LME Daily Metals Report

December 19, 2011

As of Dec. 16	HIGH	LOW	CLOSE	CSH/3	LME STOCKS-CH	SUP	RESIS	RSI	VOL	O/I	10 MAV	40 MAV	100 MAV
CU	7443	7236	7345	-16	373,950 (-7,300)	7100	8015	43	16,330	2,307	7609	7654	8059
AL	2021	1988	2004	-8	4,873,025 (+50,300)	1950	2170	41	8,254	2,363	2041	2106	2242
PB	2018	1956	1960	-16	362,650 (+4,575)	1900	2167	40	3,398	1,330	2078	2037	2159
ZN	1896	1856	1868	0	765,625 (+6,725)	1820	2000	41	7,074	2,084	1950	1945	2037
NI	18625	17813	18550	8	88,338 (-372)	17300	18900	55	3,778	814	18248	18207	19665
SN	19000	18600	18800	-47	12,200 (0)	18350	21749	34	169	146	19655	20947	22211
NAA	2125	2098	2125	-24	157,540 (-960)	NA	NA	45	50	60	2146	2182	2297

Shanghai Nearby Last (YUAN) CU: 53,580 (-720) AL:15,725 (-110) / PB : 15,050 (-270) ZN: 14,810 (-170) LME/SH CU ARB:+487

Shanghai Stocks - Dec 15: CU: 79,570 MT(+6,858) / AL: 189,521 MT(+5,158) / PB: 44,369 MT(+26) / ZN: 374,174 MT(+268)

	CU	AL	PB	ZN	NI	SN
2011 HIGH/LOW	10190 / 6635	2803 / 1955.75	2904 / 1772.25	2599.75 / 1718.5	29425 / 16550	33600 / 17000
2010 HIGH/LOW	9687 / 6037.5	2500 / 1828	2690 / 1535	2736 / 1577	27595 / 16975	27500 / 14850

This market comment was written by Edward Meir (edward.meir@intlfcstone.com) at 8:10 a.m. on December 19th, US east coast time.

Metals rose on Friday (with the exception of lead) as did most other commodity complexes. The firmer tone was attributable to both the Euro holding its ground and to no new signs of stress emerging in the European bond markets, as French and Spanish yields both fell slightly on the day. In addition, the three-month cross-currency basis swap, (which is the rate banks pay to convert Euros to dollars and is being watched closely as we head into year-end), was at 122 basis points, unchanged from last week's rate and well below the three-year high of 162 level reached in late November.

Despite all this, the short-term European sovereign debt outlook remains problematic, certainly as far as the debt rating agencies are concerned. In this regard, Fitch said late on Friday that it lowered France's ratings outlook and placed six other European nations on review for a downgrade. Fitch said a "comprehensive solution" to the euro-zone crisis is "technically and politically beyond reach" noting that a European Union leaders' summit last week did little to allay its concerns. Fitch's move follows that of Standard & Poor's, which put 15 of 17 euro nations on "CreditWatch negative" last week.

Right now, base metals are lower in quiet trading, but off earlier lows. Oil prices are slightly higher, and the Euro is roughly unchanged, still defending the $1.30 mark. Gold is off by about $10/ounce, and should remain in the spotlight over the short-term given that it broke its 200-day moving average last week (at $1616) and is on track for its first losing quarter since 2008. News that Korean leader Kim Jong Il has died of a heart attack overnight has not generated much of a upside reaction. Another commodity breaking its 200-day moving average last week is oil, and it will be interesting to see whether we see further selling in energy in the weeks ahead given the deterioration in the charts and a noticeable slowing in demand in key markets. Finally, US stocks are expected to open higher ahead of a better tone coming out of the European equity markets.

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There was not much on the US macro front that impacted the markets on Friday-- consumer sentiment rose to 68 this month, a six-month high, while inflation readings as measured by consumer prices remained unchanged in November. The Philadelphia Fed December index of regional activity increased to 10.3, coming in much stronger than expected.

