

As of Dec. 20	HIGH	LOW	CLOSE	CSH/3	LME STOCKS-CH	SUP	RESIS	RSI	VOL	O/I	10 MAV	40 MAV	100 MAV	
CU	7470	7248	7410	-16	371,300 (+450)	7100	8015	46	15,580	1,821	7499	7642	8011	
AL	2017	1965	2003	-18	4,953,725 (+30,925)	1950	2170	43	11,400	4,124	2013	2094	2229	
PB	1991	1938	1959	-22	358,450 (-2,625)	1900	2167	41	3,488	1,939	2044	2035	2146	
ZN	1883	1843	1867	-10	811,550 (+2,225)	1820	2000	42	8,363	1,773	1912	1945	2024	
NI	18999	18350	18865	-25	87,900 (-186)	17300	18900	57	3,667	810	18280	18144	19542	
SN	19350	18598	19000	-54	11,970 (-230)	18350	21749	37	249	123	19392	20769	22026	
NAA	2125	2105	2125	-24	157,500 (-60)	NA	NA	46	61	50	2132	2173	2288	
Shanghai Nearby Last (YUAN)					CU: 54,620 (+880)	AL:15,835 (+85) / PB : NA			ZN: 14,900 (+120)			LME/SH CU ARB: NA		
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 8:30 a.m. on December 21st, US east coast time.

Metals were boosted by a much more constructive tone in the equity and European credit markets yesterday, with copper rising to a one-week high, while others in the group also notched up sizable gains. Better-than-expected German business sentiment numbers, referenced in yesterday's note, helped set the stage for the early advance, while later in the day, the US Commerce Department said that builders broke ground on 685,000 new homes last month, a 9.3% jump from October and the highest level since April 2010. Building permits, a gauge of future construction, increased 5.7%, led higher by a jump in apartment permits.

In other markets, gold rose to its highest level in nearly a week yesterday, but significantly, did not retake the 200-day moving average of \$1,621/ounce. The Euro was also stronger against the dollar, trading around \$1.31 for most of the day, while oil markets were on fire, with both crude contracts tacking on more than \$3/brl. US equities were the main stand-out however, as the Dow surged by 337 points, led by a sharp advance in the financials, a group that only the day before was withering on the vine. So much for market conviction, a variable that has been noticeably lacking in most other markets as well. Instead, what we are seeing, is a gradual but steady deterioration in most complexes, punctuated by sharp relief rallies that eventually peter out. Take, for example, the Dow's 490-point jump on November 30th that set in after central banks coordinated moves to increase liquidity; that gain, along with other rallies spawned in its wake, pretty much evaporated by last week. Whether Tuesday's move higher -- should it continue-- will fall victim to the same set of circumstances remains to be seen, but a good indication of how things will fare will be determined by the goings-on in the European debt markets, which we believe singlehandedly handicaps debt stabilization efforts and sets the tone in most markets.

Right now, the European debt markets are exhibiting signs of stability for a second day running, leading to yet another steady tone in the markets. There are reports that European banks borrowed around \$489 billion Euros from the ECB at



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its first-ever offer of three-year loans and take-up was quite heavy, lending hope that liquidity squeezes are being addressed head-on. However, the reaction in the individual bond markets has been mixed; in this regard, although German government bond yields edged lower, Italian yields are up 20-30 basis points, with the 10-year now trading at 6.92%. This has caused most commodities to back off earlier highs with the group now mostly flat on the day. Metals are down slightly, as are oil prices. For its part, the Euro is lower now, trading at \$1.3040, off from an 11-month low of \$1.2945 seen earlier in the week. This is not exactly an impressive recovery, and tells us that currency investors are taking the easing moves with a grain of salt.

Moving on to China, if things are slowing down in that country, we are certainly not seeing it yet in the copper import demand numbers. Figures released by Reuters overnight show solid growth in import demand, with imports up a whopping 50% year-on-year and up 16.5% in November to just under 344,000 tons, the second-highest level on record. (See our table below). Reuters calculates that daily apparent consumption for refined copper was up almost 30% from a year earlier, and was up 7% month on month in November. There was a good month-over-month gain in aluminum as well. These numbers do not necessarily "sit well" with the overall outlook of a slowdown, so either things in China are not as bad as the macro numbers suggest, or metal (in this case copper) is being imported as a means of getting extra credit lines from the banks and is not necessarily being consumed. Whatever the case, the copper market remains unimpressed with the figures, as an earlier sprint in copper all the way to \$7573 has now completely fizzled.

