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Research Team

Angel Commodities Broking Pvt. Ltd.

Registered Office: G-1, Ackruti Trade Centre, Rd. No. 7, MIDC, Andheri (E), Mumbai - 400 093.

Corporate Office: 6th Floor, Ackruti Star, MIDC, Andheri (E), Mumbai - 400 093. Tel: (022) 2921 2000

MCX Member ID: 12685 / FMC Regn No: MCX / TCM / CORP / 0037 NCDEX : Member ID 00220 / FMC Regn No: NCDEX / TCM / CORP / 0302

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Overview

US – improving economic scenario

Economic recovery in the US has picked up pace and recent indicators have provided some relief to the ailing global financial markets. During the year, entire focus has shifted to the rising European economic uncertainties and worries over the US economy have largely taken a backseat. But despite positive economic indicators in the recent past, the International Monetary Fund (IMF) expected the annual output in the country to slowdown from 3 percent in 2010 to 1.5 percent in 2011 and 1.8 percent in 2012. Quarter-on-quarter, GDP growth in the US has witnessed an increase in 2011 (Fig 1).

The Federal Reserve's Federal Open Market Committee (FOMC) meeting will be held on 24th-25th January and 13th March during the first-quarter of this year. Overall interest rates in the first-quarter of 2012 are expected to remain at near-zero low levels, thus helping support further recovery in the world's largest economy.

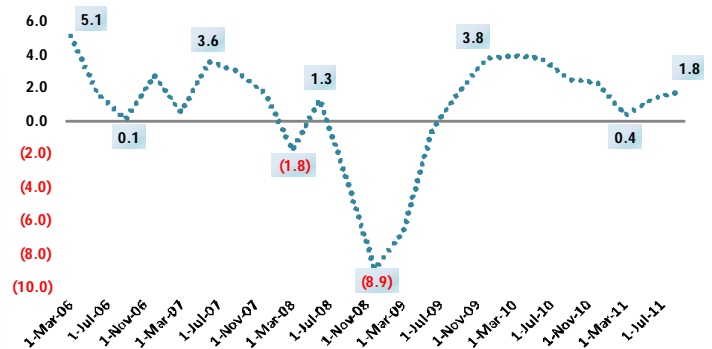
US Retail Sales increased at a slower pace by 0.1 percent in December as compared to 0.4 percent a month ago. Unemployment Claims increased to 399,000 for the week ending 6th January from 375,000 a week earlier. The country's Conference Board (CB) Consumer Confidence index rose to 64.5-level in December from the previous mark of 55.2 in November.

ADP Non-Farm Employment Change in the US increased by 121,000 to 325,000 in December as against 204,000 a month ago. The Institute for Supply Management (ISM) Non-Manufacturing Purchasing Managers' Index (PMI) in the US increased by 0.6 points to 52.6-mark in December as compared to 52-level in previous month. ISM Manufacturing PMI rose to 53.9-level in December as against a previous mark of 52.7 in November.

Pending Home Sales in the US increased by 7.3 percent in November as compared to 10.4 percent a month earlier. US existing home sales increased by 4.42 million in November as against previous rise of 4.25 million in October. Building permits increased by 0.68 million in November as against a rise of 0.64 million in the previous month. Housing starts increased by 0.69 million in November as compared to 0.63 million in October.

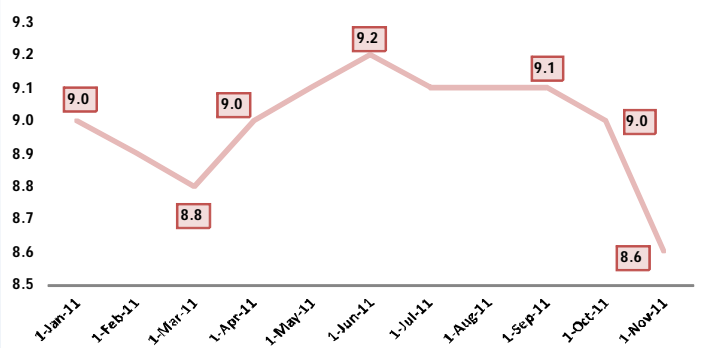
In minutes released on 3rd January, Federal Reserve Chairman Ben Bernanke stated that the Federal Reserve will start announcing own forecasts for the central bank's interest rate in order to have more transparency. It will issue rate projections along with its regular quarterly economic forecasts after its next meeting on January 24-25.

Fig 1: Quarterly US GDP q/q



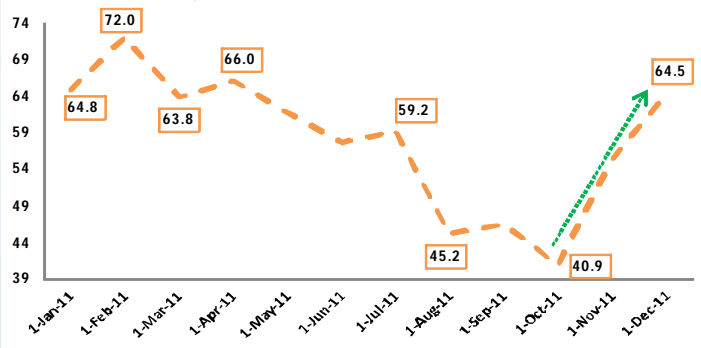
Source: Reuters, Angel Research

Fig 2: US Unemployment Rate (%)



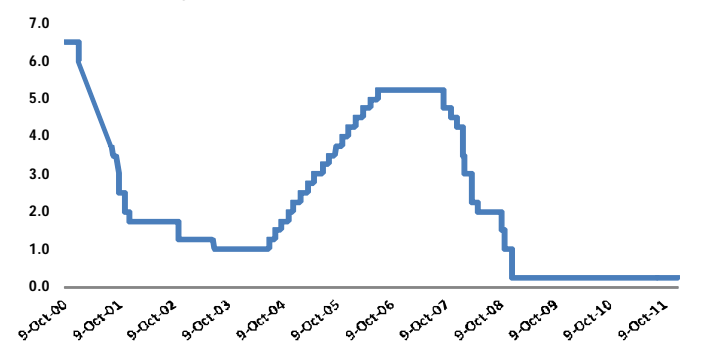
Source: Reuters, Angel Research

Fig 3: US Consumer Confidence Index



Source: Reuters, Angel Research

Fig 4: US Federal Reserve Interest Rates



Source: Reuters, Angel Research



Overview

Euro – at the brink of a collapse

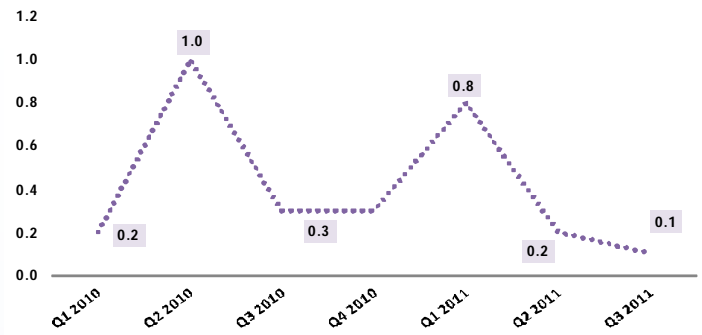
Despite efforts by the European policymakers to bring about a change in the grim economic conditions, the situation remains gloomy. As we approach the New Year, concerns over the European economic front only heighten. With Euro Zone worries dominating world markets, there does not seem any respite from the negativity that is doing rounds over expectations of another recession. Events during this year have been largely on the negative front as we began the year with geo-political tensions and are ending the year with European debt concerns. Markets now look forward to the coming year and hope that the new year brings along some positive facets as far as the economic scenario is concerned.

In the current scenario, global markets are not caught unawares due to European economic concerns as these are facts that have been already established. What is now coming under scanner is the political upheaval in the European economies as reform efforts by leaders and policymakers are being stifled. There is nervousness that European policymakers may not be able to deliver their best in terms of a bailout, thus leading to risk aversion in the global financial markets.

