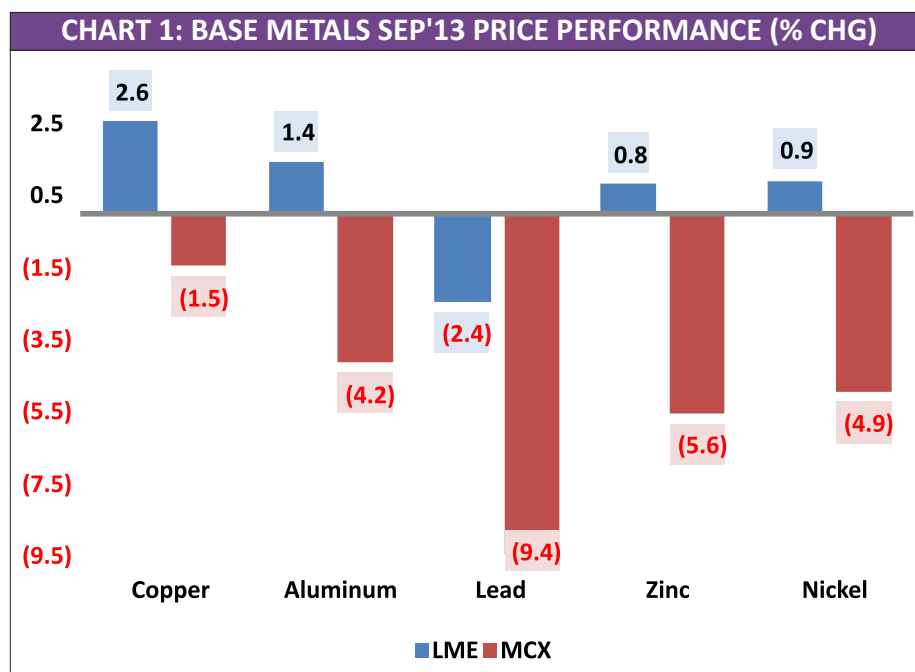


SPOT PRICE ANALYSIS

The base metals pack saw a divergent price performance during September'13, with prices on the LME witnessing gains on one hand and on the other, MCX prices falling in the red (Chart1). Currency factor was the main reason that led to pressure on base metals in the Indian markets. The Rupee appreciated around 5 percent in September'13 and due to this, metal prices slipped in the negative territory. The Dollar Index (DX) weakened during the last month and thus acted as a supportive factor for prices on the LME.



Copper

Copper prices gained the most on the LME, rising 2.6 percent but closed below the crucial \$7300/tonne mark. Inventories of the red metal on the LME declined around 8.5 percent last month and this factor aided rise in prices. The table below shows that month-on-month, copper prices on the LME have slipped, with prices falling from \$8200/tonne in January'13 to below \$7300/tonne in Sep'13.

However, on the MCX, prices have risen from Rs. 440/kg in January'13 to above Rs. 466/kg in September'13. Owing to the depreciation in the Rupee, prices in the Indian markets have increased sharply, marking gains in some months versus that on the LME in the months of May'13, July'13 and August'13.

Chinese copper imports showed

year-on-year growth in August'13, as the country imported 387,564 tonnes of unwrought copper and copper products, higher in value by around 9 percent when compared to the same period last year. However, month-on-month, Chinese copper imports witnessed a decline of 5.6 percent and had an impact on overall base metal prices last month. During the first eight months of the year, China's imports of unwrought copper and copper products stood at 2.8 million tonnes, showing a decline of more than 13 percent when compared to the same period last year.

Falling by 3.5 percent, copper inventories on the SHFE slipped from 156,568 tonnes in August'13 to 150,995 tonnes in September'13. Overall in 2013, SHFE copper inventories had peaked to above 247,000 tonnes, but from thereon a



sharp fall has been seen, which in turn is helping support copper prices even when market sentiments turn negative. At the start of the year, copper inventories stood at above 200,000 tonnes.

Aluminum

LME Aluminum prices gained around 1.4 percent during the month of September'13. Prices surged mainly on account of sharp plunge in Shanghai inventories by 28 percent to 213450 tonnes at the end of September'13. Further, decline in LME aluminum inventories by 0.5 percent also supported an upside in prices.

Additionally, rising demand in September'13 from China, US and India which are amongst the top ten consumers, added upside support to prices. Apart from that, demand from Brazil is picking up for aluminum as

COPPER	LME (\$/TONNE)	LME % CHG	MCX (RS/KG)	MCX % CHG	INVENTORY (TONNES)	INVENTORY % CHG
Jan-13	8,200	3.2	440.05	-0.8	376,000	17.3
Feb-13	7,816	-4.7	418.10	-5.0	458,775	22.0
Mar-13	7,533	-3.6	410.20	-1.9	571,125	24.5
Apr-13	7,037	-6.6	381.00	-7.1	618,175	8.2
May-13	7,276	3.4	413.05	8.4	611,125	-1.1
Jun-13	6,765	-7.0	406.60	-1.6	662,275	8.4
Jul-13	6,886	1.8	421.55	3.7	610,725	-7.8
Aug-13	7,111	3.3	473.35	12.3	588,000	-3.7
Sep-13	7,293	2.6	466.40	-1.5	538,025	8.5

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



completion of projects for World Cup 2014 is nearing, thus boosting demand for the metal.

Apart from that, demand from Brazil is picking up for aluminum as completion of projects for World Cup 2014 is nearing, thus boosting demand for the metal. Even, primary metal output fell by 8.4 percent over the year till July'13, marking a reduction of 122,000 tonnes of output on an annualized basis.

The above table shows that aluminum prices have slipped considerably over the year, as at the start of the year Aluminum prices on the LME stood above \$2000/tonne levels, while in the last month, the metal closed around \$1840/tonnes, marking a fall of more than 12 percent.

Over the year, inventory increases

and overall concerns over demand along with macroeconomic concerns weighed on prices. But the scenario of a drawdown in inventories on the SHFE and the LME are acting as a positive factor.

Outlook

Over the next fortnight, a mixed trend is expected to be seen in case of base metals. While inherent fundamentals are likely to provide direction, metals will also take major cues from the macroeconomic

developments at large. Over the next fortnight, weak economic sentiments with respect to the political developments in the US are expected to add pressure on base metal prices as risk appetite wanes. With the month of October'13 beginning with a negative tone on account of the US government shutdown, we expect sentiments in the world markets to take a hit especially ahead of the FOMC meeting.

Copper prices could slip below the \$7000/tonne mark on the LME over the next fortnight, but a recovery could be seen towards the end of the month as a positive tone is expected to be seen in base metals as expectations that the QE taper will be deferred due to political crisis in the US, will support market sentiments at large.

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