	Latest month	Previous month	Year ago	Year to date	Pct change on:		
					Previous month	Year ago	YTD
REFINED COPPER (tons)							
Import	343,926	295,341	232,298	2,428,427	20.3	48.1	-9.8
Export	2,053	322	3,216	155,965	558.8	-36.2	452.9
Net Imports	341,873	295,019	229,082	2,272,462	19.7	49.2	-14.7
Output	448,000	469,000	410,000	4,778,000	-1.3	9.3	16.3
Implied demand	789,873	764,019	639,082	7,050,462	6.8	23.6	4.1
PRIMARY ALUMINIUM (tons)							
Import	21,836	9,650	18,043	174,100	133.8	21.0	-17.3
Export	21,767	826	15,718	76,539	2623.1	38.5	-55.1
Net Imports	69	8,824	2,325	97,561	-99.2	1540.1	142.2
Output	1,377,000	1,414,000	1,214,000	16,015,000	0.6	13.4	9.9
Implied demand	1,377,069	1,422,824	1,216,325	16,112,561	0.0	13.2	10.3
REFINED ZINC (tons)							
Import	25,649	26,854	22,985	293,890	-1.3	11.6	2.0
Export	667	2,116	3,261	46,084	-67.4	-79.5	15.5
Net Imports	24,982	24,738	19,724	247,806	4.4	26.7	-0.2
Output	467,000	474,000	459,000	4,826,000	1.8	1.7	3.4
Implied demand	491,982	498,738	478,724	5,073,806	1.9	2.8	3.2
REFINED LEAD (tons)							
Import	536	50	1,643	6,134	1007.7	-67.4	-70.5
Export	370	10	1,248	6,128	3600	-99.9	-69.9
Net Imports	535	-320	395	6	-272.8	35.4	-13300
Output	423,000	411,000	428,000	4,295,000	6.4	-1.2	12.4
Implied demand	423,535	410,680	428,395	4,295,006	6.6	-1.1	12.4
REFINED NICKEL AND ALLOYS (tons)							
Import	18,629	24,616	12,044	198,472	-21.8	54.7	18.6
Export	2,958	2,977	2,634	34,206	2.7	12.3	-33.5
Net Imports	15,671	21,639	9,410	164,266	-25.2	66.5	41.8
Output (refined)	26,925	30,248	16,512	252,411	-8.0	63.1	44.0
Implied demand	42,596	51,887	25,922	416,677	-15.2	64.3	43.1

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REFINED TIN AND ALLOYS (tons)							
Import	4,343	4,122	1,095	11,786	8.9	296.6	15.1
Export	N/A	3	360	1,002	N/A	N/A	97.2
Net Imports	4,319	4,122	1,055	19,248	8.3	309.4	12.7
Output (refined)	12,793	15,979	14,000	146,799	-17.3	-8.6	9.5
Implied demand	17,112	20,101	15,055	166,047	-12.0	13.7	9.8

STEEL PRODUCTS (mln tons)							
Import	1.230	1.240	1.380	14.390	-9.2	-10.9	-4.2
Export	4.200	4.440	2.910	45.160	-4.6	44.3	13.8
Net Exports	2.970	3.200	1.530	30.770	-2.6	94.1	24.7
Output	70.102	73.069	65.051	810.142	-0.9	7.8	13.1
Implied demand	67.132	74.160	63.521	779.372	-0.8	5.7	12.6

Source: Thomson-Reuters

In other news, investment flows into commodities totaled \$3.7 billion in November, Barclays Capital said, with purchases of gold by ETPs making up a majority of the inflows. "The combination in recent weeks of a broad risk rally, better US data and, perhaps most important of all, strong signals that Chinese policymakers are switching their focus to supporting growth, has helped restore some confidence," Barclays said. For the year so far, total inflows were just over \$20 billion, with most of that in the first half of the year, it said.

Very short-term, we have to favor the long side for the moment in most markets, as central bank action to flood the market with liquidity heading into tricky year-end period should keep credit markets calmer. However, easing moves are not effective solutions per se, as lending money to crippled European banks is not going to do much to solve underlying structural issues. We reckon markets will revisit this stark reality once again, likely by early next year when the holiday fog lifts and trading positions become more concentrated

COPPER **SUPPORT: \$7100 / RESISTANCE: \$8015**

We are now at \$7405, down \$5, and well off an intraday high of \$7573.

* **Codelco** said its mines are operating normally despite contract workers staging a protest at the company's offices in Calama, a company official told Bloomberg today.

ALUMINUM **SUPPORT: \$1950 / RESISTANCE: \$2170**

Ali is now at \$1975, down \$28 and not looking that inspiring at all. Stocks were up once again overnight.

* **Aluminum shipments by U.S. distributors** are expected to pick up speed in the first quarter, market sources tell AMM. "I think the first quarter could have a bit of a (buying) spurt.... Now is a much better time to be buying metal than a month or two months ago," a second distributor source said, noting that while a lot depends on Europe, he is optimistic for 2012 as long as the automotive and aerospace sectors remain steady.

* **Daily average primary aluminum output in China** grew to 48,900 tons in November, up from 48,100 tons in October, provisional figures from the International Aluminum Institute (IAI) showed. However, total primary aluminum production for the month fell to 1.466 million tons from 1.491 million tons in October. During the January to November period, China produced 16.285 million tons of aluminum, compared to 14.885 million tons in the first 11 months of 2010.

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* **Daily average primary aluminum output in November** dropped to 70,700 tons compared with a revised 70,900 in October and 68,600 in November 2010, figures from the **International Aluminum Institute** show. Total production in November (30 days) was 2.121 million tons, compared with 2.199 million tons in October (31 days) and 2.057 million in November 2010.

ZINC **SUPPORT: \$1820 / RESISTANCE: \$2000**

Zinc is at \$1866, and unchanged, and off from the intraday high of \$1893 hit earlier in the day.

LEAD **SUPPORT: \$1900 / RESISTANCE: \$2167**

Lead is at \$1957, down \$2 and quiet.

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

Nickel is at \$18,600, down \$265 and backing off resistance apparent between \$18,700-\$18,900.

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

Tin is at \$19,050, up \$50.

STEEL (3-Months)

LME 3-month billets are at \$535-\$545, unchanged on the day.

* Capacity utilization rates at global steel mills dropped to their lowest level in two years in November, falling by 2.8% from October to 73.4%, the **World Steel Association** said. Meanwhile, global crude steel production saw a 1.1% increase from November 2010, to 116 million tons.

* **Spot iron ore prices** recovered in China this week, with offers of 61.5% Pilbara fines quoted at \$132-134 per ton C&F, this according to Chinese consultancy Umetal said.