How far have the European policymakers reached in saving the Euro from further disaster is still a question as any measure or action at given point in time would not be the final solution to mark a turnaround from the worsening European economic scenario. Problems in the current context are not only on the economic front but have also spread its wings on the political state of affairs, which in our opinion could be detrimental in bringing out a positive rescue deal to the 17-nation Euro region.

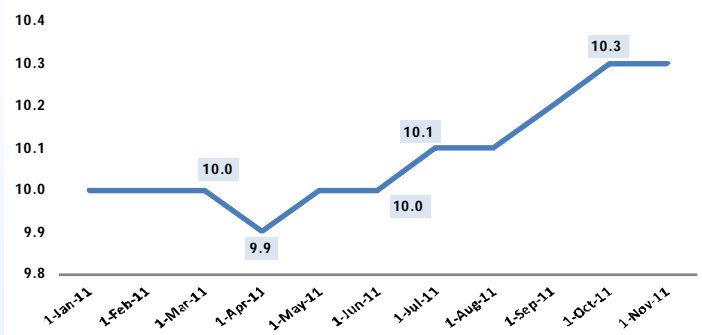
European Unemployment Rate increased to 10.3 percent in October from the previous 10.2 percent a month earlier. German ZEW Economic Sentiment Index rose to -53.8 in December from the previous level of -55.2 in November. European ZEW Economic Sentiment rose by 5 points to -54.1 in December as compared to the previous level of -59.1 in November. Flash Manufacturing PMI increased to 46.9-mark in December as against 46.4-level in November. German Flash Manufacturing PMI was at 48.1 points in current month when compared to 47.9 in previous month.

Fig 5: Euro Zone Quarterly GDP q/q



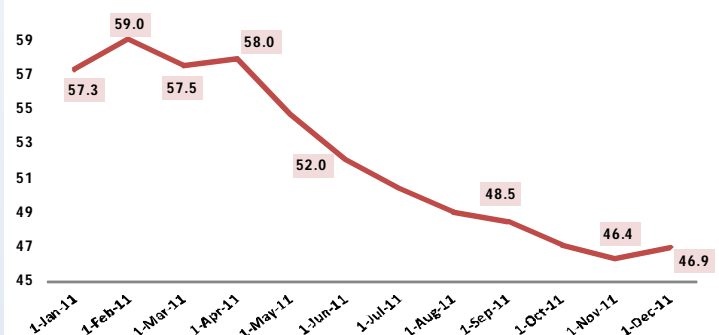
Source: Reuters, Angel Research

Fig 6: Euro Zone Unemployment Rate (%)



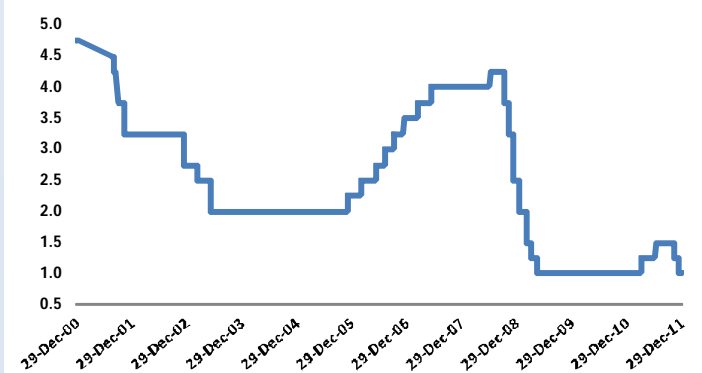
Source: Reuters, Angel Research

Fig 7: Euro Zone Total Manufacturing PMI



Source: Reuters, Angel Research

Fig 8: European Central Bank Rates



Source: Reuters, Angel Research

Overview

India – inflation falls, eyes on monetary policy

Performance of the Indian economy has been attached to the ongoing developments on the global economic front. Apart from that, high input costs and increased borrowing costs also weighed on performance on the corporate front. Domestic equities also saw their worst performance and capital outflows coupled with the impact of a stronger US Dollar Index (DX) led to weakness in the Rupee.

We expect sentiments in the domestic markets to remain tuned with the happenings on the global front. This factor will keep a check on gains in the Indian Rupee, thus giving a weak perspective for the short-term.

The RBI intervened in the forex market by curbing currency forwards and cut banks forex trading limits in order to curb further volatility in the Rupee. The central bank said that once cancelled, forward contracts could not be bought again.

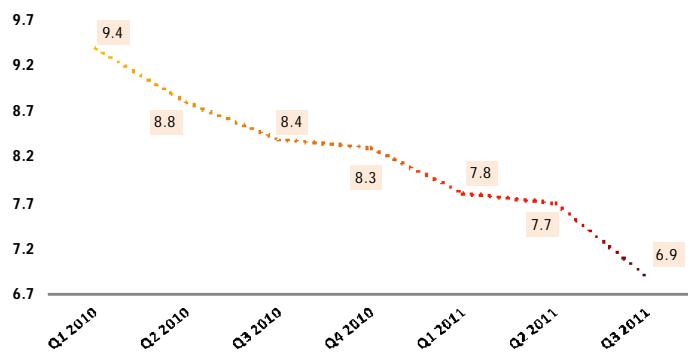
In its mid-quarter policy review, the RBI left the repo and reverse repo rate unchanged at 8.5 percent and 7.5 percent respectively. The cash reserve ratio, which was expected to witness a reduction, was also kept at the same level of 6 percent by the central bank. The RBI indicated that risks to the Indian economy on account of heightening global concerns have increased over time and that inflation continued to remain a major concern.

India's food inflation slipped in the negative territory to -3.36 percent for the week ending 24th December, as prices decreased on improved supply of pulses, vegetables and potatoes and other essential commodities. The country's food inflation stood at 0.42 percent in the previous week. The fuel price index accelerates to 14.60 percent in the same week from the previous 14.37 percent a week earlier.

The country's December manufacturing activity increased to a six-month high mainly due to rise in factory output and new orders from domestic and international firms. But over the year, manufacturing dipped sharply and largely remained flat until October'11. The HSBC Market India Manufacturing PMI rose to 54.2 from 51.0 in November, marking the biggest monthly gain since April 2009.

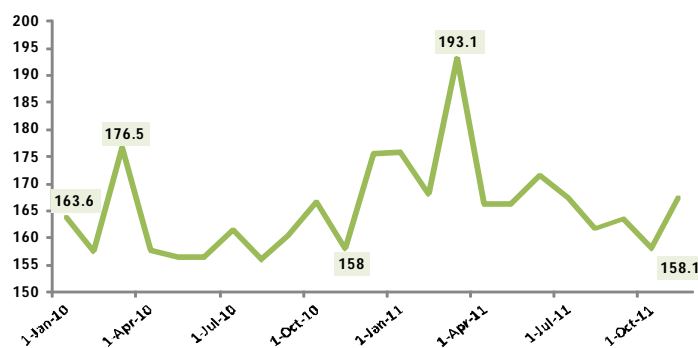
For the month January 2012, FII inflows totaled at Rs 1031.50 crores till 9th January. In the whole year of 2011, net capital outflows stood at Rs 1653.80 crores till 30th December.