Later today out of the US, we get the NAHB housing market index for December (expected at 19), while Tuesday brings us November housing starts and building permits data (expected at 600,000 and 625,000, respectively). November existing home sales comes out Wednesday (expected at 5.0 3 million units annualized) while Thursday brings us weekly initial claims readings (expected at 380,000 and well above last week's reading of 366,000). We also get our third estimate for third-quarter US GDP (expected at 2%, unchanged from the prior reading) and yet another consumer sentiment reading, this one from the University of Michigan (expected at 68, unchanged from the previous month). Also out, will be the November leading economic indicators (expected at .3%). Finally, on Friday, we get November durable goods readings (expected at 2% on the overall rate and higher than the -.5% seen last month), November personal income and spending (expected up .2% and .3%, respectively) and new home sales for November (expected at 350,000).

Out of Europe, finance ministers will discuss a draft text of a new euro zone fiscal treaty later today so it can be finalized by the end of January. They will also address the size of bilateral loans scheduled to be made to the IMF, expected to come in at around $260 billion. The Germans are expressing reservations about contributing, saying they would only pay more if non-euro zone and non-European countries did so as well. The US has declined to offer additional funding, so it remains to be seen how much China, Russia, Brazil and India are willing to commit. The UK is apparently mulling a $50 bln contribution, this according to a London-based Sunday paper. In the meantime, with about 80 billion of Euro debt that needs to be sold in January alone, markets will continue to fret about the ability of European countries to roll their paper over at sustainable rates, especially given that the ECB is resisting calls to purchase Eurozone sovereigns on a massive scale. Instead, it seems content to toss the problem back onto the laps of besieged governments and their yet-to-be-formed financial firewalls.

Out of China, the government reported over the weekend that average property prices in 70 Chinese cities fell in November for a second consecutive month, as the government’s tightening campaign continues to pressure real estate. A survey showed that prices of newly built homes in 49 of the 70 large and medium-sized Chinese fell in November on a sequential basis, up from 34 cities in October. On a year-on-year basis, prices of newly built homes fell in four of the 70 cities in November, up from two in October, but this statistic will likely be scant comfort to skittish buyers coming into the housing market right now.

In other news, monthly inflows into US-exchange-traded commodity products and mutual funds totaled nearly $3 billion in November, up from around $726 million in October, this according to Lipper. The increase was due mainly to investors rushing into the massive gold ETF just as bullion prices started their recent wobble.

Out of the LME, initial bids from potential buyers for the exchange are due before the end of February, an LME spokeswoman said on Friday. In September, the LME revealed that at least 10 parties had expressed interest in buying the exchange in a deal that could be worth around $1.55 billion. The London Stock Exchange, the CME Group and the Singapore Exchange have all been named as potential bidders.

As we head into the year-end holiday season, trading conditions both this week and next should thin out considerably, leading to rather exaggerated movements in many of the commodities we follow. Most funds will be cleaning up positions ahead of uninspiring quarterly and year-end performances, and although they will start 2012 with a clean slate, they will not have any better visibility when it comes to navigating their way through a thicket of formidable global macro and political uncertainties that 2012 will have in store for the markets.

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COPPER SUPPORT: $7100 / RESISTANCE: $8015

We are now at $7317, down $27, but we did get to a low of $7198 earlier in the day. The $7100 area seems to be holding up for now, but a breach of that mark on a two-day closing basis will look serious and could set up a test of the recent lows.

* Speculators increased their bearish bets on copper, increasing net shorts by 686 to 3390 lots, **CFTC data** from last week showed. (Net long investments in gold fell by 16,230 lots to 135,117 lots over the same period).

ALUMINUM SUPPORT: $1950 / RESISTANCE: $2170

Ali is now at $1968, down $36. With another close below $1983 today (shorter red support line shown on our chart), aluminum may be in for a retest of July 2010 support at $1950 (the longer red line). Stocks have resumed ticking higher, with inventories up another 50,000 tons overnight.

