



METALS WEEKLY

A Weekly Report on Metals



OUTLOOK

Base metals traded mixed for the week gone by though the economic releases in terms of manufacturing and inflation were mostly handy. The gains were limited due to European concerns coupled with Fed's moribund economic forecast. The Indian rupee appreciated by 1.26 percent pulling metal prices downward and closing at weekly loss of 1.4 to 4.2 percent.

In the coming week, base metals may continue to trade downward due to weak trade participation and spot demand. The Chinese counterparts have not got opportunity to buy as the prices gained mostly during the lunar holidays. Further the Shanghai warehouse stocks have also increased for Copper and Aluminum indicating weak demand. The inventory of Lead has also witnessed stockpiling and the cancelled warrants have declined for the entire base metals pack. The Euro-zone may continue to affect global economy as Greek bond swap negotiations have still not confirmed and no amount of bailout may completely erode the debt liability. Hence the Greece finance minister may possibly implement wage cut to minimal levels to reduce the debt-burden on GDP ahead of March 20. Further developments from Euro zone include an important move of ECB where the central bank may buy back bonds at face value from the banks and bond holders may have slight positive impact on the single currency. The ECB interest rate is also expected to be unchanged at 1 percent; however we expect that the ECB may follow Fed to reduce the debt-burden on the member nations. On similar lines "Euro" is expected to be volatile for the coming week and while analyzing the economic data, though manufacturing and industrial productions are expected to improve for Germany and UK but still trade balance and investor confidence are mostly expected to be negative and may pull the Euro downside later during the week. The US economic released were mostly handy and supported price gain, however in the coming week US trade balance may widen along with deteriorating confidence. However the jobless claims may drastically fall after better employment figures and wholesale inventories may continue to gain due to increased manufacturing. The Fed has also confirmed of no more buying back of bonds and has delayed Quantitative easing QE3. This may impact negatively on financial markets and may pressurize base metal prices. The Chinese trade balance may continue to widen coupled with fall in export figures may hint for some easing to lift the economy. The Indian industrial activity is also expected to gain after better PMI numbers. However as far as the expectations for the week ahead is concerned, we may see stronger Dollar and Indian rupee with weak Euro along with mixed data releases. Overall we recommend going for short position at higher levels as widening trade balance coupled with delay in Greece negotiations may put pressure on metal prices.

TECHNICAL RECOMMENDATIONS*

Commodity	Series	S3	S2	S1	CLOSE	R1	R2	R3	Recommendations
LMEAluminiu	Fwd	2070	2130	2189	2247	2308	2368	2427	Trading Range : 2150-2353
MCX	Feb	99.6	103.3	106.2	109.1	112.7	116.4	119.3	Trading Range : 106.1-112
LME Copper	Fwd	8045	8163	8364	8565	8682	8800	9001	Trading Range: 8060-9130
MCX Copper	Feb-	395.7	402.7	411.1	419.5	426.5	433.5	441.9	Trading Range : 408-434
LME Lead	Fwd	1981	2062	2143	2225	2306	2387	2468	Sell at 2265 TP 2020 SL 2420
MCX Lead	Feb-11	94.9	99.8	103.8	107.8	112.7	117.6	121.6	Sell at 109.2-109.4 TP 104 SL 112.1
LME Nickel	Fwd	19581	20065	20685	21305	21789	22273	22893	Sell at 21750-21800 TP 20800/19800 SL
MCX Nickel	Feb-11	961.7	990.0	1015.	1040.8	1069.	1097.	1122.8	Sell at 1050-1055 TP 1018/1006 SL 1079
LME Zinc	Fwd	1939	2004	2080	2155	2221	2286	2361	Trading range : 2020-2340
MCX Zinc	Feb-11	97.4	99.8	102.0	104.2	106.6	109.0	111.2	Trading Range : 101.5-108.7
Steel NCDEX	Feb-11	30897	31403	31677	31950	32457	32963	33237	Trading Range: 31140-32200

