

## Price correction in 2008 v/s 2011

Base metals fell sharply in recent weeks, raising fears of repeating commodity sell-off seen in 2008. The sovereign debt crisis in Europe, economic slowdown in US and weak PMI data from major consuming countries are indicating possibilities of double dip recession. With this background, we present technical outlook on base metals of LME as well as MCX.

Base Metals	2011* till sep 24	2008
Copper	-37.08%	-45.7%
Nickel	-40.70%	-48.6%
Zinc	-30.86	-95%
Lead	-36.40	-60%
Aluminium	-12.86	-56.49

## BASE METALS- TECHNICAL OUTLOOK ON LME AND MCX

### MCX Nickel may test 695

LME-Nickel 3M forward weekly chart



LME Nickel prices have corrected sharply from the high of \$29450 made in February 2011. Market has broken the downward trend channel on lower side, which is triggered sharp fall. Next key support is at \$16600 that is 61.8% Fibonacci retracement of \$8762 to \$ 29450, if it holds this support there can be a minor pullback towards the immediate resistance of \$18850 then \$20000.

However, if market breaks below 16600, it can extend the correction towards next support of \$13700 levels, which is also a long term trend line support.

In domestic market, the MCX Nickel prices have turned negative after breaching upward trend channel at 1020. At present, it moving in downward trend channel and holding strong support at 850, if it breaks and

## Base metals – What next?

sustains below would extend correction towards 695, which is 161.8% Fibonacci projection from recent high of \$1328 and then 650 (76.4% retracement of 442 tot 1328).

Any fall below this support may re-test 2008 low of 442. Any kind of pullback will be limited at resistance of 1020 then 1105.

