

Metals Report

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As of Mar 26	High	Low	Close	Csh/3	3s/15	LME Stocks (ch)	Sup	Resis	RSI	Vol (000)	O/I (000)	10 MAV	40 MAV	100 MAV	
CU	8220	8080	8180	+125	-431	117,225 (-825)	7500	8250	52	85	280	8179	8015	7288	
AL	2950	2910	2944	-49	-53	1,032,250 (-1175)	2800	3015	49	152	728	2995	2907	2655	
PB	2801	2740	2799	-16	-10	47,775 (+575)	2500	2950	39	18	69	2927	3044	2944	
ZN	2365	2315	2330	-32	-17	124,800 (-75)	2300	2600	39	65	192	2476	2508	2460	
NI	29850	29345	29800	-250	-540	49,332 (+750)	27800	34000	48	17	66	30783	29481	28926	
SN	20350	20150	20325	+80	-135	9,105 (+120)	19000	20950	67	7	21	20095	18259	17231	
NAA	2685	2650	2685	-43	-65	114,380 (+300)	NA	NA	51	4.2	19	2701	2630	2448	
Shanghai Nearby Last (Yuan)				CU: 64,630 (+670)			AL: 19,780 (+395)			ZN: 19,800 (+540)					
Shanghai Stocks as of 03/06/08				CU: 67,824 MT (+6,501)			AL: 170,491 MT (+1,040)			ZN: 75,150 MT (-201)					
	CU	AL	PB	ZN	NI	SN									
2008 Hi/Lo	8820/6692	3255/2401	3480/2484	2900/2150	35150/26250	20050/15750									
2007 Hi/Lo	8335/5260	2932/2375	3890/1505	4270/2135	51800/24800	17575/9849									

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 prior; Shanghai stocks are in MT for the week indicated; please contact this writer for any further questions.

This market comment was written at 7:40 a.m. on March 27th, US east coast time...

LME metals prices finished higher on Wednesday, as the weaker dollar once again boosted a variety of commodity complexes. Crude oil's staggering advance yesterday, (up almost \$5 barrel), was instrumental in seeing metals through a midsession wobble that set in after the US durable goods and new home sales data came out. Of the two, durable goods came in much worse than expected, with orders declining 1.7%, (consensus +0.7%), following a 4.7% decline in January. Non-defense capital goods orders excluding transportation-- seen as a proxy for business investment-- also fell, providing further evidence that we could be, or already are, in recession. A separate report also showed single-family home sales falling 1.8% to an annualized rate of 590,000, slightly higher than estimates, but this figure is not as important as the existing home sales figures out earlier this week. More disturbingly, housing inventory remained unchanged at 9.8 months worth of supply.

While commodities were shooting higher yesterday, the US stock market was heading south in a replay of the divergence we saw about two weeks ago. It remains to be seen if commodities are gearing up to retest the record highs largely at the expense of struggling stock and bond markets. Despite the impressive advances of the past few days, we are not sure we are quite there just yet. It seems commodities are being boosted by the weaker dollar, while ignoring the rapidly deteriorating US macro backdrop and the weak demand implications this will have on metals. We therefore are inclined to see this recent move higher in metals as a rally in a short-term downtrend that has yet to fully play out.

In macro news, not much will be coming out today from the US except for final readings on 4th quarter GDP and weekly initial claims readings. In addition, a Federal Reserve official denied a *Financial Times* newspaper report we cited earlier in the week saying that the Fed is in talks with foreign central banks about the feasibility of using taxpayer money to buy mortgage-backed securities. Finally, German consumer confidence unexpectedly climbed for the first time in three months vs. expectations that this gauge would drop.

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March 27, 2008

The LME said it would launch swap contracts for its eight non-ferrous metals on March 31st, settled in cash against the exchange's underlying non-ferrous metals contracts. The contracts will be accessible to the Category 1 and 2 members only.

