



24<sup>th</sup> July, 2008

## SNAPSHOT

World pdtn.	48 M tons
India's pdtn.	0.42 m ton.
LME Inv.	10.95 M ton

## OUTLOOK -Bearish

Support	118
Resistance	134
Target	120
CMP:	126

## Inventory - LME



## HIGHLIGHTS

- **Aluminium is the most abundant metal in the earth's crust and third most abundant element.**
- **Aluminium is never found in the earth's crust in the pure form, as it reacts with oxygen.**
- **Australia is the largest producer of Aluminium with almost 1/5<sup>th</sup> share of the world production.**
- **India's produces around 0.42 Million tonnes of aluminium.**
- **The other major producers are Russia, Canada and USA.**
- **Inventory levels of the metal at LME is at 10.95 Million metric tons.**
- **Aluminium is heavily used in the aviation industry but high crude oil prices may dampen the aviation sector hence, aluminium industry may also feel the pressure.**

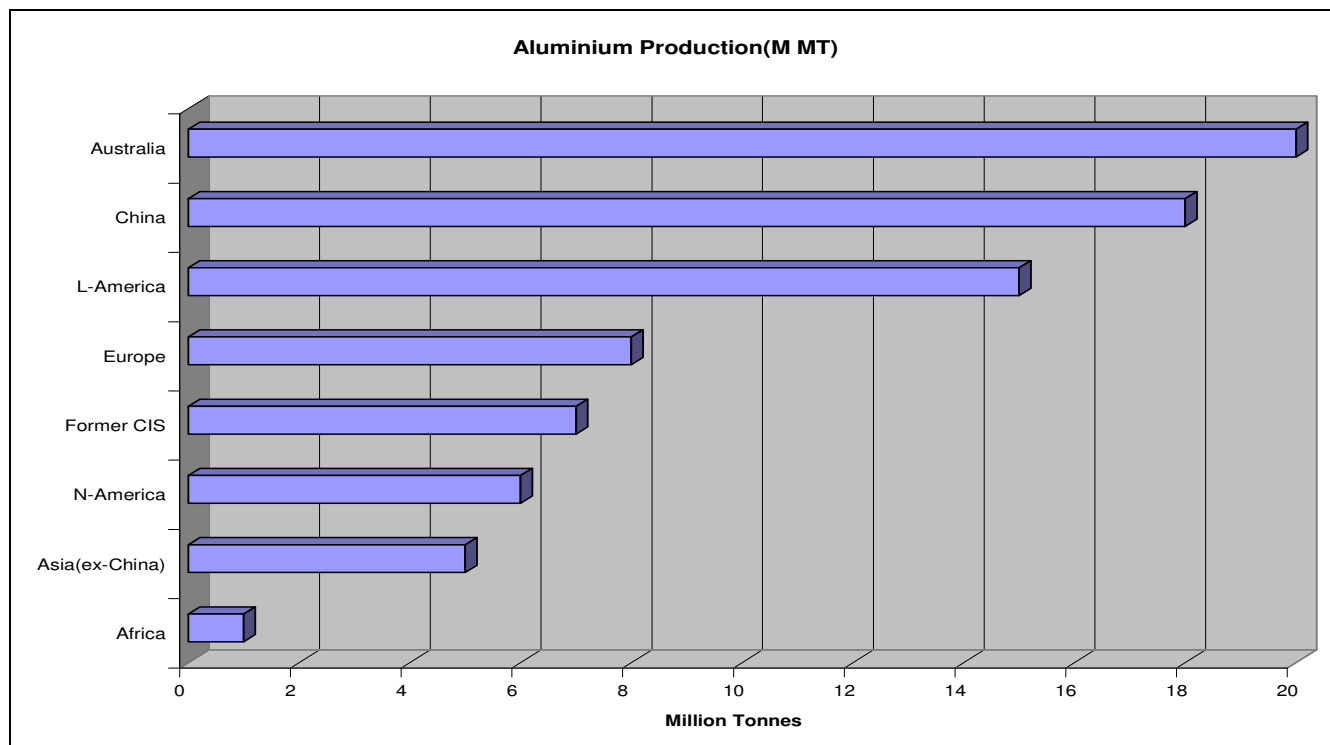


## INTRODUCTION

Aluminium is a silvery white and ductile member of the boron group of chemical elements. It has the symbol Al; its atomic number is 13. It is not soluble in water under normal circumstances. Aluminium is the most abundant metal in the Earth's crust, and the third most abundant element therein, after oxygen and silicon. It makes up about 8% by weight of the Earth's solid surface. Aluminium is too reactive chemically to occur in nature as the free metal. Instead, it is found combined in over 270 different minerals. The chief source of aluminium is bauxite ore. Aluminium is remarkable for its ability to resist corrosion (due to the phenomenon of passivation) and its low density. Structural components made from aluminium and its alloys are vital to the aerospace industry and very important in other areas of transportation and building. Its reactive nature makes it useful as a catalyst or additive in chemical mixtures, including being used in ammonium nitrate explosives to enhance blast power.

## GLOBAL SCENARIO

Aluminium is the most widely used non-ferrous metal. Global production of aluminium exceeded that of any other metal except iron. Australia is the largest producer of the metal followed by China.