*NOTE: The calls shown above are purely WEEKLY Recommendations

Key Economic Events this Week

Date Time	Region	Event	Period	Survey	Prior
02/06/2012 16:30	GE	Factory Orders MoM (sa)	DEC	1.00%	-4.80%
02/09/2012 15:00	UK	Manufacturing Production (MoM)	DEC	0.30%	-0.20%
02/10/2012 19:00	US	Trade Balance	DEC	-\$48.5B	-\$47.8B
02/10/2012	CH	Trade Balance (USD)	JAN	\$10.70B	\$16.52B

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	2255	2310	2191	2247	-0.84	179,610	26.71	5,624	12.14
	Copper	8510	8598.5	8280	8565	0.47	247,878	12.93	2,049	-29.73
	Lead	2285	2305	2142.5	2225	-3.05	73,479	-5.51	2,522	107.06
	Nickel	21653	21653	20549	21305	-1.82	45,042	9.33	1,027	5.77
	Zinc	2141	2210.85	2070	2155	0.23	166,170	-6.40	2,407	24.59
MCX Futures (₹/Kg)	Aluminium	111.1	113.5	106.95	109.05	-2.37	40,212	911.37	2,661	180.11
	Copper	425.1	425.1	409.7	419.5	-1.44	756,824	42.68	25,910	-23.79
	Lead	112	113.65	104.75	107.8	-4.26	87,458	784.22	4,048	159.32
	Nickel	1070.4	1072	1018.3	1040.8	-3.03	248,194	549.42	7,333	9.30
	Zinc	106.2	106.8	102.2	104.2	-1.98	87,092	672.16	2,919	80.19

MARKET OVERVIEW

- Base metals performed mixed last week and Copper and Zinc prices gained slightly by 0.2 to 0.5 percent. Though the economic releases in terms of manufacturing were mostly handy still the metals suffered due to weak demand. The metal prices came down at MCX due to rupee appreciation
- Lead was the top loser as fundamentally inventories witnessed stockpiling, further volumes and open interest have increased at MCX indicating the bearish trend at our Indian market
- The trade participation has improved slightly when compared to past weeks as the volumes have improved at LME, the open interest has increased indicating that traders are holding position however gains may be limited due to Indian rupee appreciation

SHANGHAI MARKET PERFORMANCE

PRICES (CNY/MT)				
Commodity	Previous Week	This Week	Change	% Change
Copper	60290	59130	-1160	-1.92%
Zinc	15535	15730	195	1.26%
Aluminum	16190	15985	-205	-1.27%

COMEX MARKET PERFORMANCE

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



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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 sellers when compared to buyers; the sellers are more and it indicates that the investors are going for short positions due to unlikely expectations from Greece and other Euro nations. Therefore the markets may remain subdued and we may expect metal prices to witness downward pressure in the coming week.

CFTC Report - Copper (In contracts)				
Non-Commercial	1/24/2012	1/31/2012	Change	% Change
Long	36031	37665	1634	4.53%
Short	31508	33482	1974	6.27%
Spreading	22434	23093	659	2.94%
Commercial				
Long	70960	77199	6239	8.79%
Short	70786	78424	7638	10.79%
Total				
Long	129425	137957	8532	6.59%
Short	124728	134999	10271	8.23%

INVENTORY DETAILS

LME WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	335425	326100	-9325	-2.78%
Zinc	848350	839700	-8650	-1.02%
Aluminium	4996650	4989000	-7650	-0.15%
Lead	343050	375300	32250	9.40%
Nickel	95016	94524	-492	-0.52%

COMEX WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	89651	88444	-1207	-1.35%

SHANGHAI WAREHOUSE STOCKS (In tonnes)				
Commodity	Previous week	This week	Change	% Change
Copper	131645	179891	48246	36.65%
Zinc	369698	373124	3426	0.93%
Aluminium	237425	283503	46078	19.41%