Fig 9: Quarterly India GDP q/q



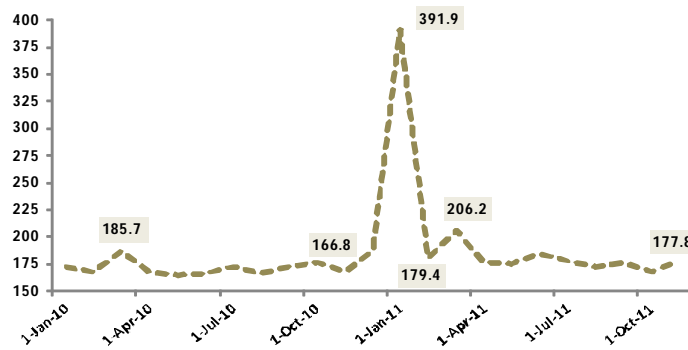
Source: Reuters, Angel Research

Fig 10: India's Industrial Production



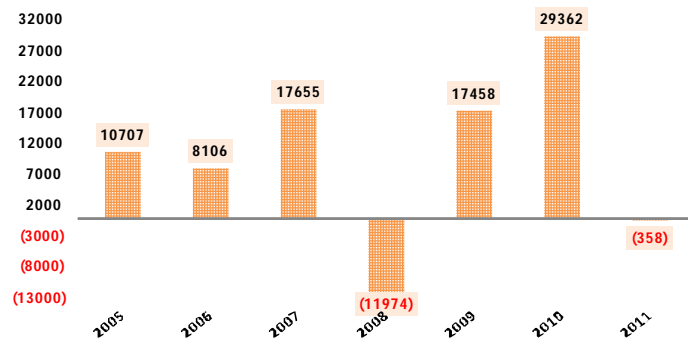
Source: Reuters, Angel Research

Fig 11: India's Manufacturing Output



Source: Reuters, Angel Research

Fig 12: FII inflows in India (\$ Mn)



Source: Reuters, Angel Research

Overview

China – slowdown to reverse interest rates strategy

A tight monetary policy in China has been the main reason that led to a slowdown in growth in the world's fastest growing economy. In the current times of slowing global growth, a decline in Chinese growth has come in as a bearish factor. Although further monetary tightening is not expected, the impact of the previous year's policy changes may linger along at least for the first-half of this year.

Recent data from the country has come in as a relief. China's Manufacturing Purchasing Managers' Index (PMI) increased by 1.3 points to 50.3-mark in December'11 as against the previous level of 49 in November'11.

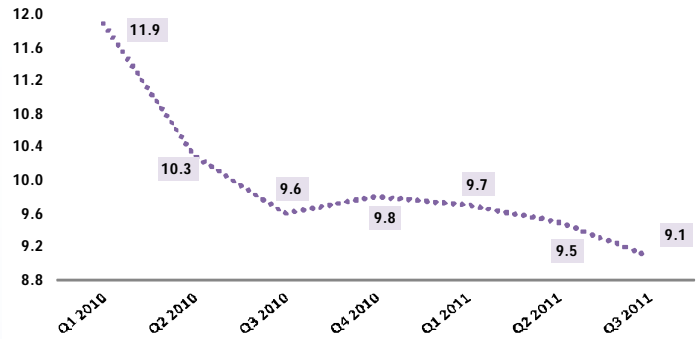
Trade balance of the country stood at a surplus of \$16.5 billion in the month of December as against a previous surplus of \$14.5 billion in November.

Data from the General Administration of Customs showed that, China's total crude oil imports rose 6 percent (y-o-y) to reach 253.78 million tonnes in 2011. This was despite a tight monetary policy, and was also seen in the case of base metal imports. The highlight of this year is expected to be any decline in benchmark interest rates by China. This could help boost commodity imports further and help support recovery in the commodity markets which are currently battling with the European debt crisis and its expected impact on the global economy.

Inflation in China witnessed the slowest pace of increase in November by 4.2 percent as rise in food costs moderated. The country's inflation for the month of December is expected to decrease further up to 4 percent. This slowdown in inflation may lead to a loosening of monetary policy by the People's Bank of China.

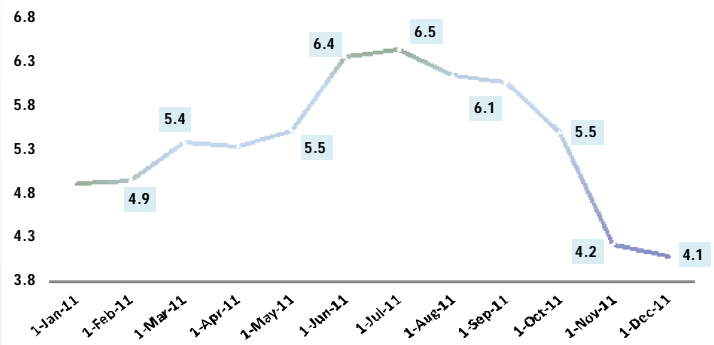
The impact of the tight monetary policy during the year has been very bearish for the base metals industry. Demand from the fabricators end was largely impact due to unavailability of loans and an easing monetary policy would not only benefit Chinese fabricators but will also lift base metal prices.

Fig 13: Quarterly China GDP q/q



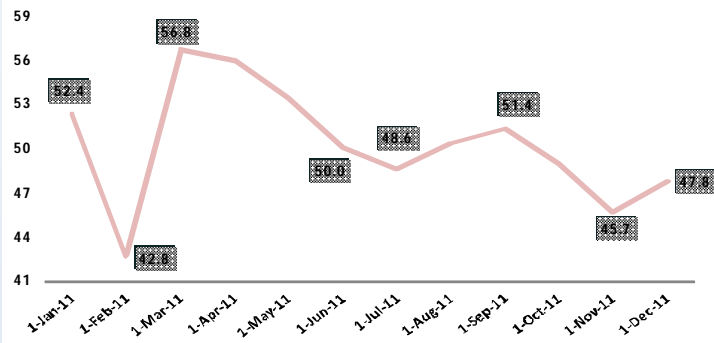
Source: Reuters, Angel Research

Fig 14: China's CPI (%)



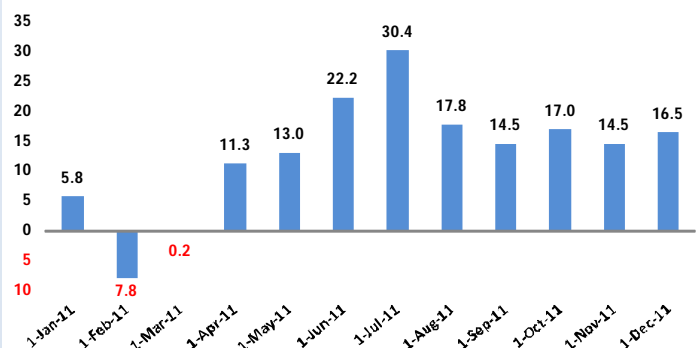
Source: Reuters, Angel Research

Fig 15: China's total Manufacturing PMI



Source: Reuters, Angel Research

Fig 16: China Trade Balance (\$ bn)



Source: Reuters, Angel Research

Gold

From safe-haven demand to performance like a risky asset; movement of gold has been volatile in 2011. The Q42011 saw a fall in gold prices by almost 4 percent as heightening economic concerns led to emergence of a cautious tone by investors even towards gold. Spot Gold prices touched a high of \$1802/oz in November'11, but slipped thereafter. In the domestic markets, gold prices on the MCX witnessed gains of around 5.6 percent as a weaker Rupee supported upside in prices.

A look at the Comex Gold quarterly performance shows that average prices fell in the Q42011 to \$1694/oz from \$1703/oz in Q32011. If seen year-on-year, average Comex gold prices in Q42011 were 24 percent higher than prices in Q42010. But on the MCX, average quarterly gold prices rose to Rs28,093/10gm in Q42011 from Rs26,093/10gm in Q32011. Depreciation in the Rupee has been a major factor that has helped cushion downside especially during sharp decline in prices in the international markets.

Data by the World Gold Council (WGC) indicates that world gold demand during the 3Q2011 witnessed growth of 6 percent to 1053 tonnes, valuing \$57.7bn. Investment demand was the driver of overall growth in demand, while jewelry demand declined on account of high prices and a weak economic scenario. The scenario of investment demand in India has changed largely and according to the Bombay Bullion Association (BBA), the share of investment demand in total demand has risen to 35 percent in 2011 from 22.6 % in 2010.