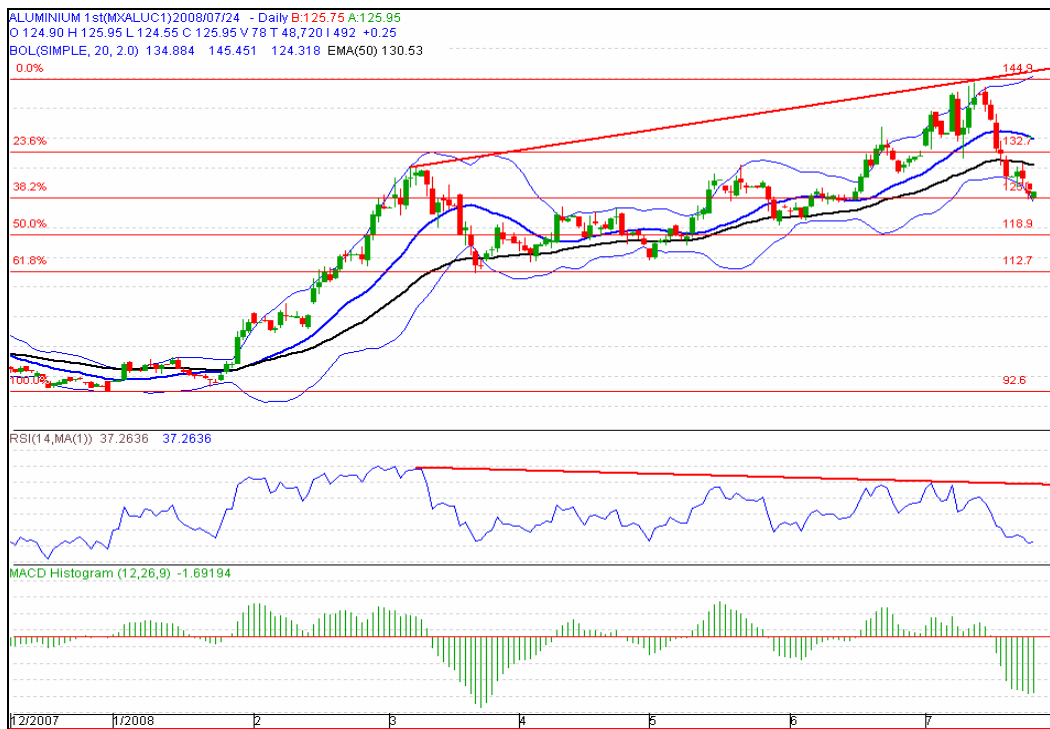


Aluminium output has increased by a factor of 13 since 1950, making aluminium the most widely used non-ferrous metal. In 1998, world-wide production of primary aluminium was about 22.7 million tonnes per year for and installed capacity of 24.8 million tonnes. Very recently China developed its aluminium production very rapidly, and it is the biggest producer in the world with almost 13 million tonnes of production. The other main production areas are North America (6 million tonnes), Europe (8 million tonnes), former Cis (6-7million tonnes), Africa, Australia, Brazil, India, and the Middle East. In Europe the main producing countries are Germany, France, Spain, UK and Norway. The primary smelting industry in Iceland is also expanding. World-wide, production plants are mainly located where suitable electrical energy resources are available.

## ALUMINIUM-USES

Aluminium is used excessively in the modern world, and the uses of the metal are extremely diverse due to its many unusual combinations of properties. No other metallic element can be used in so many ways across such a variety of domains, like in the home, in transport, on land, sea and in air, and in industry and commerce. One of the most common end uses of aluminium is packaging, including drinks cans, foil wrappings, bottle tops and foil containers. Each of these relies on aluminium to provide a way of containing the food cleanly, and to protect it from changes in the local environment outside the packaging. Aluminium's unbeatable strength to weight ratio<sup>1</sup> gives it many uses in the transport industry. Light weight helps in decreasing the weight of the locomotive hence more fuel efficient. In modern planes aluminium makes up 80% of their (unladen) weight, and a normal Boeing 747 contains about 75 000 kg of the metal. Its corrosion resistance is an advantage in transport (as well as packaging) as it makes painting planes unnecessary saving some hundreds of kilograms of further weight. Aluminium's low weight also makes it ideal for electricity transmission. Its low density<sup>2</sup> makes it the first choice for long distance power lines despite having just 63% of the electrical conductivity of (much denser) copper. In fact 1 kg of aluminium conducts almost twice as much electricity as 1 Kg of copper. Since 1945 aluminium has been used in high voltage electrical transmission, in place of copper as it is the most cost efficient power line material. With copper many heavy, and expensive support structures needed to be used, yet using aluminium fewer lighter and cheaper supports have to be used. This saves huge amount of money, despite a wastage in electricity due to lower conductivity. Aluminium is also more ductile than copper, so it is easier to draw it into wires to produce these power lines, its corrosion resistance completes aluminium's profile as the perfect choice for long-distance electricity distribution.

## Technical Outlook



Aluminium (MCX) is trading at 125-26 and at current rates it is placed below the 50 days EMA indicating bearishness in the counter. At current rates the 38.2% retracement level is providing support to the counter but a break down of this level would pull the counter to further lower levels. High inventory levels at LME (around 1120000 MT) is the main reason for the counter to turn bearish. In the daily charts the counter has formed a divergence vis-à-vis the RSI indicating the bearishness in the counter. In the next few trading days the counter is expected to stay bearish and may fall further down to lower levels of 115-18 (50% retracement) which is a very strong support and it is very unlikely that the counter would be able to break this support..

## Disclaimer

Kindly read the Risk Disclosure Documents carefully before investing in Equity Shares/Commodities, Derivatives or other instruments traded on the Stock/Commodity Exchanges.

**MCX - 28850, NCDEX - 00635**

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**Queries Please Contact: - 011-23352496-99, Ext – 484, Fax- 011- 23353703,**

✉ - [suhail@rrfcl.com](mailto:suhail@rrfcl.com) [indranilmukherjee@rrfcl.com](mailto:indranilmukherjee@rrfcl.com)  
[www.rrfinance.com/research.aspx](http://www.rrfinance.com/research.aspx)

