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LME DAILY METALS REPORT

As of March 10	HIGH	LOW	CLOSE	CSH/3	3'S/15	LME STOCKS (CH)	SUP	RESIS	RSI	VOL (000)	O/I (000)	10 MAV	40 MAV	100 MAV
CU	7580	7400	7440	-33.75	-17.5	535,650 (-2525)	7100	7600	56	128	282	7401	7134	6992
AL	2265	2225	2232	-30.1	-94.5	4523200 (-4625)	2170	2300	60	155	709	2190	2155	2125
PB	2325	2255	2289	-26.25	+1	170,225 (-250)	2135	2300	56	40	88	2211	2199	2300
ZN	2420	2355	2376	-28.25	-19	539,250 (-50)	2250	2400	58	82	229	2282	2257	2303
NI	22400	21425	21520	-75	+20	159,384 (-318)	20000	25000	60	38	107	21876	19560	18351
SN	17750	17575	17750	-75	-46	23,860 (+5)	17250	17850	63	4.2	21	17250	17031	16133
NAA	2160	2150	2145	-34.5	-102.5	175,660 (-160)	NA	NA	58	0.9	11.3	2122	2069	1998

Shanghai Nearby Last (YUAN)	CU :59,230 (-1170)	AL: 16,720 (-180)	ZN: 18,695 (-480)	LME/SHAN CU ARB: -254
Shanghai Stocks as of March 5	CU: 148,620 MT(-858)	AL: 376,233 MT (+5,555)	ZN: 223,400 MT (-202)	

	CU	AL	PB	ZN	NI	SN
2010 HI/LOW	7796 / 6225	2394 / 1983	2690 / 1911	2736 / 1935	23040 / 16975	17850 / 14850
2009 HI/LOW	7423 / 3025	2305 / 1279	2525 /957	2615 / 1070	21325 / 9250	17000 / 9700

Explanations for our table: High/low/close are official LME prices for the day prior; cash/3's and the 3's/15 spreads is the spread between the respective periods, with a positive number reflecting a backwardation and a negative numbers reflecting a contango. Stocks (in MT) show inventories on hand for the current day, along with changes from the day prior. Volume and open interest data are for the day prior, while the MAV refers to the 10, 40, and 100-day moving averages. Shanghai prices are as of close of trading from the day priori; Shanghai stocks are in MT for the week indicated; please contact this writer for any further questions. *Arb differential number is derived as follows: LME 3-m copper in Yuan, including 17% VAT, minus SHFE third month; (+ would mean LME is over).

This market comment was written at 8:05 a.m. on March 11th, US east coast time...

Metal prices retreated on Wednesday, this despite trade data out of China showing February imports of unwrought copper rising to almost 323,000 tons, up almost 10% from the previous month. Imports of copper scrap fell 17% from January, likely attributable to a lack of availability. On the whole, copper prices have not done much so far this week, with prices still hemmed in by $7600 resistance. The same is true with the other metals, with most of them slightly lower so far on the week, with the exception of lead and tin. Right now, all the metals are down, except for ali, which is clinging to a modest gain.

This writer just got back from the CRU aluminum conference in Miami, where the mood was surprisingly upbeat among the LME brokers and fund-based panelists, with many pointing to the "stickiness" of the cash and carry deals and pending ETF investment vehicles on aluminum as reasons why prices could push higher. Some attributed the possibility of a major ETF announcement as a possible reason behind the current tightness in May/June. We have a slightly different take on the issue, as our sense is that the cash and carry transactions do not seem to be as lucrative as they once were, evidenced by the fact that LME stocks have not been rising over the last several months. Moreover, even if more metal were placed into these deals, the spreads will get progressively less attractive. Finally, as one producer correctly remarked, "A warehouse is not a customer", underlining the fact that simply accumulating aluminum is not the same thing as using it.

The voracious appetite the Chinese have shown for aluminum was also another obvious bullish factor cited at the conference, but this variable should be treated with some caution as well. If the Chinese overproduce, they likely will turn to the export markets to shift some of their metal, preferring to keep workers employed even at the expense of somewhat lower prices. Indeed, the Chinese are capable of producing enough metal to more than offset any units tied up in ETF vehicles or cash and carry deals. We therefore are less sanguine about aluminum's prospects going forward, and maintain our view that given the large stock overhang, prices will have trouble pushing significantly beyond the $2600-$2700 area for the balance of the year, while on the downside, a retest of $1900 cannot be ruled out.

