



FOR PRIVATE CIRCULATION ONLY.

03 February 2012

February 2, 2012

MCX India (Rs/kg)					(Most Active)		
Commodity	Contract	Open	High	Low	Close	Δ Close	% chg
Aluminium	29-Feb-12	111.05	111.20	107.55	108.00	-3.30	-2.96%
Copper	29-Feb-12	417.60	418.25	410.40	411.70	-7.00	-1.67%
Nickel	29-Feb-12	1040.00	1048.50	1018.30	1026.70	-16.00	-1.53%
Lead	29-Feb-12	109.45	109.90	104.75	105.85	-4.00	-3.64%
Zinc	29-Feb-12	104.60	104.90	102.20	102.55	-2.15	-2.05%
Steel	20-Feb-12	32350.00	32690.00	32250.00	32480.00	120.00	0.37%

Major Currencies			
Currency	Type	Quote	% Chg
USD Index	Spot	79.015	0.18%
EUR USD	Spot	1.315	-0.08%
USD INR	Spot	49.020	-0.22%
USD JPY	Spot	76.21	0.03%
GBP USD	Spot	1.581	-0.16%

Shanghai (Yuan/MT)					(Most Active)		
Commodity	Contract	Open	High	Low	Close	Δ Close	% chg
Copper	Feb-12	59240	59450	58950	59140	320	0.54%
Copper	Mar-12	59820	59860	59310	59620	390	0.66%
Copper	Apr-12	60000	60150	59520	59880	380	0.64%

LME Inventories		
Commodity	Inventry	Chng
Aluminium	4992500	-3775
Copper	328675	-625
Lead	370000	3775
Nickel	95850	252
Zinc	841050	-1450

COMEX (USD cents/lb)					(Most Active)		
Commodity	Contract	Open	High	Low	Close	Δ Close	% chg
Copper	Feb-12	380.80	382.75	377.00	377.70	-6.15	-1.60%
Copper	Mar-12	383.00	385.10	376.70	378.10	-6.10	-1.59%
Copper	Apr-12	383.00	385.10	376.70	378.85	-6.05	-1.57%

LME (USD/tonne)					(Most Active)		
Commodity	Contract	Open	High	Low	Close	Δ Close	% chg
Aluminium	3 Month	2265.50	2279.00	2194.00	2195.00	-70.00	-3.09
Copper	3 Month	8410.00	8475.00	8295.00	8345.00	-95.00	-1.13
Lead	3 Month	2230.00	2243.50	2142.50	2164.00	-71.00	-3.18
Nickel	3 Month	21085.00	21320.00	20611.00	20875.00	-100.00	-0.48
Zinc	3 Month	2112.00	2210.85	2076.50	2095.00	-36.00	-1.69

**Highlights**

- LME Copper trades slightly up in early trades today after a weaker session yesterday
- Most of the Asian markets trade lower in early today tracking choppiness in US equities yesterday
- Euro trades lower against dollar in early trades today after noting modest decline yesterday
- Dollar Index steady in early trades today after closing 0.18% higher yesterday
- China's Non-Manufacturing PMI eased to 52.9 in January from 56 in December
- US Initial Jobless Claims fell by 12,000 to 367,000 in the week ended Jan. 28
- US Fed Chairman says US economy showing signs of improvement
- Euro Zone Producer Price Index fell 0.2% in December after gaining 0.2% in November
- UK Construction PMI fell to 51.4 in January as against 53.2 in December
- Focus today on US Non-Farm Payrolls, ISM Non-Manufacturing PMI and Factory Orders

**Market Analysis**

LME copper trades slightly higher in early trades today after a weaker session yesterday. LME Copper yesterday hit lows of \$8295 but pared some its losses to end the session 1.13% lower at \$8345 a ton. All the other base metals too fell tracking weakness in copper prices.

Prices came under pressure amid concerns of weakening demand from China at such elevated levels. Further uncertainty over Greece debt restructuring too weighed down the prices. Prices failed to reverse its losses despite positive labour data from US and optimistic comments from Fed Chairman Ben Bernanke.

Most of the Base Metals are trading slightly up in early trades today. Investors are cautious ahead of US Non-Farm payrolls data due later in the day today.

Prices are seeking support from yesterday's positive jobless claims data from US. Further Fed Chairman Ben Bernanke's positive outlook on US economy may too lend support.