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ECONOMIC REVIEW

The week gone by started with the impact of Fitch's rating down gradation of five Euro nations which includes Spain and France. Meeting of the EU chiefs took place at the very beginning of the week which was led by the German deficit control treaty to endorse the plan of a 500 billion Euro rescue fund for this year. Optimism hovered throughout the whole week that Greece and its private creditors are close to complete a voluntary exchange of accepting coupon as low as 3.6% on new 30-years bond. But, the EU finance chiefs could not reach any agreement to fill Greece's widening budget deficit till the week end. However; European government agreed to set up of a 500 billion Euro rescue fund in the 16th EU summit. Spain sold 4.56 billion Euros of bonds at a lower yield of 3.455 compared to 4.021 and France sold 5.6987 billion Euros of bonds with an average yield of 3%. The US releases remained eco friendly with jobless applications fell below expectations. Bernanke said that the Fed will seek to keep prices rising at 2%; while he rejected suggestions of sacrificing its inflation goal to boost employment. Hence, this is contradicting the Republicans' willingness to have a higher inflation with maximum employment. However, private employers added more than expected number of jobs in January compared with an increase in December, signaling an economic growth that may reduce the need for the Fed to expand stimulus. This has helped the unemployment rate to fall till 8.3% from 8.5%. *(Courtesy: KCTL's Weekly Economic report)*

Currency	Last Week	This Week	% Change
Dollar Index	78.902	78.942	0.05%
EUR/USD	1.322	1.3158	-0.47%
GBP/USD	1.5729	1.5815	0.55%
USD/INR	49.3162	48.695	-1.26%

Bond Yields	Last Week	This Week	Change (in bps)
US 10 year bond	1.891	1.9224	3.1
German 10 year bond	1.858	1.933	7.5
India 10 year bond	8.346	8.152	-19.4

Equity Indices	Last Week	This Week	% Change
Dow Jones Ind. Avg.	12660.46	12862.23	1.59%
S&P 500 Index	1316.33	1344.90	2.17%
FTSE 100 Index	5733.45	5901.07	2.92%
Nikkei 225	8841.22	8831.93	-0.11%
Shanghai Composite	2330.41	0.00	-100.00%
Nifty	4905.80	5168.85	5.36%



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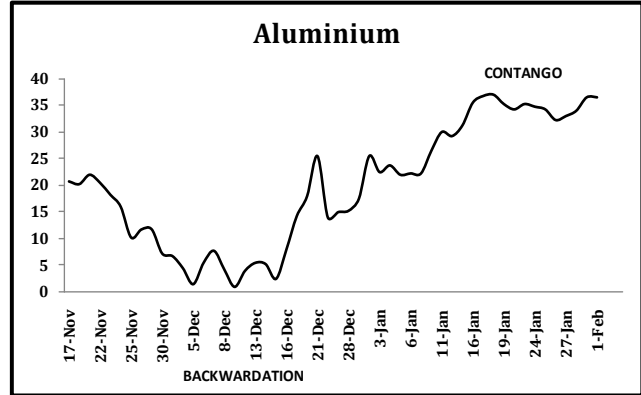
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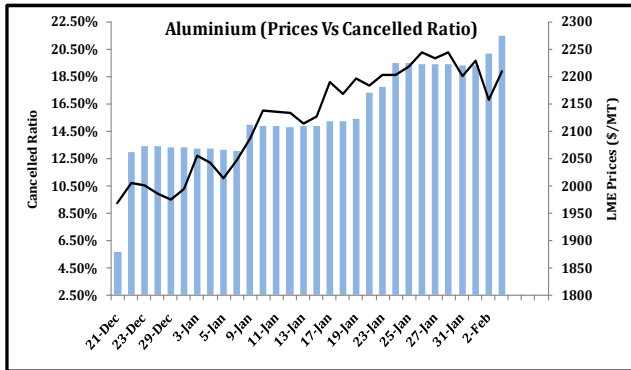
ALUMINIUM

- ❖ *Indian Aluminum manufacturer NALCO increased prices by Rs.2000/MT across all products as prices gained considerably at LME*
- ❖ *Fundamentally the inventories have witnessed drawdown and cancelled warrants have increased, however due to moribund economic activity of Euro-zone we expect prices to come down slightly*

