



Aluminium

Insights and Short Term Outlook

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Nikhil Rathod
Research Analyst



Aluminium is a metal widely used for many industrial purposes. Aluminium only began to be used extensively once an inexpensive method for distilling it by means of electrolytic reduction was discovered in the mid 19th century. It is extremely light and durable and has high resistance against rust which makes its more useful and has

wide areas of application.

Being light in weight and having high durability and resistance to rust it has wide application in the field of Automobiles, Airlines and various household items. The establishment of the Kyoto Protocol for emission for greenhouse gas for Annex one Countries has led to new opportunities for the Aluminium industry. The Aluminium industry has tremendous opportunity globally as a use of every one Kilogram of aluminium in automobiles replaced by traditional heavier materials used earlier can reduce 20 KGs of Carbon Dioxide emission from that vehicle in its lifetime. The use of recycled Aluminium is also picking up pace as the amount of gases emitted during the extraction of aluminium from Bauxite is reduced by 95% during recycling. In aircraft, aluminium and aluminium alloys account for around 80% of an aircrafts unladen weight. Aluminium is used in overhead and underground power-lines and power cables.

World Primary Aluminium Production

REGION	PERCENTAGE
America	29
Asia	24
Europe	33
Oceania	09
Africa	05

Source: Base Metals

Industry Consumption

INDUSTRY	PERCENTAGE
Transport	26
Packaging	22
Construction	22
Machinery	08
Electrical	08
Consumer Durables	07
Other	07

Source: Base Metals



Fundamentals

The growth of the aluminium industry looks positive for the future. According to Alien Belda the Chairman and CEO of Alcoa's the worlds leading producer of Aluminium, the demand for aluminium is expected to dual fold by the end of 2020. The demand for aluminium is expected to reach 60.6 million tones by 2020.

Over the coming decade huge demand for Aluminium is likely to arise from Asia. With the amount of population increasing day by day the need for more and more means of transport like air planes and vehicles is going to increase. New Airline companies and Automobile Companies are coming up and thus increase is the use of Aluminum which is lighter in weight than the traditional metals which were used earlier will be more. With an estimated requirement of 25.000 new planes in the coming decade would increase the demand for Aluminium in the future.

With the growth in the Economy of countries like India, China, Brazil and Russia the amount of Global travelers is also expected to increase thus demand for more and more means of Global transport is likely to increase, thus the demand for light weight building material like aluminium will increase.

According to CRU, a leading consultancy group the demand for Aluminium is expected to grow by 9.4% compared to 8% last year. Consumption growth has shown that aluminium demand is strong despite higher prices. The aluminium market is expected to continue to see strong global demand growth, especially from China which has seen 23% Aluminium market growth year on year.

Lastly with the ever increasing world population the Industries manufacturing packed Food is also likely to increase thus increasing the use of Aluminium for the production of Foil Papers and cans. Thus a variety in the use of Aluminium in various fields of business makes it a good contender for long run.

However despite all the fundamentals being in favour of the metal it has been an under performer this year compared to other Base metals like Nickel which made new highs. According to the Aluminium association the demand for Aluminium in US and Canada is down 5.9% this year compared to the same period last year. According to INTERFAX a leading news agency the import for primary Aluminium for the period Jan to May 2007 fell by 50.80% for the same period last year.

Performance of Base Metals

Base Metals	Year on Year (22June06-22June07)
Aluminium	+9%
Copper	+11.01%
Zinc	+19.86%
Nickel	+93.81%
Lead	+166.15%

Technicals

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Prices are moving in a channel at present as shown in the chart. Crucial support is in the range of \$2670 to \$2680. A break of these levels, which are crucial supports, could see prices edging lower towards \$2430 or even a possibility of \$2300 could not be ruled out from where a bounce in prices could be expected. Important resistance is seen in the range of \$2780 to \$2790. A move



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above could see a move higher towards \$2935 or even the possibility for a move towards \$3150-\$3180 cannot be ruled out.

MCX

Prices are moving in a range; break of the crucial support at 107.50 could edge prices lower towards the next support levels at 102 or even the possibility of 99.10 cannot be ruled out. However a move above 111.70 could see prices testing the resistance levels at 119.20, which is the trend line resistance. A break above the trend line resistance could see prices edging towards 127.50 or even 129.30.

Price outlook

Fundamentals are currently in favour for Aluminium. Also the increase in Global demand for the metal has also supported the prices and we can expect prices to gain strength from here. However a note of caution would be the current weak phase across the Base Metal complex, a correction in prices of Aluminium also cannot be ruled out currently and prices could also test the supports mentioned above.

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CommTrendz Risk Management Services Pvt. Ltd.
202, Crystal Tower,
Gundavali, Off Andheri-Kurla Road, Andheri (E)
Mumbai, MH, INDIA 400 069.
Tel.: (91) 22 2682 6426 Fax: (91) 22 2683 1494
Email : avinash.raheja@commtrendz.com
www.commtrendz.com

CommTrendz Risk Management Services Pvt Ltd is an independent research firm dedicated to the commodity futures and foreign exchange markets. For more information, contact us at +91 - 22 - 2682 3028 or info@commtrendz.com

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