

BASE METALS

WORLD ECONOMIC DEVELOPMENTS

- ◆ The equity markets closed lower paring the gains it made after the Federal Reserve cut the interest rate by half point. In America, the DJIA lost 37.47 points to finish at 12,442.83. NASDAQ lost 0.38% or 9.06 points at 2,349.00. In Europe, DJSTOXX50 finished lower by 18.92 points to 3,237.77.
- ◆ The dollar weakened against most of its major counterparts after the Fed rate cut. The dollar index declined 0.6% at 75.125. The Federal Open Market Committee voted 9-1 to lower the federal-funds rate at which banks lend to each other, to 3% from 3.5%.
- ◆ Crude-oil futures rose for the fifth consecutive session on Wednesday as weakness in dollar after interest rate cut by Fed and expectations of revival of the economy on Fed's action supported the prices. Crude for March delivery on NYMEX ended the session up 69 cents at \$92.33 a barrel. The contract traded in the range of \$92.71 and \$91.05 during the session.
- ◆ The US GDP (annualized) for fourth quarter grew only by 0.6 per cent. This is well below the market expectations of a growth of 1.2%.

EVENT WATCH

Country (Jan 31)	Event	Consensus	Prior
Germany	CPI (MoM) Jan	-0.3%	0.5%
Germany	Retail Sales (MoM) Dec	1.7%	-1.9%
France	PPI (MoM) Dec	0.2%	0.8%
US	PCE Core (MoM) Dec	0.2%	0.2%
Country (Jan 30)	Event	Actual	Consensus
US	GDP (annualized) Q4	0.6%	1.2%
US	Personal Consumption Q4	2.0%	2.8%
US	Core PCE (QoQ) Q4	-	2.4%
Germany	Retail sales PMI (Jan)	44.2	44

BASE METALS PRICES

LME - PM Kerb (US\$/ tonne)	Jan 30		Jan 29	
	Bid	Ask	Bid	Ask
Copper	7150	7160	7291	7292
Aluminum	2640	2640.5	2647	2648
Zinc	2349.5	2350	2375	2380
Nickel	27200	27300	27745	27750
Lead	2725	2730	2780	2790
Tin	16700	16725	16945	16950

BASE METALS STOCKS

	LME (metric tonnes)			COMEX (short tonnes)			SHFE (metric tonnes)		
	Jan 30	Jan 29	Chg	Jan 30	Jan 29	Chg	Jan 25	Jan 18	Chg
Cu	170650	171275	-625	13,978	13,978	+0	18,158	26,555	- 8397
Al	955350	953175	+2175	15,161	15,161	+0	100,762	107,929	-7167
Zn	111250	110425	+825				58,474	63,259	- 4785
Ni	47064	46914	+150						
Pb	49100	48900	+200						
Sn	11710	11680	+30						

COPPER

FUNDAMENTALS

LME Copper prices declined on Wednesday as traders booked profit ahead of the Federal Open Market Committee meeting.

The prices also declined following the release of US fourth quarter gross domestic product data that grew only by 0.6 per cent as against a market consensus of 1.2 per cent raising concerns that slower US growth would cut demand. March copper on Comex closed down 7.25 cents at \$3.2265 per pound.

Copper inventories at the LME warehouse reduced by 625 mt to reach 170,650 mt on Wednesday, though Comex copper stocks remained unchanged at 13,978 short tonnes.

TECHNICALS

Copper chart looks volatile at current price levels. Candlesticks pattern suggest steady to weak opening and some initial weakness. Prices closed above the 9-day as well as 18-day EMA, indicating firm prices. MACD is rising in positive zone showing increasing bullish momentum. 14-day RSI is in neutral region and would support both way movements. Copper futures are likely to trade slightly downwards initially following a steady to weak opening and upwards thereafter.