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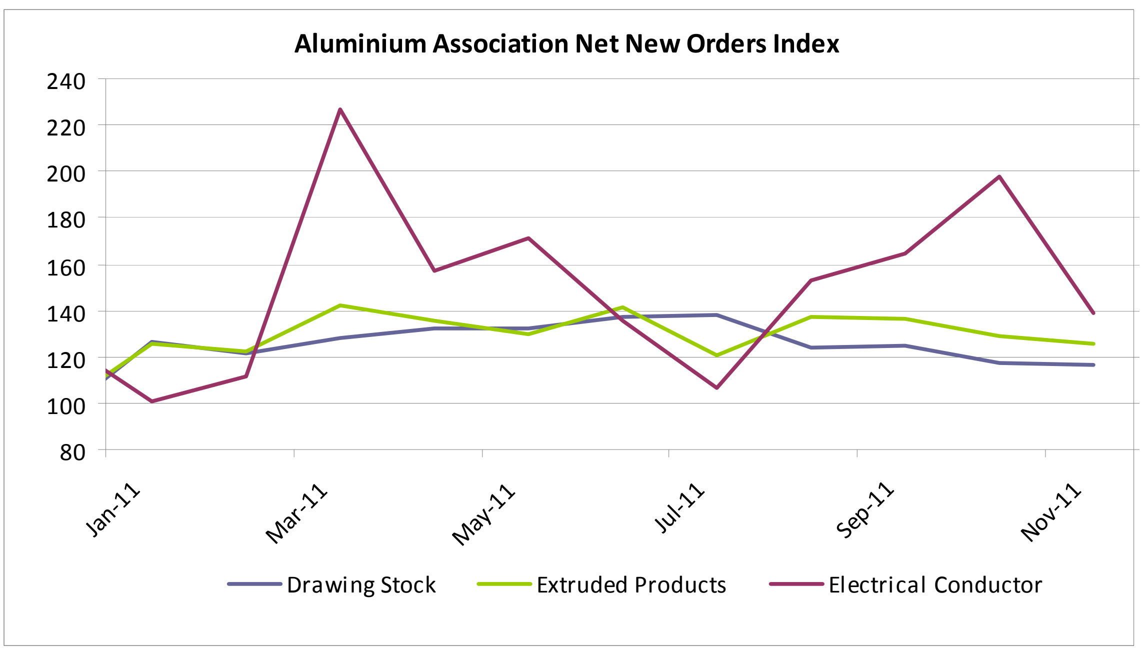
* **China's alumina output** is expected to grow 11.5% year-on-year to hit 43.5 million tons in 2012, while capacity is forecast to increase 11.1% to 55 million tons as the industry continues to expand, Beijing **Antaike** said last week.

* Data released by the **Aluminum Associaton** last week shows a noticable leveling off in new orders activity for the past few months and a sharper retreat in one of the sub-components (electrical conductors). Our charts below plot order flows for 2011.