Bernanke yesterday said that US economy is showing signs of improvement however the outlook remained uncertain. He further defended central bank's stance of loose monetary policy by stating that the economy though improving needs support.

Copper prices may further seek support from strong fundamentals and expectation of tighter markets in future. Copper stocks at LME continue to decline lending support to the prices. This coupled with higher cancelled warrants ratio is signaling tighter markets in the future. Stocks fell by 625 tonnes yesterday and are at lowest level since September 2009 while cancelled warrants stood at 28.82% signaling strong physical demand.

Also copper prices may seek support as workers of one union at Teck Resources Ltd's Chilean Quebrada Blanca mine, which produced 86,200 tonnes of copper in 2010, ratified strike action after contract negotiations with the firm broke down, a union leader said late on Tuesday night.

In other base metals Aluminium prices may seek support from production cuts announced by U.S. aluminium producer Alcoa and Rusal and Norwegian producer Norsk Hydro. However on the flip side record high stocks of Aluminium at LME warehouses may cap the upside. Nickel prices too may seek support after BHP Billiton said that it will cut staff and reduce mine activity at its Nickel West unit in Australia in response to weak prices.

The upside however remains capped amid concerns over reduced demand from China and persisting worries over debt crisis in Euro Zone.

In China, Copper premiums in Shanghai, the main hub in China for importing the metal, have fallen below \$100 a metric ton for the first time since August as stockpiles at local bonded warehouses surge. Premiums paid by importers over the London cash price were quoted as low as \$90 a ton on a cost, insurance and freight basis as against \$ 120 a month ago, Bloomberg reported. Meanwhile Stocks at SHFE have risen for six straight weeks signaling lack of demand in physical markets.

Further in Euro Zone, concerns over Greece debt restructuring are far from over. Lack of concrete progress in the debt restructuring negotiations between the Greek government and its private bond holders is denting market sentiments. Greece's prime minister will call the country's political leaders in the next few days to seek backing for more austerity after the International Monetary Fund warned this was key to securing the new bailout Athens needs to avoid a messy default. Further fears of Portugal needing a second bailout have increased further weighing on the sentiments.

Prices may further come under pressure amid slight rebound in US Dollar and choppiness in global equities.

Euro is trading slightly lower against Dollar in early trades today after noting modest decline yesterday. Euro has become very volatile amid mixed cues. The common currency continues to remain under pressure amid persisting worries over Greece and Portugal. However Fed's decision to keep its interest rates at record low levels for extended period is capping the downside. Further Dollar Index, dollar strength against six major currencies, is steady in early trades today after a positive session yesterday. Dollar continues to seek support from increased safe haven demand amid Euro Zone debt crisis and uncertainty over global outlook. However Fed's comment will continue to cap the upside. A stronger dollar makes dollar denominated metals costlier for buyers using other currencies, thus decreasing metals appeal for

alternative investment.

Prices may further come under pressure amid choppiness in global equities. Most of the Asian markets are trading lower in early trades tracking choppiness in US equities yesterday. In US, Dow Jones Industrial Average fell 11.05 points to close 0.09% lower at 12705.41 while S&P gained 1.45 points to close 0.11% higher at 1325.54.

Overall prices may trade in a narrow range today ahead of US Non- Farm Payrolls data. Payrolls are expected to rise by 150,000 after gaining 200,000 in December. Though the growth is expected to slow down from December's pace, the improving labour market trend is expected to remain intact. Weaker data may weigh down the prices.

### Outlook

**Copper-** MCX Copper may note some gains tracking international exchanges however the upside remains capped. LME copper is trading slightly higher in early trades today ahead of US Non-Farm payrolls data, after a weaker session yesterday. Prices may seek support from positive jobless claims data from US and optimistic comments from Fed Chairman Ben Bernanke. Also lending support is strong fundamentals amid falling stocks at LME warehouses and strike at a Chilean copper mine. Copper stocks at LME warehouses further declined by 625 tonnes yesterday and are at the lowest level since September 2009 while cancelled warrants stood at 28.82%, signaling strong physical demand. The gains may however be capped amid fears of weakening demand from China and persisting uncertainty over Euro Zone debt crisis. Prices may further come under pressure amid choppiness in US Dollar and global equities. Prices will further track macro economic data and its impact on movement in global currency and equity markets. As for today, focus will be on US Non-Farm Payrolls, ISM Non-Manufacturing PMI and Factory Orders. Support for February copper is seen at Rs.407 while Resistance is seen at Rs.418.

