

As of 11/11	HIGH	LOW	CLOSE	CSH/3	LME STOCKS - CH	SUP	RESIS	RSI	VOL	O/I ('000)	10 MAV	40 MAV	100 MAV
CU	7207	7130	7173	-6	459,425 (-3,450)	7039	7430	48	11,342	260	7189	7215	7114
AL	1825	1803	1809	-46	5,327,325 (-9,125)	1770	1890	40	11,733	752	1839	1842	1832
PB	2145	2119	2128	-20	233,000 (0)	2010	2260	43	3,861	124	2167	2128	2119
ZN	1912	1891	1895	-34	1,011,325 (-1,250)	1890	1995	40	7,142	296	1929	1912	1901
NI	13961	13750	13750	-66	241,716 (+1,722)	13650	14900	37	4,816	136	14303	14118	14052
SN	22972	22743	22945	5	11,760 (-360)	22000	24000	50	299	19	22899	23081	21734
NAA	1870	1870	1870	-38	95,720 (-660)	NA	NA	46	48	7.1	1879	1875	1870
Shanghai 3rd Active Month (Last) in Yuan : CU: 51,420 (-270) AL: 14,255 (-40) PB: 14,170 (-105) ZN: 14,860 (-75)											LME/SH CU ARB: NA		
Shanghai Stocks – Nov 7: CU: 177,903 MT(-440) AL: 199,260 MT(-11,055) PB: 87,079 MT(+493) ZN: 241,530 MT(-2,241)													
	CU	AL	PB	ZN	NI	SN							
2013 HIGH / LOW	8346 / 6602	2184 / 1758	2499 / 1938	2230 / 1811.75	18770 / 13205	25250 / 18809							
2012 HIGH / LOW	8765 / 7219.5	2361.5 / 1827.25	2347.75 / 1742	2220 / 1745	22150 / 15236	25880 / 17125							

This commentary was written by Edward Meir (edward.meir@intlfcstone.com) at 8:10 a.m. on November 12 US EST.

Note to our readers: this writer will be in Asia until the end of next week, meeting various clients/prospects in South Korea and China and attending next week's CESCO meeting in Shanghai. We will attempt to send occasional commentary from the region if we can, but failing that, our next regular daily metals commentary will be out on Monday, November 25.

Metals ended yesterday's session on a mixed note, as most markets were trading water in what was a slow news day. Constructive macro data out of China was offset by concern about the ongoing deliberations of the Communist Party Congress and the bearish impact of a stronger dollar on account of tapering fears. Of the variables listed, the Chinese Congress meeting is by far and away the more important as far as the metals group is concerned. In fact, the meeting just broke up a few hours ago, with China's senior leadership reaching agreement on a variety of issues. Although details have yet to come in, the leadership has agreed to allow the markets to play a "decisive" role in allocating resources and would also take steps to straighten out the relationship between the government and the markets. There will pledges made to deepen fiscal and tax reform, while farmers will apparently get more property rights. Free-trade zones will also be increased.

Chinese media heralded the meeting as a "watershed" period for reform, putting it in the same category as 1978's third plenum when Deng Xiaoping broke with past practices and introduced pro-market policies that set the way for China's



INTL FCStone, Inc. and its affiliates assume no liability for the use of this information contained and expresses no solicitation to buy or sell futures, options on futures contracts, or OTC products. Commodity trading involves risks and past financial results are not necessarily indicative of future performance. Any hypothetical examples given are exactly that and no representation is being made that any person will or is likely to achieve profits or losses based on those examples. Reference to and discussion of OTC products are made solely on behalf of INTL Hanley, LLC. Reproduction without authorization is forbidden. All rights reserved.

Edward Meir

www.intlfcstone.com

1-203-656-1143

edward.meir@intlfcstone.com

blistering growth in subsequent years. Of course, the jury is out with regard to the current set of proposals, but as we mentioned in previous commentary, even if only a part of this package is put through, it could mean that Chinese growth could slow over the short-term. In our view, "reform" in a controlled economy like China's is code for tighter credit, higher interest rates, lower overall debt levels, a stronger currency, rising local energy prices and a trimming back of government support for state owned enterprises. All these "readjustments" should set in if market forces are allowed freer rein when it comes to resource allocation, thus reducing or even eliminating the direct and indirect government subsidies that are currently in evidence in most of these areas. In fact, the *Financial Times* ran a story yesterday saying that the government may soon cut its growth target for next year to 7%, with one the commentator arguing that in "the short term, the reform process won't necessarily be positive for growth". We agree.

