



Nickel crosses \$41,000

Copper: Further upside seen

Copper rose again on Friday on the expected Chinese demand. The Chinese are back in the market after their Lunar Year holidays. Sharp gains in bullion and firm crude oil are underpinning the bounce of the red metal. The metal took out the resistance at \$6,200 and closed at \$6,275, gaining \$140. A build-up of 1,950 tonne in LME stocks was ignored by the traders amid strong sentiments. LME stock analysis shows that the fresh cancellations (most of them at Asian warehouses) more than matched the draw and the inflow to take the cancelled tonnage higher to impressive 8.38% from 5.06% earlier. Rotterdam recorded a registration of 3,000 tonne while broadly the warehouses of the three continents showed two-way movements. Both stocks and spread are encouraging. The metal could consolidate for a while and might show some correction as such on nearing \$6,400, however, it is poised to rise further if good support is seen from Asia. Both crude oil and the currency play are likely to favour the metal. Bears might like to wait for higher levels for suitable strategic points as more clues come from the data to be released this week, which happens to be a data-filled one.

Other base metals: Rising copper lifts all the metals

Zinc: The metal was up in line with copper as the metal is slowly finding favour among the traders. Zinfex projected a small shortfall for this year a few days back. Tech Cominco, on the similar lines, said that a small deficit of 89,000 tonne could occur this year which is likely to widen in the next year. The metal is well positioned to move higher and is expected to test the \$3,700 level soon.

Aluminium: The metal closed above its formidable resistance of \$2,870. The stock analysis as such doesn't look very encouraging. Cancelled tonnage is shrinking (now at merely 2.45% from 2.94% earlier) and the inflows have accelerated, probably on the backwardation factor. It has been reported that the striking union's chiefs in Guinea announced on Sunday that they would end a two-week nationwide strike in Guinea as the President Lansana Conte has agreed to appoint a new consensus prime minister. The metal could see some correction on this news as the supply

side concerns at the bauxite stage abate. Despite the said factors the metal might continue to rise on the dominant long's "short squeeze" at the LME, the strong sentiments in the base metals complex spilling over to the metal and favourable technicals. A challenge to \$3,000 level shouldn't be out of question.

Nickel: As expected the rising complex help the metal steady itself around \$39,000 level and the focus turned back to the near-term supply-demand equation from the level of stainless steel production this year. The metal staged a whooping rally of more than \$2,000 on Friday and closed near its day's high with a gain of \$2,050. Cancelled tonnage has reduced to 34.71% from 45.71% earlier. The huge rally of Friday might lead to some correction to \$40,000/\$38,000 in the first few sessions of this week. However the metal is clearly in bullish phase and is set to target \$42,000 soon.

Gold: The Phoenix rises again

Gold has proven yet again that it matches Phoenix in the art of survival. From the lows of \$605 touched during the very first week of this year, a time when people began considering investment in gold a drab idea, gold has risen and risen, and now stands within an earshot of \$700 an ounce. On Friday when the New York trading session came to an end, the gold bull camp resonated with cheers from all the directions, thanks to the Midas metal's closing at \$683.65 an ounce. Silver, its sister metal, did one better, and closed at \$14.54 an ounce, a year to date gain of more than 11%.

In India on MCX, Gold April closed at Rs9,789 per ten grams while Silver March closed at Rs20,971 per kilogram.

The Phoenix-like rise of gold comes at the heels of an almost all encompassing rise in commodity prices. Just look at the numbers: copper during last week was trading beyond US\$6,000 a tonne, after hitting a seven week high at \$6060, on speculation that demand from Chinese buyers is going to go up. LME tin touched a new record of US\$13,950 per tonne, on the news that the supplies were tight and investors were concerned about Indonesian supply. Lead was at US\$1,860 and Nickel was quoted at US\$39,600 against US\$39,500 on Wednesday, when it hit a new high of US\$40,250.

The rally seems to have firm roots now. With the crude holding above \$61 a barrel gold may take a shot at \$700 number during this week. Gold April is likely to find resistances at Rs9,869 and Rs9,917 while the supports come in at Rs9,712 and Rs9,643. Silver March, which is now on the way to a glorious end, will find resistances at Rs21,101 and Rs21,243 while the supports come in at Rs20,814 and Rs20,701.

Soy bean: Decline due to weak product prices

Soy bean spot and futures were also down due to weakness in product prices. However, some recovery due to improving soy oil prices was witnessed on Saturday. But with the soy oil prices sentiments very weak due to duty cut speculations, the soy bean prices too could come under some pressure.

Soy oil: More duty cuts in the offing

Soy oil looks bearish at least till the budget, as traders fear the central government may take some steps in the form of reduction in duties to stem edible oil prices. Excess

supply of soy oil in the spot markets on increased soy bean crushing is also expected to keep sentiments bearish.

Wheat: Range-bound

The demand before the Holi festival is expected to support the wheat prices before the major arrivals start in the northern states. The crop size of wheat is expected to good only if the weather conditions hold good. The government's crop production estimates hinge on favourable weather conditions in the coming months. If the weather changes, the crop calculations of the government could get upset. The government is likely to extend duty-free import of wheat by traders to December 31.

Chana: Some demand before Holi

Chana prices too could find some support due to the festival demand. Since Holi is a very important north Indian festival, the demand for pulses generally is strong around the festival time. However, the crop prospects for this year are good and the supplies are expected to ease after Holi.

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