**Aluminum-** MCX Aluminum may note some gains tracking international markets, however the upside remains capped. Supporting prices is talks of production cuts and jump in cancelled warrants at LME however record high stocks at LME may cap the upside. Stocks at LME fell by 3775 tonnes yesterday after hitting new life time high of 5010750 tonnes last week while cancelled warrants rose to 20.23%. Support for Aluminum February contract is seen at Rs.106.5 while resistance of Rs.110.5.

**Zinc-** MCX Zinc may not some gains tracking slight rebound in copper prices. However higher stocks at LME warehouses coupled with lack of demand in physical markets may weigh on the prices. Stocks at LME fell by 1450 tonnes yesterday after gaining 5025 tonnes last week. Support for MCX Zinc February contract is seen at Rs.100 while Resistance is seen at Rs.104.5.

**Nickel-** MCX Nickel may note some gains tracking international markets, however the upside remains capped. Prices may seek support from news of production cut by BHP Billiton. BHP Billiton said that it will cut staff and reduce mine activity at its Nickel West unit in Australia in response to weak prices. The upside however remains capped amid choppiness in US Dollar and global equities. Also rising stocks coupled with lower cancelled warrants at LME warehouses may weigh on the prices. Stocks rose by 252 tonnes yesterday after gaining 3348 tonnes last week. Support for MCX Nickel February contract is seen at Rs.1000 while Resistance is seen at Rs.1045.

**Lead-** MCX Lead may note some gains tracking copper prices, however the upside remains capped. Weighing on prices is jump in stocks at LME yesterday and higher surplus in physical markets. Stocks at LME rose by 3775 tonnes yesterday after declining by 4475 tonnes last week while cancelled warrants eased to 12.54%. Support for MCX Lead February contract is seen at Rs.104 while Resistance is seen at Rs.108.

**Steel-** NCDEX Steel may trade sideways with a negative bias amid mixed cues. Prices may come under pressure amid lack of demand in domestic markets however shortage of iron ore owing to clamp down on illegal mining may cap the downside. Support for NCDEX Steel February contract is seen at Rs.32000 while Resistance is seen at Rs.33000.

*Price Movement on LME last week*

LME 3 month Contract (USD/ Tonne)							
Commodity	Open	High	Low	Close	PCP	Change	% Change
Aluminium	2218	2290.25	2203	2266	2217	49.00	2.21%
Copper	8211	8679.5	8183	8525	8220	305.00	3.71%
Nickel	20440	21788	20225	21700	20450	1250.00	6.11%
Lead	2176	2329	2170	2295	2184	111.00	5.08%
Zinc	2013.75	2220	2003	2150	2013	137.00	6.81%

*Stocks movement on Exchange Warehouses*

LME Stocks (tonnes)	27-Jan	20-Jan	Change	%
Aluminum	4996650	5005050	-8400	-0.17
Copper	335425	348750	-13325	-3.82
Lead	343050	347525	-4475	-1.29
Nickel	95016	91668	3348	3.65
Zinc	848350	843325	5025	0.60

SHFE Stocks (tonnes)	27-Jan	20-Jan	Change	%
Aluminum	237425	237425	0	0.00
Copper	131645	131645	0	0.00
Lead	29434	29434	0	0.00
Zinc	369698	369698	0	0.00

COMEX Stocks	27-Jan	20-Jan	Change	%
Copper	89651	89815	-164	-0.18

*CFTC Copper Data*

	This Week	Last Week	% Change
Open Interest	142751	132457	7.77%
Non Comm Long	36031	34047	5.83%
Non Comm Short	31508	31736	-0.72%
Commercial Long	70960	67784	4.69%
Commercial Short	70786	65652	7.82%

The CFTC report as on January 24, 2012 showed an increase of 7.77% in total OI, compared to January 17 levels. Commercial long positions rose by 4.69% while commercial net short positions rose by 7.82%. Non-commercial long positions increased by 5.83% while net short non-commercial positions fell by 0.72%. Hedge funds as copper prices firmed up. Net Non Commercial positions increased their net longs by 95.72% to 4523 from 2311.

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