

**BASE METALS**

**WORLD ECONOMIC DEVELOPMENTS**

- ◆ The equities gained Thursday on slight ease in US slowdown concerns after Fed recently injected liquidity via a 75 basis points rate cut. In America, DJIA closed at 12,378.61 up by 108.44. NASDAQ closed higher by 1.92% or 44.51 points. European markets also rebound with DJSTOXX50 gaining 167.82 points to end at 3,259.99 and FTSE 100 finished up by 4.75% to 5,875.80.
- ◆ Crude-oil futures rose after government data showed U.S. crude inventories increased lesser than expected by 2.3 million barrels last week. Recovery in stock markets helped ease recession concerns to some extent, which boosted the crude oil prices. Crude for March delivery closed up \$2.42 at \$89.41 a barrel on the NYMEX.
- ◆ Dollar fell against most major counterparts, as weaker than expected existing-home sales data raised the expectations of further interest rate cut by Fed. Further, rally in European stocks and hawkish comments from ECB governing council member Axel Weber also helped the euro. The ECB's Weber said that euro-zone interest rates are still accommodative to economic growth. The dollar index dropped 0.9% at 75.685.

**EVENT WATCH**

Country (Jan 25)	Event	Consensus	Prior
Euro zone	France Production Outlook Indicator (Jan)	3	4
Euro zone	Italy Retail Sales (YoY-Nov)	0.8%	2.3%
Euro zone	German GfK Consumer Confidence Indicator (Jan)	109	110
Country (Jan 24)	Event	Actual	Consensus
US	Initial Jobless Claims (Jan 19)	301K	320K
US	Continuing Claims (Jan 12)	2672K	-
US	Existing Home Sales (Dec)	4.89M	4.95 M

**BASE METALS PRICES**

LME - PM Kerb (US\$/ tonne)	Jan 24		Jan 23	
	Bid	Ask	Bid	Ask
Copper	7,020	7,030	6,870	6,880
Aluminum	2,462	2,463	2,414	2,415
Zinc	2,255	2,256	2,210	2,215
Nickel	27,200	27,250	26,900	26,905
Lead	2,610	2,615	2,505	2,506
Tin	16,400	16,405	16,550	16,600

**BASE METALS STOCKS**

	LME (metric tonnes)			COMEX (short tonnes)			SHFE (metric tonnes)		
	Jan 24	Jan 23	Chg	Jan 24	Jan 23	Chg	Jan 18	Jan 11	Chg
<b>Cu</b>	174,300	176,175	-1875	14,036	14,056	-20	26,555	26,187	+368
<b>Al</b>	946,550	948,000	-1450	15,161	15,161	+0	107,929	11,6994	-9065
<b>Zn</b>	109,700	108,925	+775				63,259	57,463	+5796
<b>Ni</b>	46,590	46,398	+192						
<b>Pb</b>	47,900	48,075	-175	<i>MCX will be closed for Republic Day Holiday on January 26th</i>					
<b>Sn</b>	11,755	11,825	-70						

**COPPER**

**FUNDAMENTALS**

Copper prices bounced back following gains in equities and successive draw down in LME warehouse zinc inventories. Copper further advanced following weakness in the US dollar and firmness in crude oil prices Thursday.

Copper is moving volatile these days pressurized by the US economy's slowdown concern thus raising fears of demand reduction though Federal Reserves efforts to stabilize conditions by giving aid packages and by cutting interest rates along with reduction in LME stock levels are preventing continuous steep declines.

The National Bureau of Statistics revealed China's copper production in 2007 grew 17.8% on year to 3.441 million mt. Its December copper production rose 16.9% on year to 302,000 mt, though in November its copper output totaled 334,000 mt. The output in December fell due to repair and maintenance work at country's three biggest copper producers.

Copper may try to recover with consensus of 8000 mt of decline in Chinese copper weekly stocks data and expectation of a further rate cut by Federal Reserve in its January 29-30th meet.

**TECHNICALS**

Candlestick pattern is revealing bullish sentiments. The prices have closed below short and medium term EMA's showing weakness. MACD is falling in positive zone showing decreasing bullish momentum in the market. Oscillators are rising in neutral region indicating firmness. Copper may trade volatile with firm bias during the session.

**TUG-OF-WAR: Bulls vs. Bears**

No.	Pressure Point	Favours
1.	LME, Comex stocks deplete	<b>Bulls</b>
2.	WBMS:Jan-Nov, ICSG:Jan-Oct global copper mkt in deficit	<b>Bulls</b>
3.	Fed cuts funds rate, discount rate	<b>Bulls</b>
4.	Weakness in dollar	<b>Bulls</b>
5.	Gains in US, Asian equity markets	<b>Bulls</b>
6.	Crude oil closes up	<b>Bulls</b>
7.	China 2007 copper output up 17.8%	<b>Bears</b>
8.	US economy's slow down concerns	<b>Bears</b>



**TRADE RECOMMENDATION**

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
MCX-Feb	<b>BUY</b>	> 275.9	280.3	281.7	Below 273.2	270.0	273.2	277.35	281.9	285.4

**ALUMINIUM**

**FUNDAMENTALS**

Aluminium prices rebound Thursday as power shortages in China resulted in closure of two aluminium production units in Guizhou province. The prices also firmed on reports of aluminium smelters reducing output due to shortage of power in South Africa.

The prices further acquired support from a draw down in LME warehouse aluminium stocks, gains in copper and crude oil prices and recovery in global equity markets.

The National Bureau of Statistics of China disclosed China's aluminium output in 2007 rose 33.8% on year to 12,284,000 mt. Aluminium productions in December rose 28% on year to 1,138,000 mt. Its 2007 Alumina output increased 47.7% on year to 19,508,000 mt and during December grew by 36.1% on year to 1,696,000 mt.

**TECHNICALS**

Candlestick pattern is showing bullish sentiments. Aluminium prices have closed above short term EMA revealing firmness in the near term though close below 18-EMA is suggesting weakness in the medium term. MACD is dipping in negative zone revealing increase in bearish momentum. RSI and Stochastic Oscillator are rising in neutral region indicating firmness. The prices may move volatile with bullish bias during the session.

**TUG-OF-WAR: Bulls vs. Bears**

No.	Pressure Point	Favours
1.	Power shortages affect aluminium production in China, South Africa	<b>Bulls</b>
2.	Fed's slashes funds, discount rate	<b>Bulls</b>
3.	Weakness in the US dollar	<b>Bulls</b>
4.	LME stocks deplete	<b>Bulls</b>
5.	Gains in global stock markets	<b>Bulls</b>
6.	Crude oil, copper prices ends firm	<b>Bulls</b>
7.	IAI: Dec global aluminium output Up	<b>Bears</b>
8.	WBMS: World aluminium market in surplus during Jan-Nov	<b>Bears</b>



**TRADE RECOMMENDATION**

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
MCX-Jan	<b>BUY</b>	> 95.0	95.7	96.0	Below 94.5	94.0	94.5	95.2	95.9	96.3

**ZINC**

**FUNDAMENTALS**

Zinc prices too improved following gains in copper and lead prices Thursday. The prices also obtained support from gains in global stock markets, rebound in crude oil prices and better than expected US jobs data. Weakness in dollar against the euro also helped zinc prices to recover.

China's zinc production in 2007 rose 18.1% on year to 3,749,000 mt and its December zinc production increased 13.7% on year to 359,000 mt according to the National Bureau of Statistics of China.

India's Hindustan Zinc Ltd. has lowered selling price of its zinc by Rs 2,400 a mt and that of Lead by Rs 3,800 per mt.

Zinc prices may continue to follow copper's prices in the near term though is unlikely to sustain recoveries due to zinc markets rapidly narrowing surplus.

**TECHNICALS**

Zinc chart is exhibiting a short-term downtrend. Candlestick pattern is showing bullish sentiments. The prices continue to hold below short as well as medium term EMA's supporting the short-term downtrend. Oscillators are rising in neutral region indicating firmness. Zinc prices may move volatile with chances of slight recovery initially during the session.

**TUG-OF-WAR: Bulls vs. Bears**

No.	Pressure Point	Favours
1.	Fed cuts int rates by 75 basis pts.	<b>Bulls</b>
2.	Gains in global equity markets	<b>Bulls</b>
3.	Weakness in the US dollar	<b>Bulls</b>
4.	Gains in copper, lead, crude prices	<b>Bulls</b>
5.	LME zinc inventories build	<b>Bears</b>
6.	WBMS: World zinc mkt in surplus	<b>Bears</b>
7.	US economy's slowdown concerns	<b>Bears</b>
8.	Producers cuts zinc, lead prices	<b>Bears</b>



**TRADE RECOMMENDATION**

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
MCX-Jan	<b>BUY</b>	> 88.5	90.3	90.5	Below 88.0	85.4	87.5	88.9	90.7	92.0

**NICKEL**

**FUNDAMENTALS**

Nickel gained despite a build up in LME warehouse nickel inventories Thursday. Nickel prices recovered taking cues from gains in entire base metals complex Thursday, rebound in crude oil prices and gains in US, European and Asian stock markets.

Dollars persistent weakness against major counterparts also helped nickel prices firm.

The National Bureau of Statistics of China revealed China's nickel output in 2007 increased by 8.5% on year to 115,772 mt. Its Nickel production in December however fell by 35.1% on year to 9,494 mt.

LME warehouse Nickel inventories increased by 192 mt to build 46,590 mt.

**TECHNICALS**

Nickel chart is displaying a short term down trend of prices. Candlestick formation is showing indecision. The prices hold below short as well as medium term EMA's supporting the downtrend. MACD is on the verge of crossing zero line and entering negative zone thus revealing decreasing bullish momentum. Oscillators are rising in neutral region denoting firmness. Nickel prices may move volatile during Friday's session.

**TUG-OF-WAR: Bulls vs. Bears**

No.	Pressure Point	Favours
1.	Weakness in US Dollar	<b>Bulls</b>
2.	Fed cuts funds, discount rate	<b>Bulls</b>
3.	Global equity markets positive	<b>Bulls</b>
4.	Gain in entire base metals complex	<b>Bulls</b>
5.	US economy's slowdown concerns	<b>Bears</b>
6.	LME nickel inventories build	<b>Bears</b>
7.	INSG, WBMS: Jan-Nov nickel market in surplus	<b>Bears</b>



**TRADE RECOMMENDATION**

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
MCX-Jan	<b>BUY</b>	> 1063	1082	1090	1051	1037	1053	1070	1085	1106

**DISCLAIMER**

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