In the meantime, reaction in the base metals market to the wrap-up of the meeting has not been particularly enthusiastic, with most of the group now slightly lower. Chinese equity markets finished higher on the day, but were already closed when the meeting concluded, so we will have to gauge market reaction tomorrow.

In other markets, precious metals are lower while energy prices are mixed. The dollar is mostly stronger against leading currencies, while US stocks are expected to open mixed. There are no US macro releases out today.

In other news, the OECD said today that global economic growth is likely to pick up in the months to come, but the rate of expansion will be modest. The group sees growth picking up in the Eurozone, China and the U.K., while remaining sluggish in India, Brazil and Russia. It added that central banks will likely to keep their monetary policies simulative as a result.

We still expect that metals will likely hold steady going into November, although the fact that many are approaching the bottom end of their ranges (\$7039 on copper, \$1770 on ali, \$1890 on zinc and \$13,650 on nickel) just as the dollar is appreciating, makes this argument less compelling than it was a few weeks ago. Of course, there is always the possibility of a sharp selloff if these bottoms give way, but we think the group should hold, especially if the dollar starts to roll back some of its recent gains going into the unresolved year-end budget and debt ceiling issues.

COPPER SUPPORT: \$7039 / RESISTANCE : \$7430

We are now at \$7145 on copper, down \$27 and trading between \$7117-\$7169. LME stocks were off by another 3,450 tons today.

* **Glencore Xstrata's PASAR copper smelter and refinery in the Philippines** has sustained "heavy structural damage" in the wake of the recent typhoon that left an estimated 10,000 people dead. The company is estimating that a return to normal operations could take at least 4 to 6 weeks. Reuters reports that production of refined copper hit 637,958 tons in October, compared with the previous record of 620,086 tons in September and is now up some 13.7% for the first 10 months of the year.

ALUMINUM SUPPORT : \$1770 / RESISTANCE: \$1890

Aluminum is at \$1804, down \$5.

* **United Co. Rusal's** quarterly loss narrowed from the previous three months, shrinking to \$172 million in the third quarter from \$458 million in the second, "Conditions within the aluminum market remain challenging, and there is still a long way to go before we see a marked improvement," CEO Oleg Deripaska said in a statement. Looking at the overall market, the company raised its estimate for China's aluminum consumption growth this year to 10% from 9.5%. Global consumption is expected to reach 51.2 million tons this year, with production estimated to come in at 50.9 million tons. Oddly, this leaves the company forecasting a 280,000 ton deficit for this year, something no one else is expecting.

INTL FCStone, Inc. and its affiliates assume no liability for the use of this information contained and expresses no solicitation to buy or sell futures, options on futures contracts, or OTC products. Commodity trading involves risks and past financial results are not necessarily indicative of future performance. Any hypothetical examples given are exactly that and no representation is being made that any person will or is likely to achieve profits or losses based on those examples. Reference to and discussion of OTC products are made solely on behalf of INTL Hanley, LLC. Reproduction without authorization is forbidden. All rights reserved.

* **Regional aluminum premiums** should gradually decrease to levels last seen 18 to 24 months ago, or even four to five years ago, this according to an *AMM* article quoting Philip Martens, Novelis's Chairman and CEO, said. "Anytime you are in a situation where it is clear that it's financial engineering and there is no value-add to the products that get produced from whatever commodity is involved, that stuff always has a limited shelf life," Martens said. "You've just got to be patient with it because none of that stands the test of time – it never has and it never will."

ZINC **SUPPORT: \$1890 / RESISTANCE: \$1995**

Zinc is at \$1889, down \$6 and once again threatening support at \$1890, which has yet to be taken out on a two-day closing basis.

LEAD **SUPPORT: \$2010 / RESISTANCE: \$2260**

Lead is at \$2114, down \$13.

NICKEL **SUPPORT: \$13,650 / RESISTANCE: \$14,900**

Nickel is at \$13,728, down \$22.

TIN **SUPPORT: \$22,000 / RESISTANCE: \$24,000**

Tin is at \$22,750, down \$195.

INTL FCStone, Inc. and its affiliates assume no liability for the use of this information contained and expresses no solicitation to buy or sell futures, options on futures contracts, or OTC products. Commodity trading involves risks and past financial results are not necessarily indicative of future performance. Any hypothetical examples given are exactly that and no representation is being made that any person will or is likely to achieve profits or losses based on those examples. Reference to and discussion of OTC products are made solely on behalf of INTL Hanley, LLC. Reproduction without authorization is forbidden. All rights reserved.