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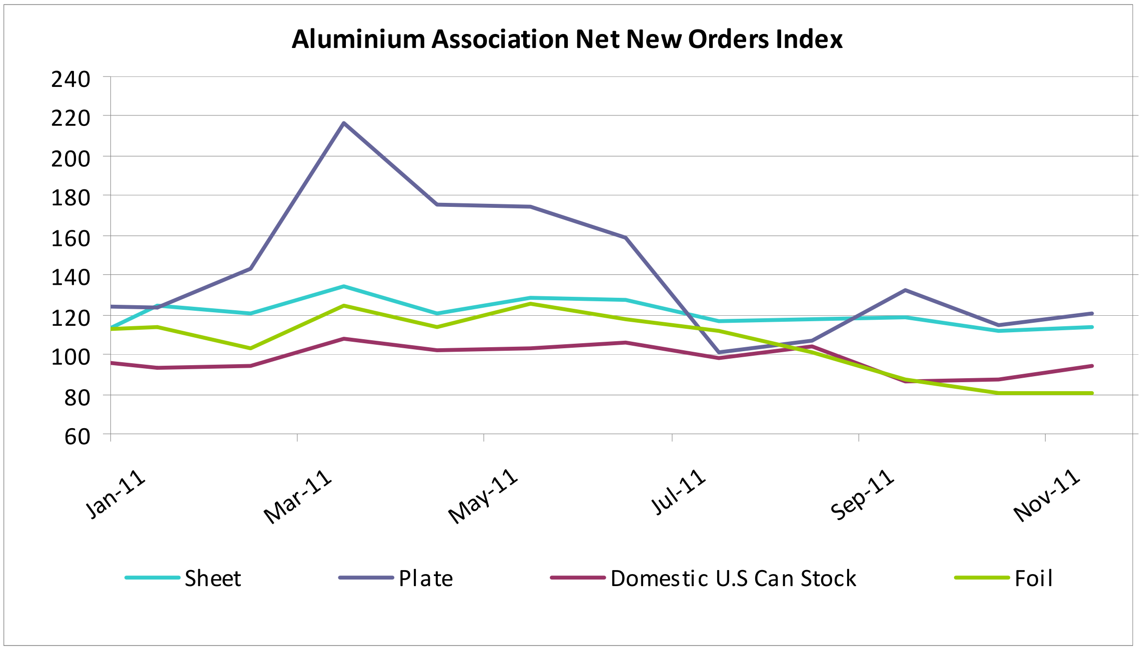
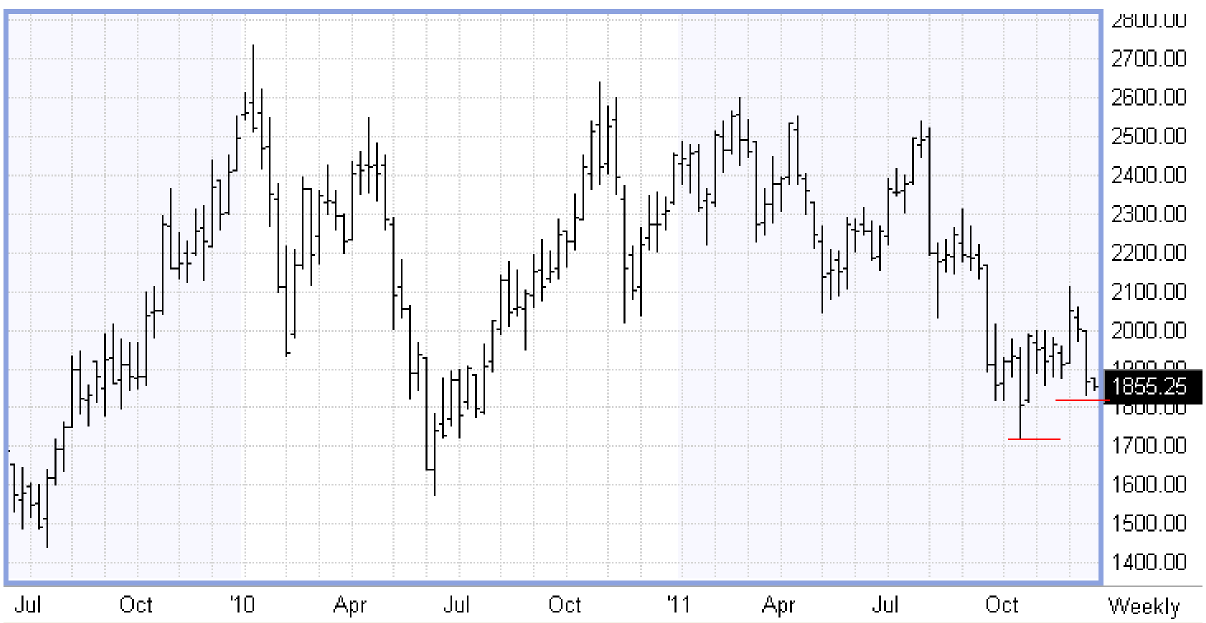


ZINC SUPPORT: $1820 / RESISTANCE: $2000

Zinc is at $1857, down $10, and close to our intraday low of $1847. The market is moving lower into the trading range, and needs to hold the low $1800 level, otherwise risk a breakdown to the October lows of just over $1700.



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LEAD SUPPORT: $1900 / RESISTANCE: $2167

Lead is at $1955, down $5 and quiet, with less than a $40 trading range in place. If prices close below $1960 again today, we could see the next downside target being $1900.

NICKEL SUPPORT: $17,300 / RESISTANCE: $18,900

Nickel is at $18,400, down $150, and has been looking much stronger than the rest of the metals over the last week, as it is now trading at the higher end of its range. Nevertheless, we expect it run into more formidable resistance between $18,700-$18,900 (red line).

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TIN SUPPORT: $18,350 / RESISTANCE: $21,749

Tin is at $18,700, down $100, and continuing to push lower. We are expecting a test of the recent lows at $18,350.

STEEL (3-Months)

LME billet prices are at $545-$550, and fairly quiet.

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