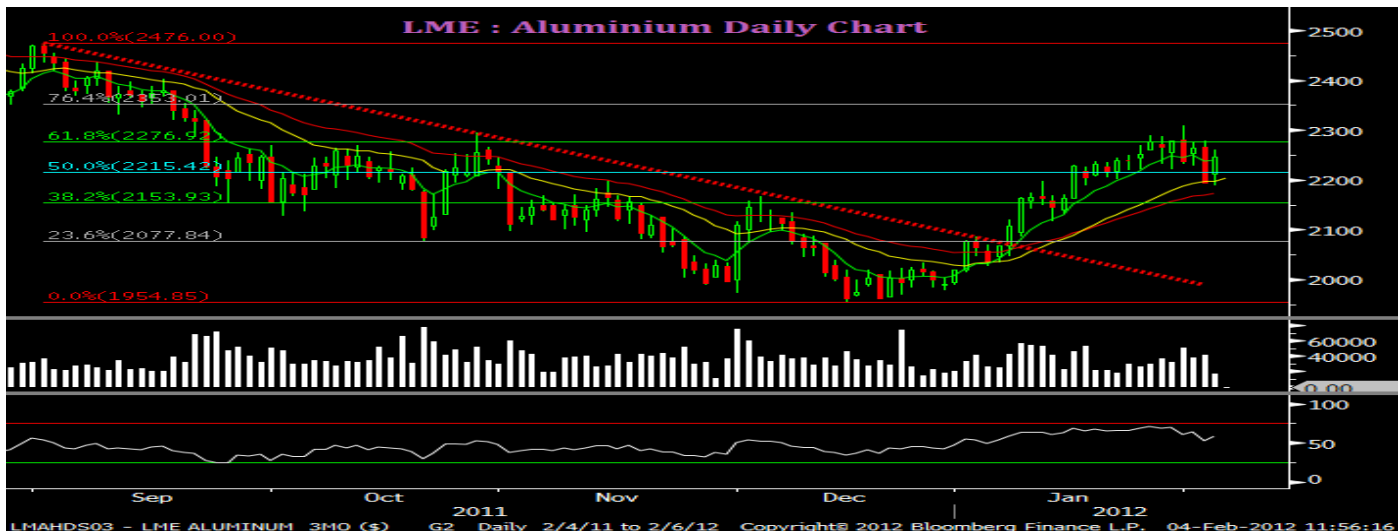
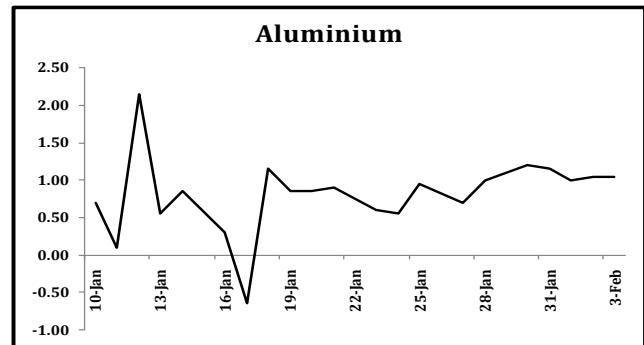
BASIS CHART
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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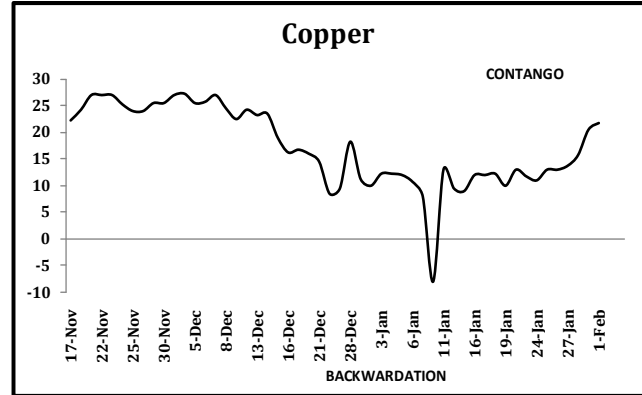