As far as demand for ETFs in the 4Q2011 is concerned, gold holdings in the SPDR Gold Trust increased around 2 percent to 1254 tonnes by the end of the quarter. Indian gold imports witnessed a slowdown in the peak demand period, which is the wedding and festival season during the fourth-quarter. Imports slumped 56 percent to 125 tonnes in Q42011, taking the annual imports figure to 878 tonnes as against 958 tonnes in 2010.

Outlook

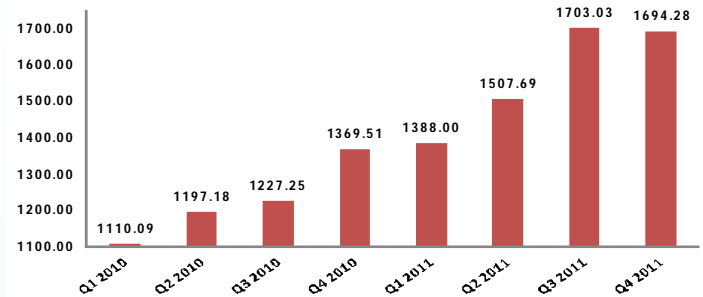
From the short-term perspective, we expect gold prices to largely trade with a negative bias as risk sentiments in the global markets remain choppy. With gold performing as a risky asset, any further economic concerns could lead to downside pressure on the yellow metal.

Gold Technical Levels		
CMP	27758	1617
Support 1	25620	1456
Support 2	23950	1350
Resistance 1	29230	1645
Resistance 2	31140	1740

Fourth Quarter Performance - Gold					
	Open	High	Low	MRV	% Chg
Spot Gold \$/oz	1660.09	1802.6	1521.94	1563.8	(3.7)
Spot Gold Mumbai Rs/10gm	26450	29150	25800	27050	4.4
Comex Gold Futures \$/oz	1656	1798.4	1525	1565.8	(3.4)
MCX Gold Futures Rs/10gm	26556	29433	25684	27441	5.6

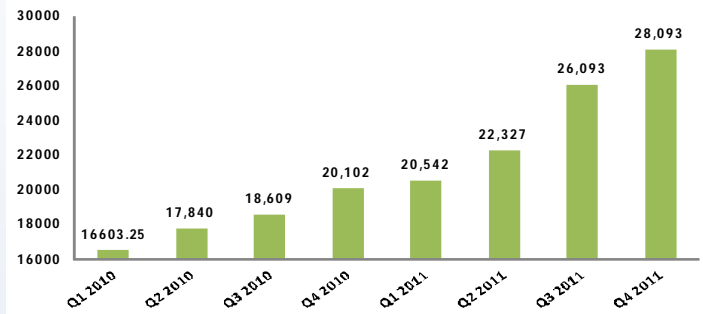
Source: Reuters and Angel Research

Fig 17: Comex Gold Average Quarterly Performance



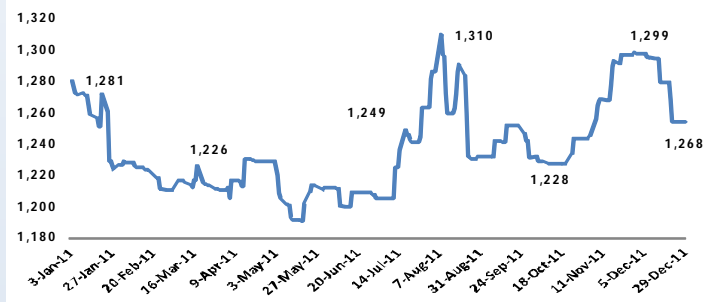
Source: Reuters, Angel Research

Fig 18: MCX Gold Average Quarterly Performance



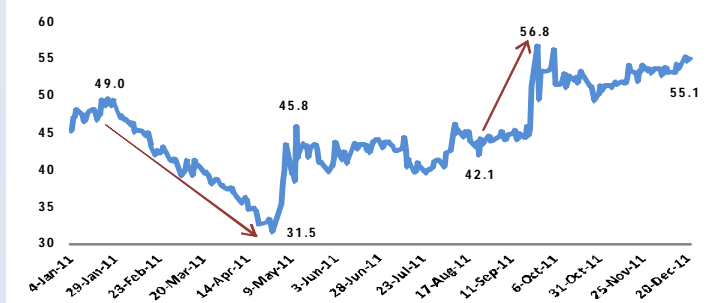
Source: Reuters, Angel Research

Fig 19: SPDR Holdings of Gold (tonnes)



Source: Reuters, Angel Research

Fig 20: Gold-Silver Ratio



Source: Reuters, Angel Research

Silver

The year 2011 has been mixed as far as movement in silver prices is concerned. After marking a close to all-time high of \$49.83/oz in April'11, the white metal witnessed sharp downside to levels around \$26/oz in the second-half of the year. Economic concerns have dominated movement in silver prices, as it is an industrial metal apart from being a precious metal. Silver has taken mixed cues during the year i.e. from gold and base metals.

During the Q42011, Spot Silver slipped around 7.4 percent but silver futures on the MCX closed higher by 2 percent in the same period as Rupee weakness supported upside. Silver futures on the Comex witnessed a sharp fall of 7.2 percent in the fourth quarter of last year and prices of spot silver in Mumbai also declined almost 2 percent, touching a low of Rs48,980/kg in the last quarter of 2011.

Quarterly performance of Comex Silver shows that average prices declined sharply by more than 18 percent in the Q42011 to \$31.69/oz from the previous level of \$38.81/oz in Q32011. On a year-on-year basis, average Comex silver prices in Q42011 were 19.5 percent higher than prices in Q42010.

However, average quarterly silver prices on the MCX declined by 7.7 percent to Rs54,779/kg in Q42011 from the prior level of Rs59,349/kg in Q32011. On a y-o-y basis, average silver prices on the domestic bourses surged sharply by more than 37 percent in the Q42011 from the previous Rs39,914/kg in Q42010.

Silver holdings in the iShares Silver Trust, the world's largest silver-backed exchange-traded fund, declined sharply by almost 4 percent to 9605.79 tonnes on 30th December 2011 from the previous 9995.68 tonnes on 30th September 2011. In 2011, holdings dropped more than 12 percent after touching a high of 11,390 tonnes in the last week of April 2011.

Outlook

In the short term, movement in silver is expected to be driven by a cautious tone as market sentiments remain mixed on account of uncertainty in the global economy. Any further economic uncertainty is expected to lead to pressure on prices.

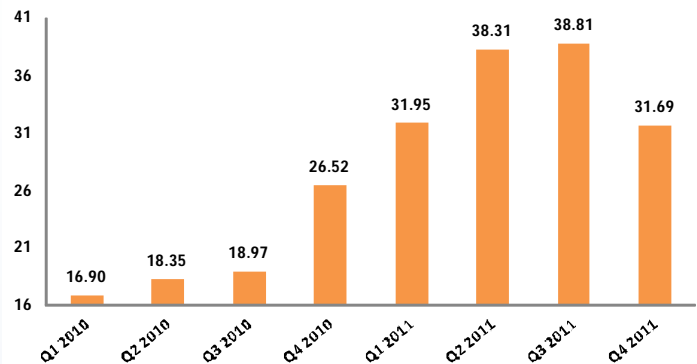
Silver Technical Levels

CMP	51845	28.71
Support 1	46844	24.1
Support 2	42660	20.4
Resistance 1	56080	29.9
Resistance 2	62660	33.6

Fourth Quarter Performance - Silver					
	Open	High	Low	MRV	% Chg
Spot Silver \$/oz	30.42	35.66	26.14	27.69	(7.4)
Spot Silver Mumbai Rs/kg	53100	58300	48980	50950	(1.9)
Comex Silver Futures \$/oz	30.75	35.455	26.385	27.875	(7.2)
MCX Silver Futures Rs/kg	52044	58480	48477	51445	1.9