### MCX-Nickel monthly continuation chart



Nickel(Oct)	Sup2	Sup1	Res1	Res2
	695	850	1020	1105

### MCX Copper – Next support is at 321

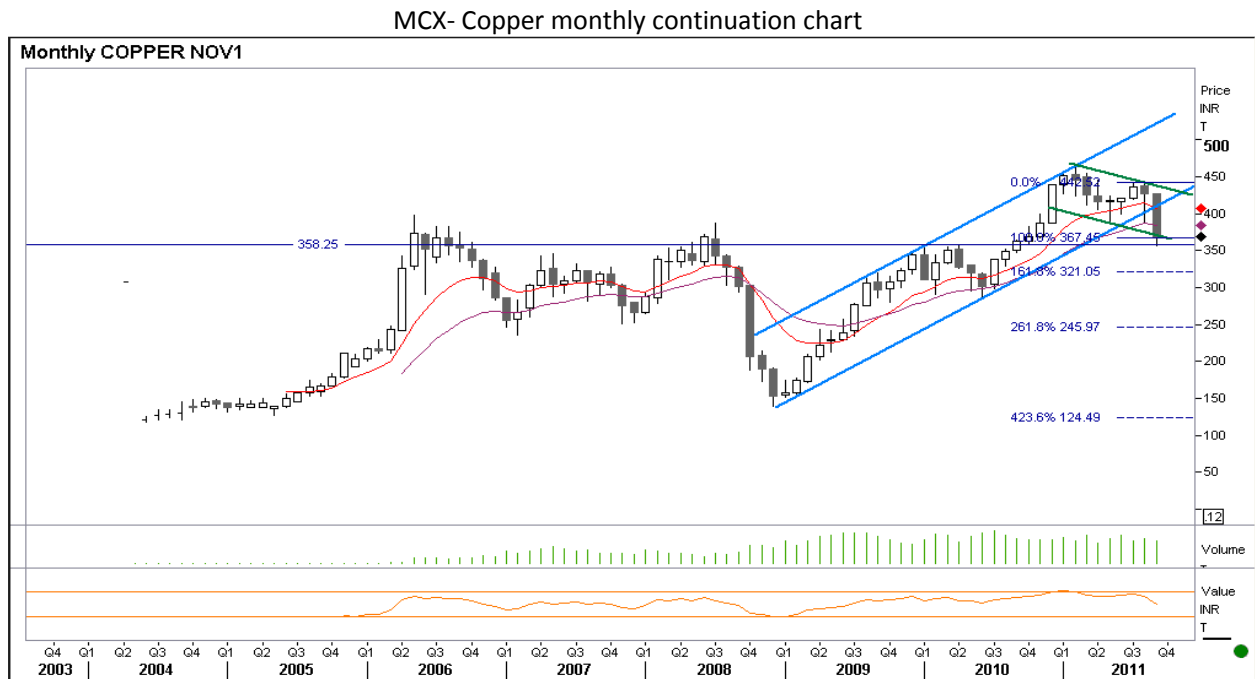
#### LME-Copper 3M forward weekly chart



## Base metals – What next?

Red metal prices were moving in upward trend channel since December 2008 and made all time high of \$10190 on February 2011. However, it breached this channel two weeks back at \$9000 levels and triggered sharp selloff. It also breaching another key support at \$8000, the lower band trend channel formed at the top and confirmed the bearish trend. As per Fibonacci projection from the recent of high of \$9985, prices have hit initial target of 161.8 percent at \$7200 levels.

If market unable to hold this can extend a correction towards \$6600 (which is the 50 percent retracement from \$2819 to \$10190) and \$5650. The immediate resistance is at \$7920 then \$8350.



Copper MCX future prices have breached three year old upward trend channel along with a small downtrend channel and resulted biggest monthly loss since December 2008. Next support is at horizontal trend line of 355 levels and 343 (38.2% retracement from 137 o 466.2), if breaks below can test 321 levels (which is 161.8% Fibonacci projection from the recent high of 442) and even lower towards 300 levels.

However, a minor pullback can be expected towards initial resistance of 385 then 410 and key resistance is at 428. The momentum indicator RSI reading at 0.63 levels.

Copper(Nov)	Sup2	Sup1	Res1	Res2
	321	355	385	410

### MCX Zinc – Weak below 90

Zinc prices have broken “Symmetrical Triangle” pattern, which is indicating bearishness in the metal. Trading volumes are higher on break out, which also confirms of this pattern. Prices are expected to correct towards \$1500 per tonne, the trend line support connecting from low of 2008. Any fall below would take deeper correction towards \$1200 even below \$1000 levels.

However, any kind of pullback will be limited at immediate resistance of \$2100 levels.

## Base metals – What next?

### LME-Zinc 3M forward weekly chart



Zinc MCX prices have corrected sharply after breaching 'symmetrical triangle' formation in monthly chart. Next support is at 90, fall below this will add downward pressure and likely to test 2010 low of 72 and even lower to 60(90-30) in short to medium term. The immediate resistance is at 99 then 110.

### MCX- Zinc monthly continuation chart



<b>Zinc (Oct)</b>	<b>Sup2</b>	<b>Sup1</b>	<b>Res1</b>	<b>Res2</b>
	83	90	99	110

## Base metals – What next?

### MCX Lead – Next support is 80

LME-Lead 3M forward weekly chart



The market is trading below long term upward channel as well as downward channel and has broken key support at \$2100. The bearish divergence between the prices and RSI also indicates weakness in the market. At present, market is holding support of \$1850, if breaks below can test 1630 (which is 61.8% retracement of \$860 to \$2882 and then 2010 low of \$1550. While, resistance located at \$2100 then \$2350.

MCX- Lead monthly continuation chart



MCX lead prices have fallen down sharply in the last few weeks and recorded biggest monthly fall in last two years. The market has breached long term trend line support at 100 levels, which is connecting from 2008 lows. It is trading between 100 and 125 in the last five months. The short term trend looks weak and expected to slide towards 90 then 76.50 levels (which is 161.8% Fibonacci projection from the recent high of 136.80). Unable to hold the same can witness further fall and likely to test 2010 low of 72. On higher side, immediate resistance is at 20 month EMA of 107 then 120.

## Base metals – What next?

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Lead(Oct)	Sup2	Sup1	Res1	Res2
	80	93	107	115

### Outlook:

Commodity	(1-3months)	Projection	(3-6 months)	Projection	(>6 months)	Projection
Copper	Weak	320	Weak	280-300	Weak	340-360
Nickel	Weak	700	Weak	580	Sideways	630-900
Lead	Weak	80	Sideways	75-80	Sideways	80-100
Zinc	Weak	80	Weak	70	Weak	75-100

*We are expecting the base metals prices can continue the weakness in the short term and may test the respective support levels in the coming months.*

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