On the US macro front, it has been a relatively quiet week thus far, but tomorrow, we should get February retail sales, which are expected to be off by -.2%, with weather obviously playing a factor. The dollar is holding steady against the Euro, now trading at $1.3660. Crude oil prices are unchanged, while US stocks are called to open slightly lower.

Out of China, we have macro reports out overnight showing February inflation readings reaching a 16-month high, industrial output climbing, while retail sales and new loans both exceeding forecasts as well, making the case for further tightening by the government more likely. This may be why metals are acting sluggish today, as the markets may be sensing that the government will be tugging on the reins a little bit more tightly going into 2010. Having said that, much of the increase in the February macro numbers is attributable to comparisons against a low base versus last year, so the government may likely wait for a few more months of data before stepping up to the plate more aggressively.

Out of Japan, we have reports that the economy grew less than initially estimated in the fourth quarter, with growth now pegged at 3.8%, down from 4.6% reported earlier.

Finally, China reported local metal output for the month of February. These numbers are presented below, and show slow but steady growth in local output of metal, further increasing the likelihood of reduced import demand going into 2010.

Chinese Metals Output for February and comparisons

	Feb	yr/yr pct	Jan	mo/mo pct	Jan-Feb	yr/yr pct
Refined Copper	358,000	6.5	344,000	4.1	702,000	16.2
Aluminium	1,308,000	46.6	1,262,000	3.6	2,570,000	45.6
Zinc	363,000	40.2	376,000	-3.5	739,000	47.8
Lead	238,000	10.7	284,000	-16.2	522,000	26.4
Nickel	13,702	0.4	14,458	-5.2	28,159	8.7
Tin	9,729	102.0	10,556	-7.8	20,285	93.7
In concentrate:						
Copper	90,000	20.0	80,000	12.5	170,000	31.8
Alumina	2,358,000	39.0	2,507,000	-5.9	4,865,000	50.8
Zinc	192,000	45.5	224,000	-14.3	416,000	71.2
Lead	90,000	42.9	105,000	-14.3	195,000	61.2
Tin	3,000	-25.0	5,000	-40.0	8,000	-20.0
Products, semi-finished products and alloy						
Copper semis	593,000	3.3	737,000	-19.5	1,330,000	33.9
Aluminium semis	1,563,000	20.6	1,418,000	10.2	2,981,000	36.1
of which:						
profiles	227,000	15.8	289,000	-21.5	516,000	33.7
plate	98,000	24.1	123,000	-20.3	221,000	43.5
strip	63,000	37.0	73,000	-13.7	136,000	52.8
foil	415,000	101.5	73,000	468.5	488,000	95.2
Aluminium alloy	226,000	47.7	245,000	-7.8	471,000	93.8

Source: Reuters

COPPER SUPPORT: $7100 / RESISTANCE: $7600

Copper is at $7436, down $4, across the worst levels of the day. We did get past the troublesome $7600 resistance mark earlier in the week, but have not been able to do so since then, keeping prices somewhat hemmed in below that resistance level. We expect prices to turn slightly lower from here, then eventually drift closer to $7100 support.

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ALUMINUM SUPPORT: $2170 / RESISTANCE: $2300

Ali is at $2232, up $1/MT. Prices never did make it to $2300 resistance this week, although they did come close. Nevertheless, the short-term upchannel remains intact, and will not be threatened unless we close below $2170. NASAAC is at $2127-$2145.

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ZINC SUPPORT: $2250 / RESISTANCE: $2400

Zinc is at $2341, down $35, and struggling today. The $2400 resistance level has proved formidable this week, and although prices breached it, they could not close over it.

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LEAD SUPPORT: $2135 / RESISTANCE: $2300

Lead is at $2268, down $21. The $2300 mark is still showing up as good resistance on a closing basis.

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NICKEL SUPPORT: $20,000 / RESISTANCE: $25,000

We are $21,340 on nickel, down $180, as prices are pushing lower after failing to mount a serious test of $25,000 resistance. We frankly have been puzzled by nickel's move higher to begin with, and so are not surprised by the current weakness.

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TIN SUPPORT: $17,250 / RESISTANCE: $17,850

Tin prices are at $17,550, down $200. Charts look constructive, as earlier resistance of $17,400 was taken out on a closing basis, but with the rest of the group acting sluggish, we suspect the complex will be under modest pressure.