COPPER

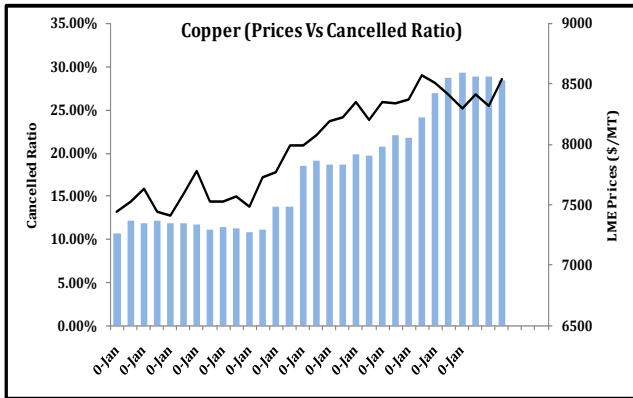
- ❖ *Norilsk is planning to spend \$1.1 billion by 2016 to boost Copper output by 16 percent that is 62000 MT of Copper*
- ❖ *Mitsubishi Corp Japan's biggest commodity supplier is planning to double its Copper output from 140K MT to 250k MT in this year*
- ❖ *With increased supply, and weak demand prices may witness pressure in the week ahead*

BASIS CHART

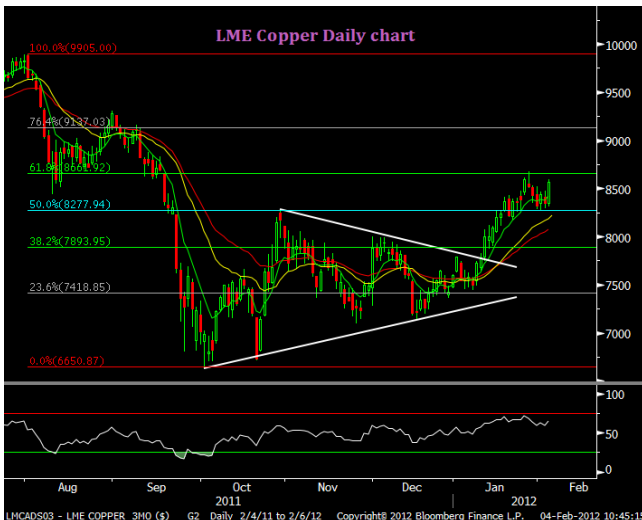
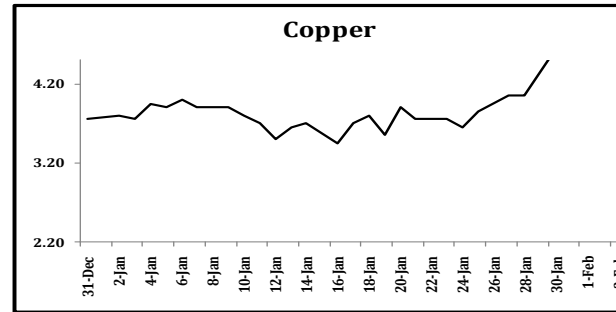
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX



LME Copper prices has suffer profit booking last week has made a low of \$8280 against the high of \$8598 and finally settled marginally higher at \$8265 due to better U.S economy releases. 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 have taken support at \$8270 levels that is 50.00 % of retracement of the above mentioned range. We expect copper prices will trade in the range of \$9130 to \$8060 levels for the coming week. The chart shows support zone might be seen at \$8270levels, 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. While resistance is seen at \$8660 levels which is 61.8% of the above mentioned range if breach this levels prices may test the levels of \$9130 levels too. The indicator analysis RSI-14 on a daily chart is trade near 64.31 which is slightly supportive for the copper prices and prices will trade in the range for the coming week. Going by the above analysis next week copper prices may trade in the range.



