
Monday Market Monitor - Metals (WEEK 02) - Chinese CRR hike deepens cut

Monday, 18 Jan, 2010

Copper prices fell the most in three months. In other metals Aluminium, Zinc and Nickel also dropped and only tin beat the general trend in base metals.

China increased CRR by 50 bps and cut liquidity to curb overheating. It hiked reserve ratio after five quarters of ultra loose monetary policies since 4Q2008. Morgan Stanley on China CRR Hike said "The surprising hike of RRR is likely to affect market sentiment in the near-term; especially the policy sensitive sectors such as banks, properties and materials. Defensive sectors are telecom, consumer, media, Internet and insurance."

The dollar rose against the euro after US data showed a rise in manufacturing and tame consumer prices last month. A stronger dollar makes dollar priced metals costlier for non US investors. The dollar's rebound against a basket of six major currencies also weighed on metal prices. The dollar index rose for the first time in four days after Federal Reserve Bank of Philadelphia President Mr Charles Plosser said the central bank must increase interest rates "well before" unemployment falls to an acceptable level.

Also knocking sentiment, US stock markets, seen by some as a proxy for economic growth, fell after a survey showed consumer sentiment was little changed in early January.

US industrial production rose in line with expectations in December while capacity utilization, one of the factors the Fed is watching to decide when to raise rates, rose slightly.

Mr Peter Fertig, analyst at Quantitative Commodity Research, said "Investors are concerned about the pace of economic recovery. We have a combination of high inventories and stock market weakness."

The slump in metals prices triggered losses in related equities. The MCSI World/Materials Index, a measure of mining and chemical companies, dropped for a second day to the lowest in a week.

London Metal Exchange Rates

Cash Buyer

Product	07-Jan	14-Jan	Change	%
Zinc	2634	2492	-142	-5%
Nickel	18745	18345	-400	-2%
Tin	17675	18175	500	3%
Aluminium	2306	2293	-14	-1%
Copper	7593	7453	-140	-2%

Change is on January 14th as compared to January 7th 2010

In USD per tonne

1. Zinc

Zinc was the biggest loser with 5.39% loss during January 14th 2010 and January 7th 2010.

London Metal Exchange Rates

Cash Buyer

07-Jan	11-Jan	12-Jan	13-Jan	14-Jan
2634	2579	2486	2476	2492

In USD per tonne

Date	Rate	Period	Change
14-Jan	2492		
07-Jan	2634	WoW	-5.39%
14-Dec	2281	MoM	9.25%
14-Oct	1988	QoQ	25.38%
14-Jan'09	1181	YoY	111.01%

In USD per tonne

2. Nickel

London Metal Exchange Rates

Cash Buyer

07-Jan	11-Jan	12-Jan	13-Jan	14-Jan
18745	18275	17760	17725	18345

In USD per tonne

Date	Rate	Period	Change
14-Jan	18345		
07-Jan	18745	WoW	-2.13%
14-Dec	16680	MoM	9.98%
14-Oct	18125	QoQ	1.21%
14-Jan'09	10350	YoY	77.25%

In USD per tonne

Analysts noted record high nickel stocks, which at 161,994 tonnes have more than doubled over the past year as supplies outstripped demand from stainless steel producers.

Mr Dan Smith, analyst at Standard Chartered, said “Nickel more than any other base metal takes account of fundamentals. It is heading up to be the worst market because the stainless steel market is in a pretty poor state.”

3. Tin

London Metal Exchange Rates

Cash Buyer

07-Jan	11-Jan	12-Jan	13-Jan	14-Jan
17675	17800	17725	17675	18175

In USD per tonne

Date	Rate	Period	Change
14-Jan	18175		
07-Jan	17675	WoW	2.83%

14-Dec	15150	MoM	19.97%
14-Oct	14650	QoQ	24.06%
14-Jan'09	11300	YoY	60.84%

In USD per tonne

Traders said tin prices would be supported by a crackdown on illegal mining in Indonesia, the world's second largest producer after China.

4. Aluminium

London Metal Exchange Rates

Cash Buyer

07-Jan	11-Jan	12-Jan	13-Jan	14-Jan
2306	2320	2260	2250	2293

In USD per tonne

Date	Rate	Period	Change
14-Jan	2293		
07-Jan	2306	WoW	-0.59%
14-Dec	2265	MoM	1.21%
14-Oct	1854	QoQ	23.65%
14-Jan'09	1440	YoY	59.20%

In USD per tonne

Aluminum in London fell to USD 2,253 a tonne on Friday while the metal dropped by the exchange-imposed daily limit in Shanghai.

Mr Yu said "Aluminum has been rising alongside copper, partly supported by concerns about supply as power gets disrupted by the bad weather. However one mustn't forget the 4 million tonnes of metal sitting in warehouses."

Inventories of aluminum in warehouses monitored by the LME reached a record 4.64 million tonnes on December 18. Now stocks of aluminum at 4.58 million tonnes are within reach of record highs. But prices have been supported by financing deals, which have tied up about 70% of LME stocks until May at least.

Also in the spotlight are canceled warrants, material earmarked for delivery, on aluminum stocks, which at more than 251,000 tonnes is nearly 20% of the remaining 30% not tied up in deals.

5. Copper

London Metal Exchange Rates

Cash Buyer

07-Jan	11-Jan	12-Jan	13-Jan	14-Jan
7593	7680	7420	7390	7453

In USD per tonne

Date	Rate	Period	Change
14-Jan	7453		
07-Jan	7593	WoW	-1.84%
14-Dec	6915	MoM	7.78%
14-Oct	6191	QoQ	20.38%
14-Jan'09	3138	YoY	137.51%

In USD per tonne

Copper prices trickled to a weaker finish on Friday, under pressure from a firmer dollar and incessant inventory builds in exchange-monitored warehouses that fanned concerns about near-term demand prospects.

Copper prices mired in a lower drift, with near term concerns about incessant stock builds in global exchange warehouses. London Metal Exchange warehouse stock levels ended the week at 525,475 tonnes, their highest since mid February. Deliverable copper inventories in warehouses monitored by the Shanghai Futures Exchange rose 2% to 100,588 tonnes from 98,814 tonnes a week earlier. COMEX copper stocks up 276 short tons at 99,917 short tons as of Thursday.

Mr Justin Lennon, analyst with Mitsui Bussan Inc said “The market is drifting because some people don't like seeing these increases in stocks. From a near-term perspective it looks like there's a lot of supply, but, historically speaking it's not that much.”

Copper supported by tight market conditions reflected in 2010 copper treatment and refining charges of USD 46.50 a tonne, or 4.65 cents a lb, between BHP Billiton Plc and Japanese and Chinese smelters

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