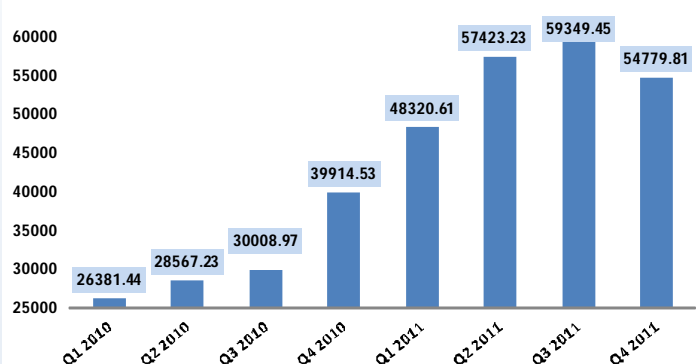
Source: Reuters and Angel Research

Fig 21: Comex Silver Average Quarterly Performance



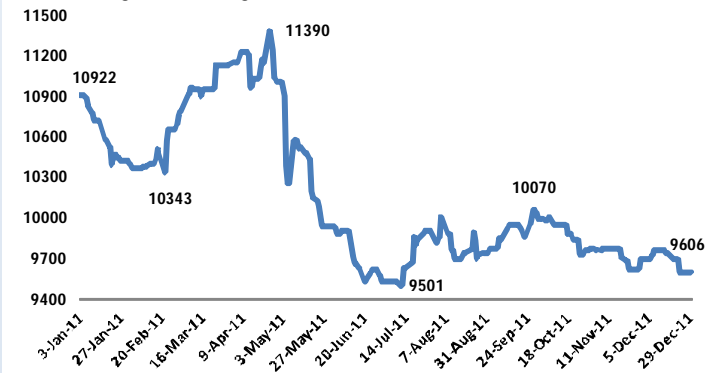
Source: Reuters, Angel Research

Fig 22: MCX Silver Average Quarterly Performance



Source: Reuters, Angel Research

Fig 23: Holdings of Silver in the iShareTrust (tonnes)



Source: Reuters, Angel Research

Copper

Copper has been very volatile in 2011, as on one hand it tested an all-time high of \$10,190/tonne, supported by supply-side worries; and on the other hand the red metal slipped to a low of \$6635/tonne on account of global economic concerns and its impact on consumption growth of industrial metals.

In Q42011, copper prices witnessed a rise of around 8 percent on the LME on the back of supply concerns due to labour disputes in some of the world's largest copper mines in Chile, Indonesia and Peru. Labor strikes have been a major feature of the copper market in the past few years.

According to data from the General Administration of Customs, China's imports of refined copper increased sharply by almost 48 percent (y-o-y) to 343,926 tonnes in the month of November and on a monthly basis, imports rose 16.5 percent in November from the previous 295,341 tonnes in October. China's export for refined copper declined by almost 37 percent (y-o-y) to 2,053 tonnes in November, while the metal exports rose sharply by 453 percent (y-o-y) to 155,965 tonnes in the first eleven months of 2011.

Chile's copper output dropped around 2 percent (y-o-y) to 457,981 tonnes in the month of November. On a month-on-month basis, the production declined by 1.9 percent as compared to 466,822 tonnes in October. Issues with regard to ore grades lead to decline in copper production in the month of November. Chile produces around one-third of the world's copper production. Copper output dropped by 3.8 percent (y-o-y) to 4,740,338 tonnes in the period between January-November of 2011 as compared to the output in the same period a year earlier.

According to the data from the Ministry of Finance, Japan's exports of copper cathode to China doubled in November from a year earlier. This increased the total exports of refined copper by 34 percent in November. Japan's exports of cathode to China, the world's top consumer of the metal, increased to 28,542 tonnes in November from the previous 14,165 tonnes a year ago, followed by a rise of 57 percent in the month of October.

Global refined copper market witnessed a deficit of 170,000 tonnes in the period between January-September 2011, according to data from the International Copper Study group (ICSG). The markets stood at a deficit of 429,000 tonnes in the same period a year ago. World copper market experienced a deficit of 13,000 tonnes in September, but with seasonal adjustments, production showed a surplus of 18,000 tonnes on the month.

Outlook

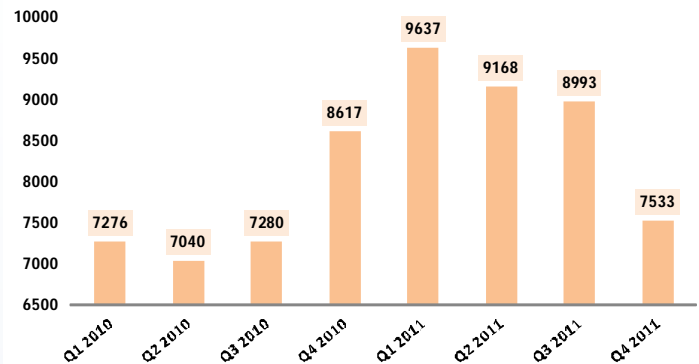
With ongoing economic concerns we expect prices to trade with a bearish tone but sharp downside will be protected due to the deficit of the metal in the market.

Copper Technical Levels	
CMP	401.9
Support 1	385
Support 2	350
Resistance 1	437
Resistance 2	469

Fourth Quarter Performance - Copper					
	Open	High	Low	MRV	% Chg
LME Copper (\$/tonne)	6,910	8,280	6,635	7,557	8.0
MCX Copper Futures (Rs/kg)	348.50	416.70	332.40	406.00	16.1

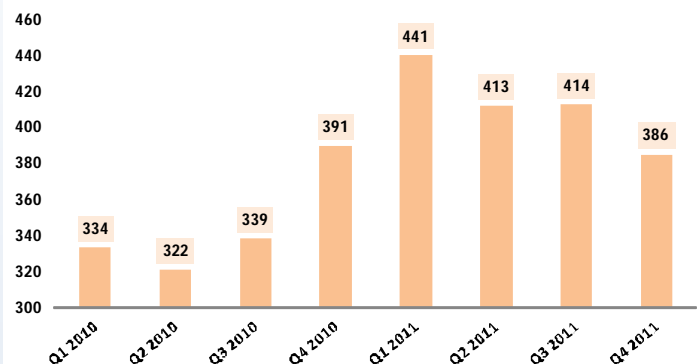
Source: Reuters and Angel Research

Fig 24: LME Copper Average Quarterly Performance



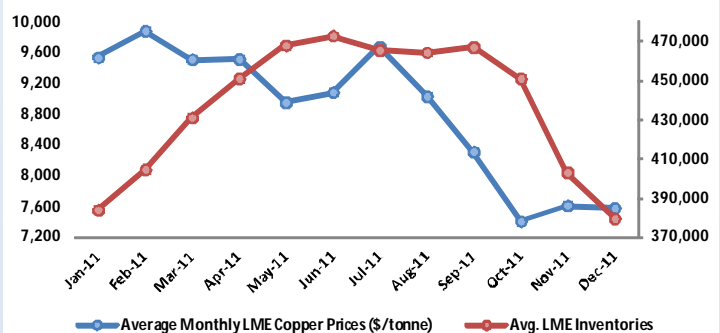
Source: Reuters, Angel Research

Fig 25: MCX Copper Average Quarterly Performance



Source: Reuters, Angel Research

Fig 26: Average Monthly Copper LME Prices vs. LME Inventories



Source: Reuters, Angel Research

Refined Copper: World Total Production and Consumption '000 Tonnes							
	2007	2008	2009	2010	2011 E	2012 E	2013 E
Production	18,029	18,496	18,581	19,164	19,599	20,310	21,001
Consumption	18,107	18,139	18,142	19,166	19,712	20,343	21,283
Surplus/Deficit	(78)	357	439	(2)	(113)	(33)	(282)

Source: EIU, Factiva, Angel Research

Aluminum

In 2011, aluminum prices on the LME have slumped almost 20 percent, with major downside pressure seen in the month of October and November. Average quarterly aluminum prices on the LME have slipped by 13 percent from \$2432/tonne in Q32011 to an average of \$2116/tonne in Q42011. Growing economic concerns, rising aluminum inventories coupled with low risk appetite added to pressure on prices. Average quarterly aluminum prices in India have declined to Rs107/kg in Q42011 from Rs110/kg in Q32011.

