	JAN	- -	56
02/03/2012 08:00	CH	China HSBC Services PMI	JAN	- -	52.5
02/03/2012 14:25	GE	PMI Services	JAN F	54.5	54.5
02/03/2012 14:30	EC	PMI Composite	JAN F	50.4	50.4
02/03/2012 14:30	EC	PMI Services	JAN F	50.5	50.5
02/03/2012 15:30	EC	Euro-Zone Retail Sales (MoM)	DEC	0.30%	-0.80%
02/03/2012 19:00	US	Change in Nonfarm Payrolls	JAN	150K	200K
02/03/2012 19:00	US	Change in Private Payrolls	JAN	168K	212K

02/03/2012 19:00	US	Change in Manufact. Payrolls	JAN	11K	23K
02/03/2012 19:00	US	Unemployment Rate	JAN	8.50%	8.50%
02/03/2012 20:30	US	ISM Non-Manf. Composite	JAN	53.2	52.6
02/03/2012 20:30	US	Factory Orders	DEC	1.50%	1.80%

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