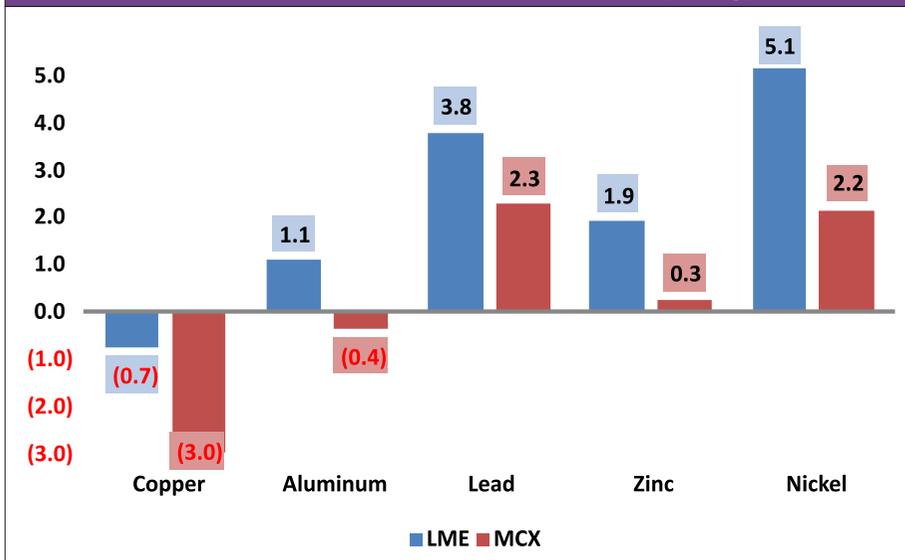


SPOT PRICE ANALYSIS



Over the month of Oct'13, base metals witnessed a mixed trend when price performance is compared in the international and domestic markets. Mainly, the currency factor played a major role that led to divergence in base metal prices in the Indian markets. The Rupee appreciated around 1.5 percent and this capped sharp gains in prices on the MCX. In case of copper sharper losses were seen to the tune of 3 percent in Rupee terms as against 0.7 percent decline on the LME. This is because, Rupee appreciation led to further downside pressure on prices. Overall, during the last month, nickel was the best performer amongst the base metals pack as the commodity gained a whopping 5.1 percent on the LME. Major supportive factor in case of nickel was the expected supply disruption from Indonesia in 2014. This has created a concern on the supply front for nickel, despite huge inventories on the LME currently along with a comfortable supply-side scenario. Inventories, have gained phenomenally from 150,900 tonnes in Jan'13 to around 238,000 tonnes in Oct'13, thus marking a sharp rise of around 58 percent on a year to date basis. Further, for the month of Oct'13 alone inventories surged around 5.3 percent. Despite this, prices increased and thus indicate that threat of supply disruption is supporting prices currently.

Base Metals October Price Performance (% Chg)



For the month of Oct'13, we have covered Aluminum in detail as a host of events in the Aluminum sector are likely to have a major impact on prices in the coming months....

LME Aluminum prices gained around 1.1 percent during the month of October'13. Prices surged mainly on account of plunge in Shanghai inventories around 1.5 percent and were at 210315 tonnes as on 1st November 2013. Additionally, fall in global aluminum inventories and drop in global aluminum production in September 2013

acted as a positive factor for prices. Further, marginally decline in LME aluminum inventories which stood at 5368950 tonnes in October'13 from 5374550 tonnes in September'13 also supported an upside in prices.

As per the International Aluminum Institute (IAI), global aluminum inventories slipped around 4.7 percent in the month of September'2013. Total global aluminum stocks slipped by 106,000 metric tonnes to 2.130 million metric tonnes in September from 2.236 million metric tonnes in August.

On a yearly basis, inventories slipped around 8.7 percent from 2.333 million metric tonnes during the same time last year.

Further, total world unwrought aluminum inventories dropped by 86,000 metric tonnes to 1.096 million metric tonnes in September'2013 as against 1.182 million metric tonnes in August'2013. When compared on monthly basis, inventories have plunged around 7.27 percent in September. While on a year on year comparison inventories of total global unwrought aluminum fell by 210,000 metric tonnes from 1.306 million metric tonnes in September'2012 acting as a positive factor for prices.