Economic concerns have increased over time and debt woes in the Euro Zone remain a major cause of concern. Prices are not being influenced by demand-supply factors alone and are mainly taking cues from the macroeconomic scenario.

According to data from the General Administration of Customs, China's imports of primary aluminium increased by 21 percent (y-o-y) to 21,836 tonnes in November in the current year. On a year-to-date basis, imports decreased by almost 18 percent to 174,100 tonnes in the first eleven months. China's export for primary aluminium increased sharply around 38.5 percent (y-o-y) to 21,767 tonnes in the month of November. Exports declined more than 55 percent (y-o-y) to 76,539 tonnes in the first eleven months of 2011.

Data from the International Aluminium Institute (IAI) shows that, daily average primary aluminium output declined around 0.3 percent to 70,700 tonnes in November of 2011 from the previous 70,900 in October. On a year-on-year basis, output rose by more than 3 percent as compared to 68,600 in November 2010. Total production in November (30 days) totaled 2.121 million tonnes as against 2.199 million tonnes in October (31 days) and 2.057 million in November 2010.

According to the data from the International Aluminium Institute (IAI), western countries unwrought aluminium stocks increased by 3.6 percent to 1.456 million tonnes in the month of November '11 from the previous 1.406 million in October '11. Unwrought stocks stood at 1.252 million tonnes in November 2010. Total aluminium smelter stocks excluding finished end-products declined to 2.394 million tonnes at the end of November 2011 as compared to a revised 2.434 million in October 2011 and 2.382 million tonnes in November 2010.

Outlook

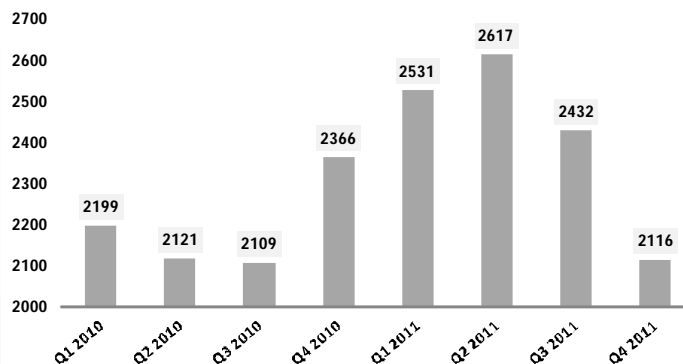
Aluminium prices are expected to come under pressure in the short term on account of rising inventories coupled with a comfortable supply-side scenario. Aluminium production is an energy-consuming process and rise in crude oil prices will lead to rise in aluminium prices and visa versa.

Aluminium Technical Levels	
CMP	108.25
Support 1	104.1
Support 2	98
Resistance 1	111
Resistance 2	116

Fourth Quarter Performance - Aluminium					
	Open	High	Low	MRV	% Chg
LME Aluminium (\$/tonne)	2,156	2,295	1,956	2,017	(6.6)
MCX Aluminium Futures (Rs/kg)	106.30	111.30	102.40	106.95	(1.0)

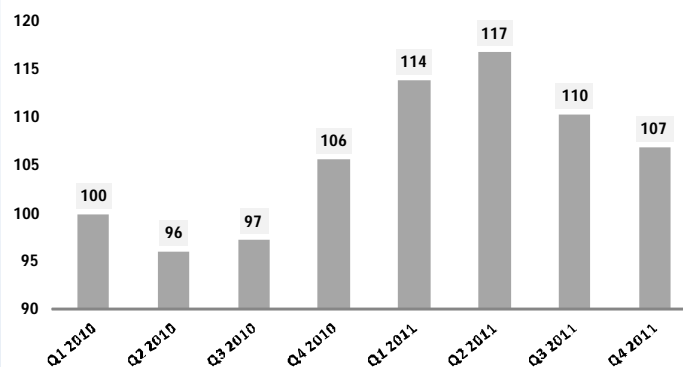
Source: Reuters and Angel Research

Fig 27: LME Aluminium Average Quarterly Performance



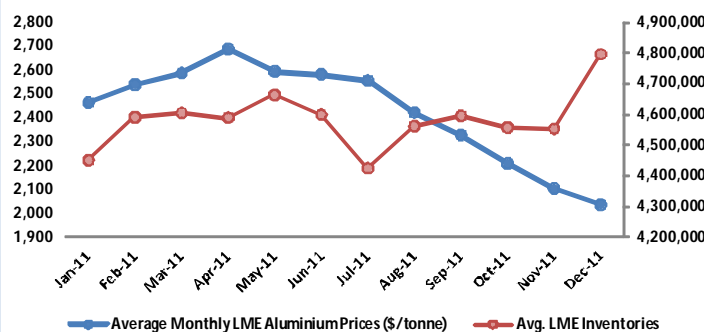
Source: Reuters, Angel Research

Fig 28: MCX Aluminium Average Quarterly Performance



Source: Reuters, Angel Research

Fig 29: Average Monthly Aluminium LME Prices vs. LME Inventories



Source: Reuters, Angel Research

Primary Aluminium : World Total Production and Consumption '000 Tonnes						
	2008	2009	2010	2011 E	2012 E	2013 E
Production	39,670	37,199	41,169	43,219	44,927	46,777
Consumption	36,905	34,764	39,662	41,548	43,410	45,670
Surplus/Deficit	2,765	2,435	1,507	1,671	1,517	1,107

Source: EIU, Factiva, Angel Research

Nickel

Nickel prices have remained volatile in 2011, taking cues from movement in other base metals. Although prices declined more than 25 percent last year on the LME, the first two months of the year witnessed a sharp rise in prices, when nickel hit a high of \$29,425/tonne in February'11. On the other hand, the month of November'11 saw prices touching a low of \$16,550/tonne on the back of rising global economic concerns coupled with the end of the restocking cycle.

On quarterly basis, average quarterly LME prices of nickel had slipped by 16.6 percent to \$18,396/tonne in Q42011 from the level of \$22,055/tonne in Q32011. In the same period, nickel prices on the MCX declined by 7.2 percent to Rs939/kg in Q42011 from the previous Rs1012/kg in Q32011.

China's imports of refined nickel and its alloys rose around 55 percent (y-o-y) to 18,629 tonnes in November of the current year. However, on a monthly basis, the country's imports declined almost 25 percent in November as against 24,616 tonnes in October. On a year-to-date basis, imports increased by 18.7 percent to reach the level of 198,472 tonnes in the first eleven months of 2011.

According to the data from the Lisbon-based International Nickel Study Group (INSG), the world nickel market stood at a surplus of 5,600 tonnes in the period between January-October of 2011. The market experienced a deficit of 6,400 tonnes in the first nine months of the current year. Global primary nickel usage stood at 1,307,000 tonnes in first ten months of 2011.

World primary nickel production totaled 1,312,600 tonnes, while nickel mine production stood at 1,580,800 tonnes. In early October, the INSG stated that it expected the nickel market to record a 30,000-tonne surplus this year as compared to a deficit of 30,000 tonnes in 2010. It forecast a 70,000-tonnes surplus for next year.