TUG-OF-WAR: Bulls vs. Bears

No.	Pressure Point	Favours
1.	LME copper stocks deplete	Bulls
2.	WBMS:Jan-Nov, ICSG:Jan-Oct global copper mkt in deficit	Bulls
3.	Fed rate cut by 50 basis point	Bulls
4.	Decline in Global stock markets	Bears
5.	Crude oil ends positive	Bulls
6.	India Jan-Dec, 07 copper output up	Bears
7.	China 2007 copper output up 17.8%	Bears
8.	US GDP grew by 0.6% only in Q4	Bears

COPPER 0802(MXCOPG8)2008/01/30 - Daily B:282.40 A:282.50
O 285.75 H 287.20 L 281.40 C 282.35 V 40,461 T 26,270 I 11,517 -4.2
EMA(9) 280.71 (18) 279.73



TRADE RECOMMENDATION

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
MCX-Feb	BUY	< 281.4	283.4	284	280.2	276.7	279.4	282.35	285.5	288.6

ALUMINIUM

FUNDAMENTALS

Aluminium futures declined on Wednesday on concerns that mounting stockpiles would offset the supply losses in China and South Africa.

Stocks in London Metal Exchange ware houses rose to 955,350 metric tons, highest since June 2004. Prices rose to a high of \$2715, highest price since 3rd August.

Chinese Aluminium production is likely to fall by 33 per cent more than previous estimates due to persistent snowstorms. Losses may increase to 4 lakh metric tons as against 3 lakh metric tons projected earlier.

Melbourne based Alumina Ltd. said global demand for aluminum is likely to grow strongly at about 10% during 2008, although the market is projected to have a small surplus of less than 1% of global consumption.

TECHNICALS

Candlesticks pattern indicates steady to firm opening and further upward movements. Prices closed far above the 9-day as well as 18-day EMA, suggesting short-term as well as intermediate-term trend remains firm. Aluminium futures are likely to trade firm in the coming session.

TUG-OF-WAR: Bulls vs. Bears

No.	Pressure Point	Favours
1.	Power shortages affect aluminium production in China, South Africa	Bulls
2.	Crude oil, copper prices ends firm	Bulls
3.	Decline in global stocks	Bears
4.	Slowdown in US economy	Bears
5.	LME aluminium stocks build	Bulls
6.	IAI: Dec global aluminium stocks, output Up	Bears
7.	India's Apr-Dec aluminium production up 8% on year	Bears
8.	WBMS: World aluminium market in surplus during Jan-Nov	Bears



TRADE RECOMMENDATION

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
MCX-Feb	BUY	103-103.4	104.6	105	102.1	100.8	102	103.8	105.8	107.1

ZINC

FUNDAMENTALS

Zinc prices also decreased on Wednesday as traders liquidated ahead of the Fed rate announcement.

Zinc production in Peru increase by 20 per cent to a record 1,444,354 metric tons in 2007 due to increased production at Minera Antamina.

Japan's inventories of refined zinc in December surged 21.3% on month to 17,765 metric tons, according to preliminary data released by the Ministry of Economy, Trade and Industry. However, the inventories were lower by 24.3% on year.

China's biggest zinc producer Zhuzhuo Smelter Group Co has shut down all of its zinc and lead production capacity and said to resume operations only when weather situation and power supply improves. The company has an annual capacity of 400,000 metric tons of zinc.

TECHNICALS

Candlesticks pattern suggest indecision in the market. Prices closed above 9-day as well as 18-day EMA, suggesting firmness in prices. Rising MACD in negative territory would support any upward movement in prices. RSI is in neutral region, leaving scope for bothway movements.

TUG-OF-WAR: Bulls vs. Bears

No.	Pressure Point	Favours
1.	Fed cut interest rate by 50 basis points	Bulls
2.	Zhuzhuo Smelter Co. shut down zinc production capacity	Bulls
3.	Gains in crude prices	Bulls
4.	Supply disruptions in China	Bulls
5.	LME zinc inventories build	Bears
6.	WBMS: World zinc mkt in surplus	Bears
7.	US economy's grew only by 0.6% against expectation of 1.2% in Q4	Bears

ZINC 0802(MXZING8)2008/01/30 - Daily B:93.20 A:93.25
O 93.50 H 94.40 L 92.50 C 93.35 V 5,190 T 4,786 I 5,672 +0.1
EMA(9) 92.099 (18) 93.106



TRADE RECOMMENDATION

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
MCX-Feb	BUY	92.5-93	94	94.4	91.7	90	91.4	93.35	95.1	95.9

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