Additionally IAI data published showed that global primary aluminum output, excluding China averaged at 66,600 metric tonnes per day in September 2013 which is down from 67,200 metric tonnes per day in August and from 66,900 metric tonnes per day in September 2012. Total production in Sep'13 was at 1.999 million metric tonnes down from 2.084 million metric tonnes in Aug'13 and with respect to 2.007 million metric tonnes in Sep'12.

Production for Jan'13-Sep'13 was at an average of 67,900 metric tonnes per day to 18.539 million metric tonnes compared with 18.618 million metric tonnes during the same period in 2012. Also, rising

ALUMINIUM	LME (\$/TONNE)	LME % CHG	MCX (RS/KG)	MCX % CHG	INVENTORY (TONNES)	INVENTORY % CHG
Jan-13	2,096	1.4	110.6	-0.9	5,155,300	-1.1
Feb-13	2,007	-4.3	105.45	-4.7	5,172,550	0.3
Mar-13	1,903	-5.2	103.65	-1.7	5,228,425	1.1
Apr-13	1,869	-1.8	100.15	-3.4	5,152,825	-1.4
May-13	1,902	1.8	105.9	5.7	5,198,375	0.9
Jun-13	1,775	-6.7	105.05	-0.8	5,450,175	4.8
Jul-13	1,804	1.6	105.75	0.7	5,471,100	0.4
Jul-13	1,804	1.6	105.75	0.7	5,471,100	0.4
Aug-13	1,818	0.8	118	11.6	5,400,350	-1.3
Sep-13	1,844	1.4	113.1	-4.2	5,381,000	-0.4
Oct-13	1,864	1.1	112.7	-0.4	5,368,950	-0.2



demand from China and Euro Zone supported an upside in prices. On the supply front, decline in production and output cut by Alcoa and Rusal the biggest global aluminum producers acted as a supportive factor for prices. Further, expectations of investors' regarding change in warehousing system and rules on the London Metal Exchange (LME) provided boost to prices.

However, sharp upside in prices was restricted as a result of rise in China's annualized production rose by 670,000 tonnes in September touching a fresh all time high of 22.61 million tonnes. As per the China Nonferrous Metals Industry Association (CNMIA), annualized production of aluminum rose by 1.86 million tonnes over the first nine month of the current year. Actual output rose by 10 percent to 16.10 million tonnes in January-September period.

Apart from the demand supply fundamentals, macroeconomic scenario also supported an upside in prices. After

slow economic growth in the US the Federal Reserve decided to continue with its QE tapering program which acted as a positive factor. Further, favorable manufacturing data from major global economies supported an upside in prices. Additionally, weakness in the US Dollar Index (DX) acted as a positive factor.

In the Indian markets, aluminum prices corrected around 0.5 percent owing to appreciation in the Rupee of 1.5 percent in October 2013. Further, from the demand perspective concerns will still persists as a result of estimates of weak economic growth which added downside pressure on prices. Additionally, lowering of GDP forecast for India by major global agencies acted as a negative factor. As per the Economic Intelligence Unit (EIU) report, aluminum growth is expected to increase by 6 percent to 1.8 million tonnes in the current year.

Outlook

During the coming month, we expect

aluminum prices to trade higher on the back of expectations of cut in production from major producers due to prices trading at the four year low levels.

Further, expectations of unfavorable economic data from US will lead to delay in QE tapering by the Federal Reserve which will support an upside in prices. Additionally, upbeat market sentiments coupled with weaker DX will act as a positive factor. However, sharp upside in prices will be restricted as a result of forecast for unfavorable economic data from major global economies.

In the Indian markets, Rupee appreciation will add downside pressure on prices. Further, estimation of decline in growth forecast for India will add downside pressure on prices. For the month of November we recommend, Sell MCX Aluminum November contract between Rs.112 – 113, with a Stop Loss of Rs.120, and Target of Rs.103/98 (CMP – Rs.111).