Outlook

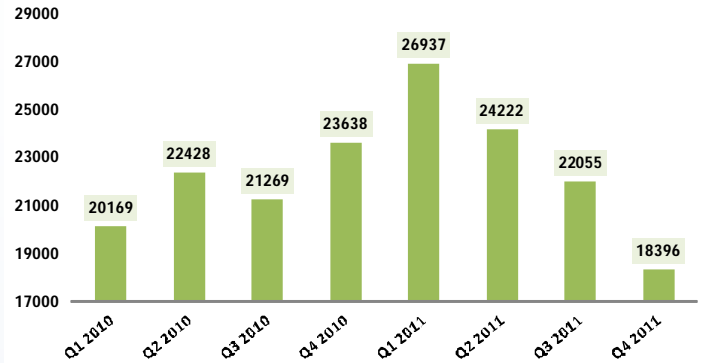
Expectations of surplus in the nickel market on account of increase in output from new projects will exert downside pressure on the metal in the short-term. Additionally, uncertainty over the global economy will also act as a negative factor for nickel.

Nickel Technical Levels	
CMP	988.8
Support 1	954
Support 2	898
Resistance 1	1045
Resistance 2	1100

Fourth Quaterly Performance - Nickel					
	Open	High	Low	MRV	% Chg
LME Nickel (\$/tonne)	18,024	20,300	16,550	18,620	5.3
MCX Nickel Futures (Rs/kg)	875.20	1008.50	861.50	991.20	10.3

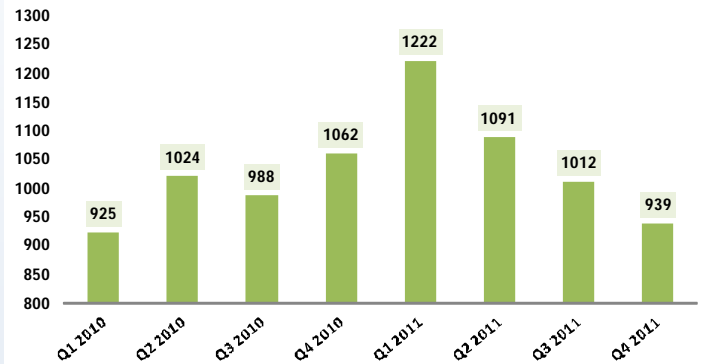
Source: Reuters and Angel Research

Fig 30: LME Nickel Average Quarterly Performance



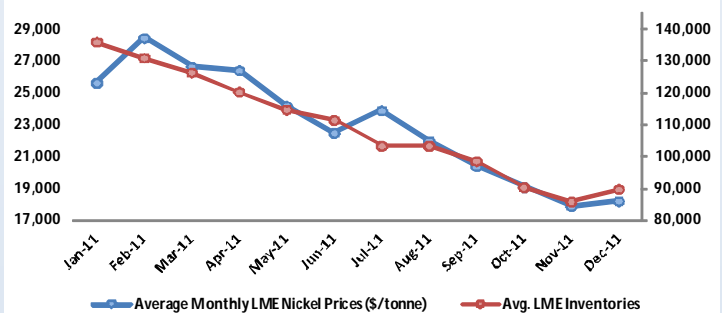
Source: Reuters, Angel Research

Fig 31: MCX Nickel Average Quarterly Performance



Source: Reuters, Angel Research

Fig 32: Average Monthly Nickel LME Prices vs. LME Inventories



Source: Reuters, Angel Research

Refined Nickel World Total Production and Consumption '000 Tonnes						
	2008	2009	2010	2011 E	2012 E	2013 E
Production	1,352	1,328	1,511	1,625	1,695	1,730
Consumption	1,292	1,305	1,511	1,623	1,675	1,720
Surplus/Deficit	60	23	0	(2)	20	10

Source: EIU, Factiva, Angel Research



Lead and Zinc

Average quarterly lead LME prices slipped sharply by 18 percent to \$2007/tonne in Q42011 and prices on the MCX during the same period dropped around 10 percent to Rs102/kg. Depreciation in the Indian Rupee resisted further fall on the domestic bourses. While average zinc LME prices slipped by 16.5 percent to \$1918/tonne in Q42011 and in the same period quarterly average prices on the MCX declined almost 5 percent to Rs97/kg.

Refined lead imports in China dropped sharply by 67.4 percent from a year ago to 536 tonnes in November while the metal imports have dropped more than 70 percent in the first eleven months of the current year to 6,134 tonnes. While on a month-on-month basis, the metal imports rose in November from the prior imports of 50 tonnes in October. Exports for refined lead in the first eleven months of the current year declined almost 70 percent (y-o-y) to 6,128 tonnes.

China's refined zinc imports increased by 10.8 percent from a year earlier to 25,649 tonnes in November 2011 and on a monthly basis, imports declined by 4.5 percent from the previous 26,854 tonnes in October 2011. Imports of refined zinc from the country rose around 1.9 percent in the eleven months to 293,890 tonnes from a year earlier. China's export for refined zinc dropped sharply by 79.6 percent (y-o-y) to 667 tonnes in November of 2011 and the exports rose more than 15.5 percent (y-o-y) to 46,084 tonnes in the first eleven months of 2011.

According to data from the ILZSG, the global lead market stood at a surplus of 159,000 tonnes in the first ten months of 2011. World refined lead consumption total at 8.338 million tonnes in the period between January-October of the current year as compared to 7.803 million tonnes in the same period a year ago. Global refined lead production stood at 8.497 million tonnes in January to October of 2011 against 7.866 million tonnes a year earlier.

World zinc market experienced a surplus of 308,000 tonnes in the period between January- October 2011, as per the data from the Lisbon-based International Lead and Zinc Study Group (ILZSG). World refined zinc consumption stood at 10.513 million tonnes in the first ten months of the current year as compared to 10.382 million tonnes in the same period a year ago. Global refined zinc production totaled to 10.821 million tonnes in January to October of 2011 against 10.595 million tonnes a year earlier.

Outlook

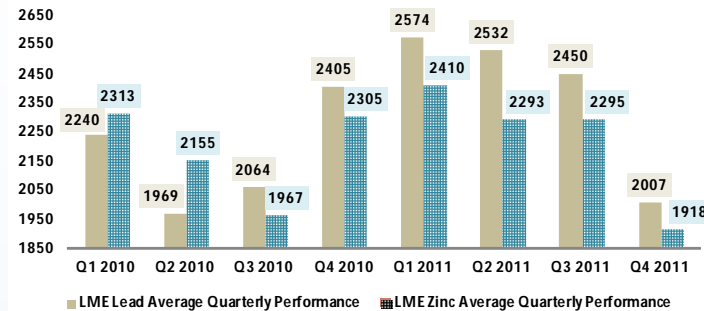
For the short term perspective, we expect lead and zinc prices to come under pressure. Surplus in the zinc markets will act as a negative factor for zinc. However, lead demand in emerging markets is expected to remain strong and this will cushion sharp downside in the metal prices.

Lead and Zinc Technical Levels		
	Lead	Zinc
CMP	103.85	97.95
Support 1	93.5	87.6
Support 2	80	76.7
Resistance 1	117	107
Resistance 2	126	117

Fourth Quarter Performance - Lead and Zinc					
	Open	High	Low	MRV	% Chg
LME Lead (\$/tonne)	1,980	2,168	1,772	2,033	2.5
MCX Lead Futures (Rs/kg)	97.90	112.20	88.50	107.65	6.8
LME Zinc (\$/tonne)	1,863	2,112	1,719	1,845	(1.8)
MCX Zinc Futures (Rs/kg)	92.05	106.30	86.10	98.45	5.6