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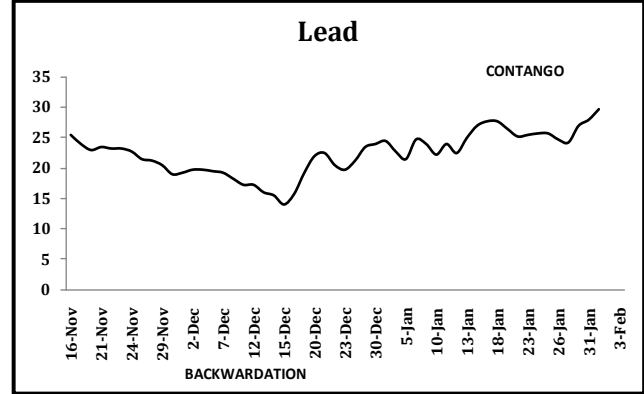


LEAD

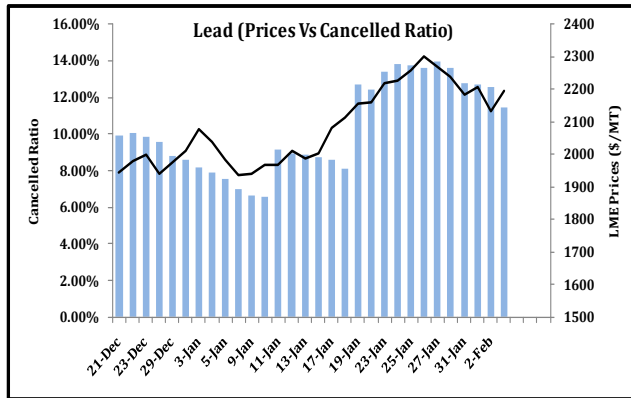
- ❖ *Fundamentally the inventories have stockpiled at LME warehouses and cancelled warrants have also declined indicating weak demand*
- ❖ *In the coming week, the Euro-zone may witness pressure due to Greek debt-talks through wage cut and it can further pull prices downwards*

BASIS CHART

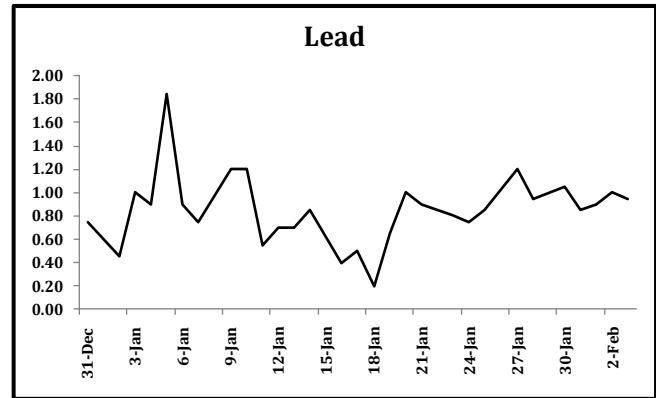
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



CANCELLED WARRANT RATIO ON LME



CALENDAR SPREAD ON MCX





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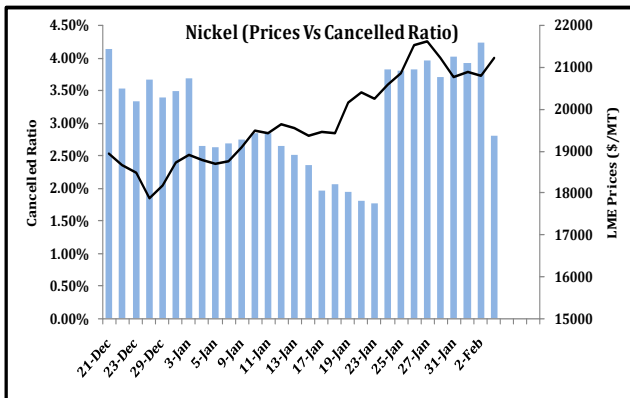
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NICKEL

