



Copper and zinc recover

Copper: \$5,500 level gained amid falling stocks

Copper staged a spectacular comeback by gaining the significant levels of \$5,430 and \$5,500 yesterday on the third consecutive day of falling LME stocks. The red metal and zinc were the top performers of the complex. Copper was helped by the firm crude oil prices (day's high \$59.99) and the rising euro. The stock flow showed the usual two-way pattern as the Asian warehouses had a net outflow and the European and US warehouses recorded net inflows. The Baltimore (US) warehouse recorded yet another net outflow. Yesterday was a data devoid day, which could have helped copper. Interestingly the traded volumes have been low in the past two days and it appears that the bears have not made efforts to push the red metal down despite clinching an important "technical" victory over the bulls on Friday. It seems that the bears could charge today with all their ammunitions that they have been saving. It is likely that the battle would be fought again around the \$5,450 level. However caution is warranted in today's trading.

Nickel and zinc: Zinc above \$3200

Zinc, like copper, was able to regain its important technical level of \$3,200 on falling LME stocks. The metal seems to be promising but here also we advise caution. Zhou Guobao, director of the zinc and lead department at the China Nonferrous Metals Industry Association commented yesterday that China will probably continue to be a net importer of zinc and its alloys this year, with the growth in the domestic production unable to catch up with rising local demand. He further added that the country could turn a net exporter at some point during the year, as was the case at the end of last year, but it won't be sustainable. The comment is supportive to zinc as the news of China becoming an exporter for the first time in the last three years had played a big role in the recent drop in the prices of zinc.

After Friday's slump in copper and zinc, nickel has come under the focus of the traders. Deutsche Bank (bullish on nickel on the increase in the stainless steel production capacity of China) and JP Morgan (bearish, prices too inflated) have a difference of opinion. Natexis Commodity Markets holds the opinion that only a continuous inflow of

positive news would take the prices above \$30,000. These developments are holding the nickel bulls back and the metal could see further correction unless copper and zinc stage big rallies. However, the cash to 3-month tightness could limit the downward movement. Yesterday, nickel was seen riding mainly on these two metals.

NCDEX steel: Spot markets firm

Most of the spot markets were firm. Although the demand for finished reinforced bars has not picked up yet, the raw material is still seen tight on account of the low availability, which could support the prices of ingots. Good demand for finished steel is expected around the end of February that could see the spot prices of steel ingots going up sharply. The outlook is positive and the opportunities could be used for accumulation.

Bullion: Gold consolidating around \$650

Gold rose above \$650 an ounce on Tuesday before noon and stayed well above that level throughout the day. The fireworks started during the evening hours when gold touched a high of \$659.50, riding the bullish sentiment on the firmer oil prices and a slightly weaker dollar. The yellow metal closed at the \$655 level. Silver sparked favourably and closed at \$13.61 per ounce.

In India on the MCX gold for April delivery touched a high of Rs9,480, breaching yesterday's forecasted resistance at Rs9,469, before closing at Rs9,431. Silver for March delivery blew past both the forecasted resistances at Rs19,994 and Rs20,170 before closing at Rs20,002.

Bolstered by the \$59 per barrel level of crude oil, gold seems to be consolidating around \$650. Besides, the general positive feeling for the commodities over the last couple of days and the ongoing dollar weakness are very supportive for the yellow metal.

The forecast for today is choppy trading. With some relevant data awaited during the day, gold may witness resistances at Rs9,493 and Rs9,549 while there are supports at Rs9,349 and Rs9301. Silver for March delivery may find resistances at Rs20,124 and Rs20,199 while the supports come at Rs19,903 and Rs19,841.

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