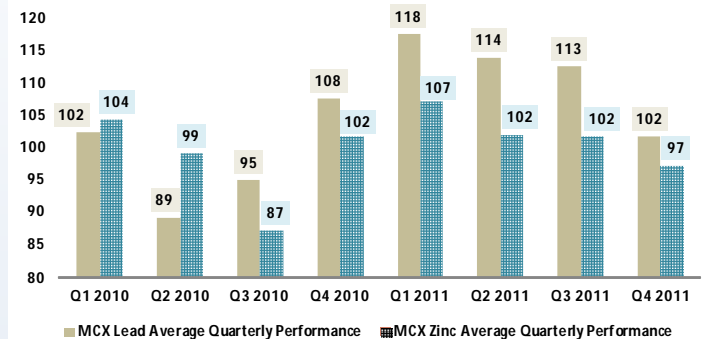
Source: Reuters and Angel Research

Fig 33: LME Lead and Zinc Average Quarterly Performance



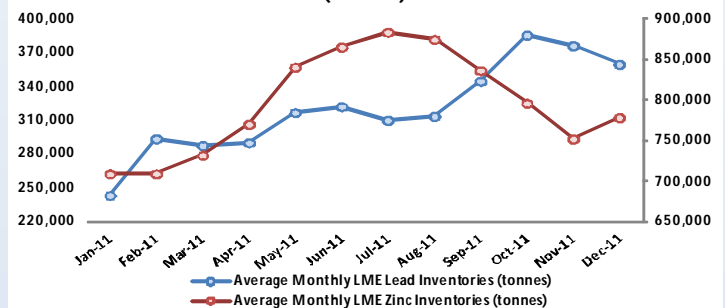
Source: Reuters, Angel Research

Fig 34: MCX Lead Average Quarterly Performance



Source: Reuters, Angel Research

Fig 35: Average Monthly LME Lead and Zinc Inventories (tonnes)



Source: Reuters, Angel Research

Refined Lead World Total Production and Consumption '000 Tonnes

	2008	2009	2010	2011 E	2012 E	2013 E
Production	9,060	8,989	9,572	10,102	10,605	11,096
Consumption	9,047	8,997	9,639	10,229	10,642	11,183
Surplus/Deficit	13	(8)	(67)	(127)	(37)	(87)

Source: EIU, Factiva, Angel Research

Refined Zinc World Total Production and Consumption '000 Tonnes

	2008	2009	2010	2011 E	2012 E	2013 E
Production	11,768	11,291	12,871	13,200	13,891	14,244
Consumption	11,559	10,845	12,615	12,997	13,428	14,080
Surplus/Deficit	209	446	256	203	463	164

Source: EIU, Factiva, Angel Research

Crude Oil

Nymex Crude Oil prices have gained around 8.2 percent in 2011 but prices on the MCX have increased more than that in the international markets by a whopping 29.5 percent. Gains in the domestic markets are higher on account of Rupee depreciation; in 2011 the currency has weakened more than 18 percent, thus supporting prices in India.

During the first-half of the year, Nymex crude oil prices rose more than 4 percent as geo-political concerns in the Middle East and North Africa region supported prices. In the first week of May, crude oil prices on the Nymex hit a high of \$114.83/bbl but prices are currently finding it difficult to sustain around \$100/bbl owing to the rising global economic troubles.

In 2011, crude oil inventories declined around 1.7 percent to 329.7 million barrels on 30 December 2011. In the month of December crude stocks decreased almost 1.9 percent as oil companies drew down inventories to lessen their tax burden at the end of the year. Inventories rose 6.1 percent to 355.7 million barrels in the first quarter of the current year and continued to rise by 1.1 percent in the second quarter to touch 359.5 million barrels till the end of June.

US crude oil inventories increased as crude imports rose faster than refineries demand. However, in the third quarter (Q3) inventories witnessed a sharp drop of 6.2 percent to 336.2 million barrels, as supply disruptions due to hurricanes in the Gulf of Mexico cut production of crude oil from the oil rich regions.

According to the EIU, the pace of slowdown in US oil consumption gained momentum during the third-quarter of 2011 on the back of weakness in petrol consumption. With high crude oil prices currently, and slow pace of economic growth, demand growth for the fourth-quarter could be sluggish. Consumption in China is witnessing deceleration as growth is down from a rise of 10.4 percent year-on-year in the first-quarter to just 5.8 percent in August. Moderation in economic growth and industrial activity has affected demand growth.

Global oil consumption is expected to grow at 1.7 percent pace till the end of 2011 and the slowdown in consumption growth is on the back of slow growth during the second-half of the year.

Outlook

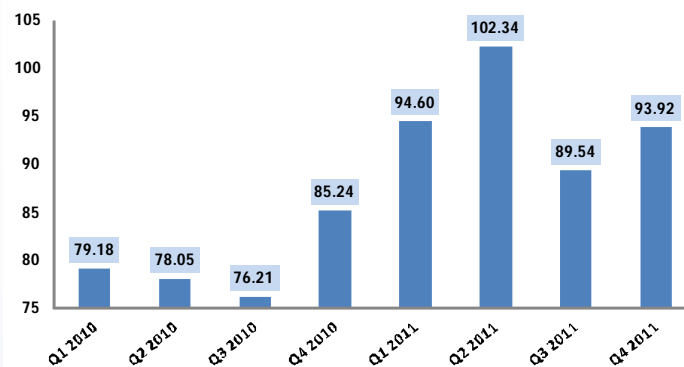
In the short-term, crude oil prices are expected to trade with a positive bias on the back of supply concerns from Nigeria and expected winter demand. But the downside risk to crude oil in the short-term remains in the form of further negative economic news or developments in the Euro Zone.

Crude Oil Technical Levels	
CMP	5366
Support 1	4820
Support 2	4200
Resistance 1	5905
Resistance 2	6520

Fourth Quarter Performance - Crude Oil					
	Open	High	Low	MRV	% Chg
WTI Crude (\$/bbl)	77.34	102.59	75.4	98.83	25.2
Nymex Crude Oil Futures (\$/bbl)	77.61	103.37	74.95	98.83	24.8
Spot Brent Crude (\$/bbl)	105.91	116.16	104.14	109.19	1.4
Brent Crude Futures (\$/bbl)	101.71	116.48	99.11	107.38	4.5
MCX Crude Oil Futures (Rs/bbl)	4041	5430	3828	5317	29.8

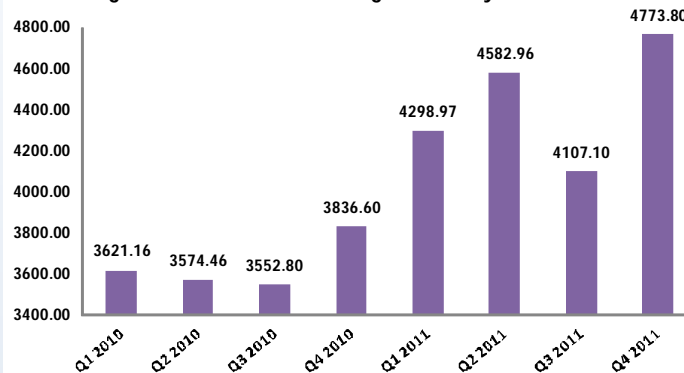
Source: Reuters and Angel Research

Fig 36: Nymex Crude Oil Average Quarterly Performance



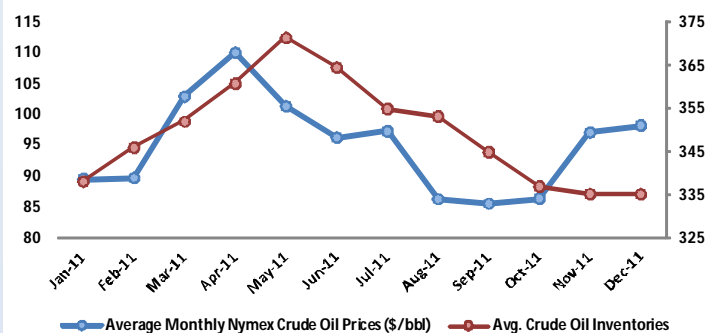
Source: Reuters, Angel Research

Fig 37: MCX Crude Oil Average Quarterly Performance



Source: Reuters, Angel Research

Fig 38: Average Monthly Nymex Crude Oil Prices vs. Inventories



Source: Reuters, Angel Research