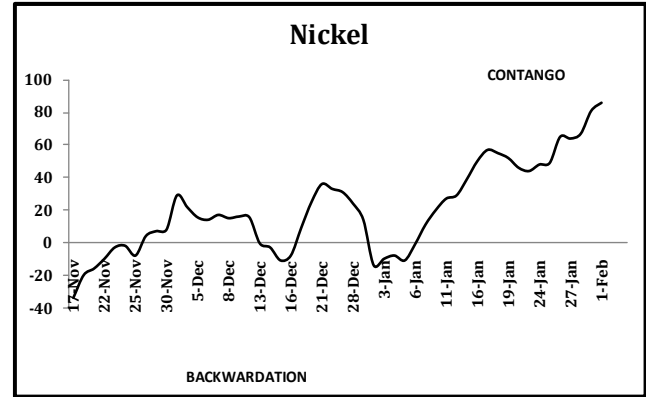
- ❖ *Vale SA suspended mining operations at all 5 Nickel mines at Sudbury after third death within 7 months in Canada affecting 1600 workers*
- ❖ *Fundamentally the inventory has witness slight drawdown and warrants have also declined indicating bearish outlook*

CANCELLED WARRANT RATIO ON LME

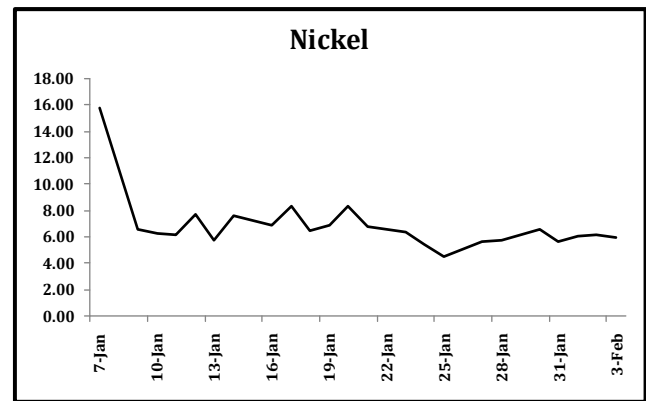


BASIS CHART

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



CALENDAR SPREAD ON MCX



LME Nickel future prices last week closed lower than the previous week down by -1.82%, and made a high of \$21653 against the low of \$20549 and finally settled lower at \$21305 levels. The principle of Fibonacci retracement states that prices have major resistance is seen at \$23140 levels which are 76.4% retracement of the range of \$25200-\$16500 levels. Over all we may expect nickel prices may suffer profit booking from the higher levels for the next week and it may trade negative direction. Going by the above analysis we expect for the next week Nickel prices may correct till the levels of 20800 which is 50.00% if breaches this levels next support may seen at 19850 levels which is 38.2% of the above mentioned range. Traders may use sell at higher levels strategy and may be expect its negative direction and recommended sell at lower levels for the coming week.



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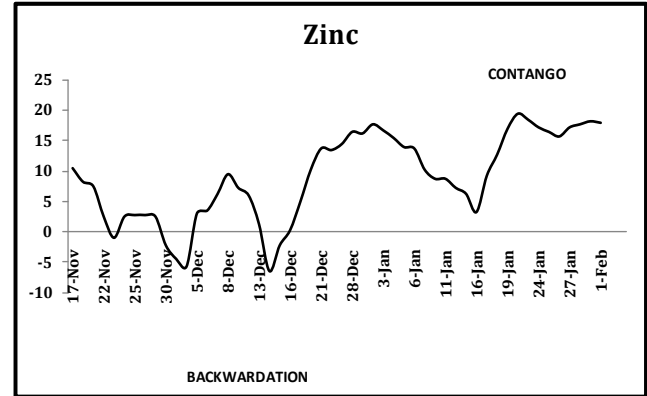


ZINC

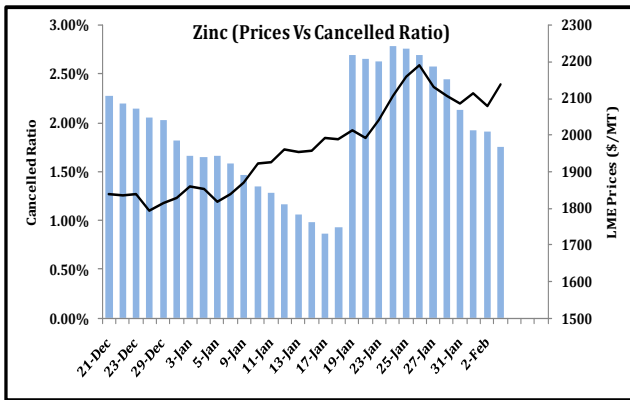
- ❖ *Glencore and Xstrata are going for a merger of equals and would become the World's biggest producer of Zinc, Lead and thermal coal by 25.3 billion pounds deal*
- ❖ *Fundamentally Zinc is weak among all metals due to declining warrants but better US economic releases may continue to support prices*