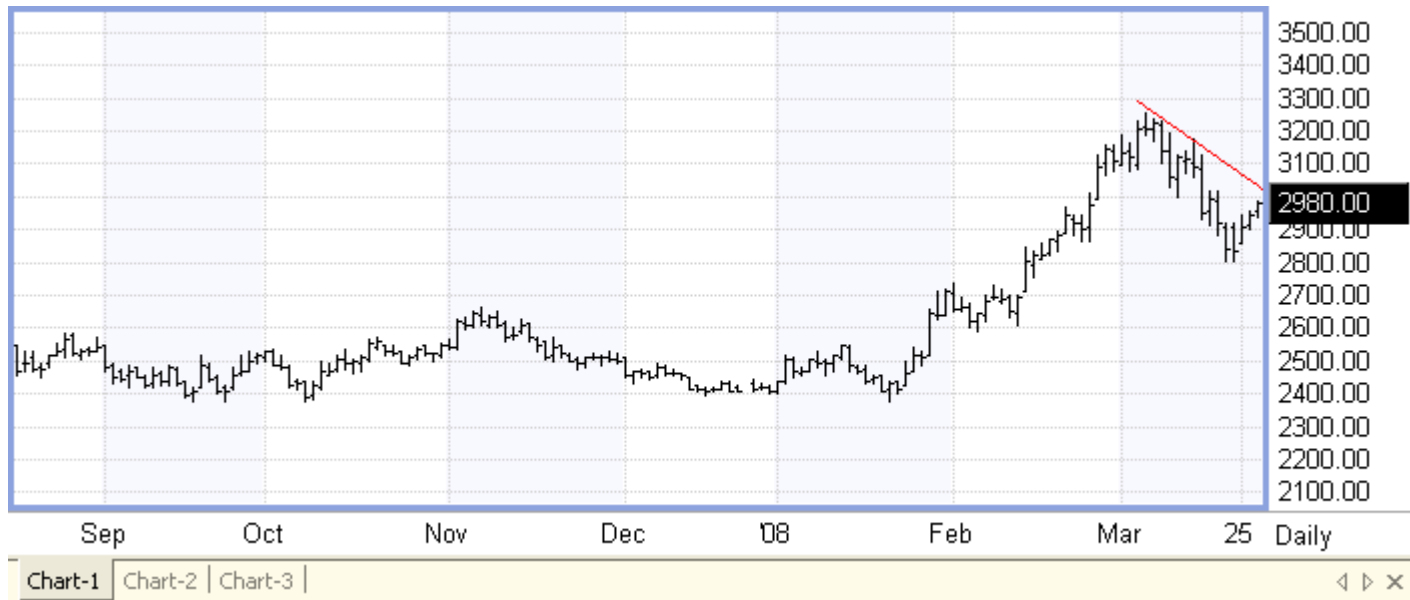
COPPER / SUPPORT: \$7500 / RESISTANCE: \$8250

Copper is now at \$8345, up \$165, as a weak dollar seems to be the main driver. Additionally, there is talk that Chinese stock readings this week could be down, breaking a string of advances. This should be a real positive for the market, and could perhaps temporarily override the worrisome macro backdrop we cited earlier. We are looking for two days of closes above the \$8250-\$8300 level to warrant another test of the new highs.

* **Spain's Atlantic Copper** said it plans to produce 285,000 tons of copper anodes in 2008, up from 260,000 tons in 2007. It plans to produce 255,000 tons of refined copper cathodes, up from 244,000 tons in 2007.

ALUMINUM SUPPORT: \$2800 / RESISTANCE: \$3015

We are now at \$2972 on ali, up \$36; we are looking for a close above \$3015 to break out from the down channel that is currently in place (see chart).



* Bloomberg reports that aluminum output by **India's largest producers** rose 7.6% in the eleven months ending Feb. 28th, this according to the Ministry of Mines web site.

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