

**BASE METALS**

**WORLD ECONOMIC DEVELOPMENTS**

- ◆ US equities recouped during Monday's session on expectations of Fed likely to come up with more liquidity enhancing action in its Jan 29-30 meeting. The DJIA closed up by 176.72 points to close at 12,383.89. NASDAQ gained 1.92% to end at 2,360.92. Though in European markets, DJSTOXX50 finished 33.54points down to close at 3,212.47 and FTSE 100 fell 1.36% to close at 5788.90.
- ◆ Crude oil prices recovered all the initial losses of the session on economic worries towards the end as weakening dollar put upward pressure on dollar-denominated oil. Crude for March delivery ended up 28 cents at \$90.99 on NYMEX.
- ◆ The US dollar dropped against most other major currencies, as deepening economic worries and expectations that the Federal Reserve will cut interest rates this week weighed on the U.S. currency. The dollar index dropped 0.5% to 75.565.

**EVENT WATCH**

Country (Jan 29)	Event	Consensus	Prior
US	Durable Goods Orders (Dec)	1.8%	0.1%
US	Consumer Confidence (Jan 27)	87.0	88.6
Euro zone	Current Account n.s.a. (Euro) Nov	-	2.0B
Country (Jan 28)	Event	Actual	Consensus
Euro zone	M3 (YoY) Dec	11.5%	12.2%
US	New Home Sales (Dec)	604K	645K
Japan	Retail Trade (MoM) Dec	-0.8%	-0.8%

**BASE METALS PRICES**

LME - PM Kerb (US\$/ tonne)	Jan 29		Jan 25	
	Bid	Ask	Bid	Ask
Copper	7060	7090	7020	7021
Aluminum	2512	2513	2519	2520
Zinc	2289	2290	2280	2285
Nickel	27000	27100	26875	26900
Lead	2680	2690	2515	2520
Tin	16500	16525	16200	16250

**BASE METALS STOCKS**

	LME (metric tonnes)			COMEX (short tonnes)			SHFE (metric tonnes)		
	Jan 28	Jan 25	Chg	Jan 28	Jan 25	Chg	Jan 25	Jan 18	Chg
<b>Cu</b>	171,675	172,775	<b>-1100</b>	13,978	14,036	<b>-58</b>	18,158	26,555	<b>- 8397</b>
<b>Al</b>	952,150	945,075	<b>+7075</b>	15,161	15,161	<b>+0</b>	100,762	107,929	<b>-7167</b>
<b>Zn</b>	110,175	109,900	<b>+275</b>				58,474	63,259	<b>- 4785</b>
<b>Ni</b>	46,806	46,656	<b>+150</b>						
<b>Pb</b>	47,075	47,800	<b>-725</b>						
<b>Sn</b>	11,530	11,555	<b>-25</b>						

**COPPER**

**FUNDAMENTALS**

Copper prices after trading initially weak finally managed to recoup following late session gains in the US stock markets. The metals prices these days are taking cues from the performance of US, Asian stock markets, as movements in financial markets largely reflect condition of an economy.

Looming fears of US economy going into a recession and its impact on other countries of the world is weighing on all industrial metals prices with copper no exception. Copper prices though recovered later on expectation of Fed likely to give another rate cut in its January 29-30 meet.

Moreover supportive were dollars weakness, crude oil's late session recovery and successive drawdowns in LME, Comex warehouse copper inventories. Also favorable was a recently released SHFE's weekly copper stocks data showed a fall in exchanges stock levels

India's copper production during April-December 2007 increased 12% on year to 515,308 mt, according to GOI data.

**TECHNICALS**

Copper chart is increased volatility near current levels. The prices hold above short as well as medium term EMA's showing firmness. MACD is falling in positive zone showing decrease in bullish momentum. Oscillators are giving mixed signals indicating increased volatility and indecision in the market. Copper may trade volatile during the session.

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

No.	Pressure Point	Favours
1.	LME, Comex copper stocks deplete	<b>Bulls</b>
2.	WBMS:Jan-Nov, ICSG:Jan-Oct global copper mkt in deficit	<b>Bulls</b>
3.	Gains in US stocks	<b>Bulls</b>
4.	Weakness in dollar	<b>Bulls</b>
5.	Crude oil closes firm	<b>Bulls</b>
6.	India Jan-Dec, 07 copper output up	<b>Bears</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>	>277.2	280.80	282.0	275.3	273.2	276.0	279	282.6	285.4

**ALUMINIUM**

**FUNDAMENTALS**

Aluminium traded firm though ending mildly weak at the LME pm kerb session. The prices rose on closure of aluminium production units in China and South Africa due to shortage of power supplies.