BASIS CHART

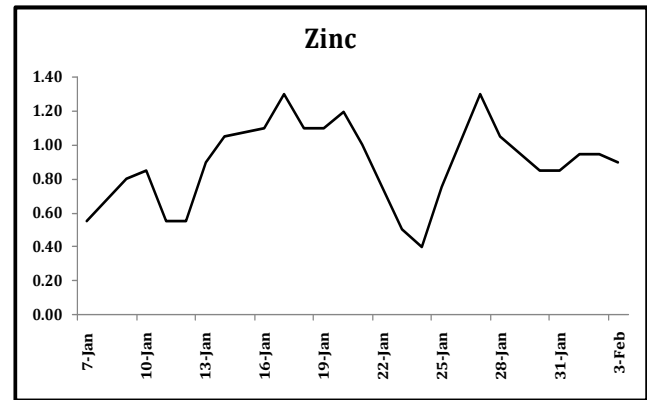
(LME 3 MTH FWD-LME CASH PRICES) {\$/Tonnes}



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
02/06/2012	15:00	EC	Sentix Investor Confidence	FEB	-16.5	-21.1
02/06/2012	16:30	GE	Factory Orders MoM (sa)	DEC	1.00%	-4.80%
02/07/2012	16:30	GE	Industrial Production MoM (sa)	DEC	0.00%	-0.60%
02/08/2012	01:30	US	Consumer Credit	DEC	\$7.000B	\$20.374B
02/08/2012	05:20	JN	Current Account Total	DEC	¥340.1B	¥138.5B
02/08/2012	05:20	JN	Trade Balance - BOP Basis	DEC	-¥135.0B	-¥585.1B
02/08/2012	12:30	GE	Exports SA (MoM)	DEC	-1.00%	2.50%
02/08/2012	12:30	GE	Imports SA (MoM)	DEC	1.00%	-0.40%
02/08/2012	12:30	GE	Current Account (EURO)	DEC	15.2B	14.3B
02/08/2012	12:30	GE	Trade Balance	DEC	13.7B	16.2B
02/08/2012	17:30	US	MBA Mortgage Applications	3-Feb	--	-2.90%
02/09/2012	07:00	CH	Producer Price Index (YoY)	JAN	0.70%	1.70%
02/09/2012	07:00	CH	Consumer Price Index (YoY)	JAN	4.00%	4.10%
02/09/2012	15:00	UK	Manufacturing Production (MoM)	DEC	0.30%	-0.20%
02/09/2012	17:30	UK	BOE ANNOUNCES RATES	9-Feb	0.50%	0.50%
02/09/2012	18:15	EC	ECB Announces Interest Rates	9-Feb	1.00%	1.00%
02/09/2012	19:00	US	Initial Jobless Claims	4-Feb	362K	--
02/09/2012	19:00	US	Continuing Claims	28-Jan	--	--
02/09/2012	20:30	US	Wholesale Inventories	DEC	0.50%	0.10%
02/10/2012	12:30	GE	Consumer Price Index (MoM)	JAN F	-0.40%	-0.40%
02/10/2012	12:30	GE	Consumer Price Index (YoY)	JAN F	2.00%	2.00%
02/10/2012	19:00	US	Trade Balance	DEC	-\$48.5B	-\$47.8B
02/10/2012	20:25	US	U. of Michigan Confidence	FEB P	74	75
02/10/2012		CH	Trade Balance (USD)	JAN	\$10.70B	\$16.52B
02/10/2012		CH	Exports YoY%	JAN	-1.50%	13.40%
02/10/2012		CH	Imports YoY%	JAN	-5.00%	11.80%
02/11/2012	00:30	US	Monthly Budget Statement	JAN	-\$62.5B	-\$49.8B



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