In southwest, central regions of China more than 10 units were shutdown due to prevailing extremely cold weather, resulting in reduced power supplies to production units.

The prices however eased a bit on hefty increase in LME warehouse aluminium inventories and far weaker than expected US new home sales numbers. Also the International Aluminum Institute disclosed on Monday the total global aluminum inventories in December increased by 104,000 mt to build 2.850 million mt higher than 2.746 million mt totaled in November 2007.

India's aluminum output during April-December 2007 rose 8% on year to 923,098 mt, according to GOI data.

**TECHNICALS**

Candlestick pattern is showing bullish sentiments. Aluminium prices have closed far above short-term EMA's revealing firmness in the near term. The prices are showing slight recovery after recent down trend, however long term down trend is still intact. The prices may move volatile 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.	Weakness in the US dollar	<b>Bulls</b>
3.	Crude oil, copper prices ends firm	<b>Bulls</b>
4.	Gains in US stocks	<b>Bulls</b>
5.	LME aluminium stocks build	<b>Bulls</b>
6.	IAI: Dec global aluminium stocks, output Up	<b>Bears</b>
7.	India's Apr-Dec aluminium production up 8% on year	<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-Feb	<b>BUY</b>	> 97.5	98.5	99.0	Below 96.9	96.4	96.9	97.85	99.0	99.5

**ZINC**

**FUNDAMENTALS**

Zinc prices continued slightly firm during Monday's session. The prices improved following late session recovery in copper and crude oil prices. Moreover supportive were media reports revealing impact of power shortages also on zinc and lead smelting in Hunan province of China.

India's zinc production during first nine months of FY 2007-08 totaled to 313,802 mt as against 277,928 mt in corresponding period of last year. Its lead production rose 29% on year to 41,258 mt during January-December 2007.

Zinc prices may continue to move in line with copper with fading signs of staying at improved levels owing US economic slow down, increase in inventories, rapidly increasing global zinc production and substantially narrowing zinc surplus in world markets.

**TECHNICALS**

Zinc chart is exhibiting a short-term downtrend. Doji pattern of candlestick shows indecision in the market. The prices continue to hold below short as well as medium term EMA's supporting the short-term downtrend. MACD is also moving down in negative zone revealing increase in bearish momentum. Stochastic Oscillator is however rising in neutral region indicating firmness. Zinc prices may move volatile during Tuesday's session.

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

No.	Pressure Point	Favours
1.	Fed recently cuts int rates by 75 basis pts.	<b>Bulls</b>
2.	Gains in US equity markets	<b>Bulls</b>
3.	Weakness in 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.	India Apr-Dec 07 lead, zinc production up	<b>Bears</b>



**TRADE RECOMMENDATION**

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
MCX-Feb	<b>BUY</b>	> 90.25	91.3	91.8	Below 89.7	87.5	89.0	90.25	92.0	93.4

**NICKEL**

**FUNDAMENTALS**

Nickel prices also recouped from its early sessions losses Monday. The prices ended marginally firm on expectation of getting another dose of liquidity from the Federal Reserve in its January 29-30th meeting and also improved tailing gains in US equities, mild recovery in crude oil prices along with late session rebound in most other base metals prices.

Power supply shortages in China and weakness in dollar against the euro was also supportive for nickel.

Moreover some participants believe the buyers who did not turn up last year used most of their stockpiles and might show some interest in the near term as their inventories begin depleting.

**TECHNICALS**

Nickel chart is displaying a short term down trend of prices. Candlestick formation is showing indecision. Nickel prices continue to close far below short and medium term EMA's supporting the downtrend. MACD is about to touch zero line and enter in negative region, which is a bearish signal. RSI is dipping in neutral region indicating weakness. Nickel prices may move volatile during the session.

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

No.	Pressure Point	Favours
1.	Weakness in the US Dollar	<b>Bulls</b>
2.	Fed recently cuts interest rates	<b>Bulls</b>
3.	Gains in US equity markets	<b>Bulls</b>
4.	Slight recovery in other base metals	<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-Feb	<b>BUY</b>	>1076	1090	1095	1068	1050	1060	1076	1099	1110

**DISCLAIMER**

This report is prepared exclusively for Reliance Commodities by Indian Rural Market Products Pvt Ltd (IRMPL). The information and opinions contained in the document have been compiled from sources believed to be reliable. IRMPL does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. IRMPL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment).