

PRIMARY ALUMINIUM Analysis – LME Quotations

ANALYSIS OF 27 –10 – 2008 the data used are referred to the first sitting of LME and are expressed in \$/ton

Comment: A VERTICAL FALL IN PRICES: NEW YEARLY MINIMUM VALUES

The fourth week of October closed on the fall by 11.26% for the quotations of primary aluminium. Prices go on being influenced both by the weakness of the branch of the non-ferrous metals and by the so bad financial crisis, which is compelling all the big companies of the automotive sector to reduce their production drastically and to dismiss many workers- The sharp appreciation of dollar and the sudden fall in the prices of oil, which reached the yearly minimum at 63\$ each barrel are further elements of this difficult situation, even though OPEC decided to reduce the daily production by 1.5 million barrels.

Analysis of the Trend

The short-, medium- and long-term trends are sharply down turned as confirmed by the weekly closing under the 18-, 50- and 200-day moving averages. All momentum indicators, which measure the strength of the trend in progress, are negative and in oversold, thus confirming the down turned scenario.

Expectations: toward level 1700\$

The supplies of aluminium go on increasing and now they are over 1.5 million tons. Oli list over 50% against the maximum values of July and also the Chinese engine is getting slower and slower. It's therefore clear that the technical picture of aluminium remains definitely down turned. The first target was singled out at level 1800\$, . In case this support should be broken, prices might fall quickly down to 1670\$. Only a reversal over 2200\$ would be positive.

Fluctuation range expected for the futures:

between 2300\$ and 1670\$

Fluctuation range expected for the cash in \$:

between 2200\$ and 1680\$

Fluctuation range expected for the cash in €:

between 1600€ and 1350€

Operating Suggestions for Futures

Hold the short positions already open and fix stop loss at level 2200. Increase them under 1800\$

Operating Suggestions for the fixings on the physical metal

Values of the cash price in €

Values of the cash price in \$

- Who has to buy the physical metal: prices are interesting for buys even though the trend is sharply down turned.
- Who has to sell the physical metal: we suggest closing contracts over level 1800\$. Open hedging position at LME.

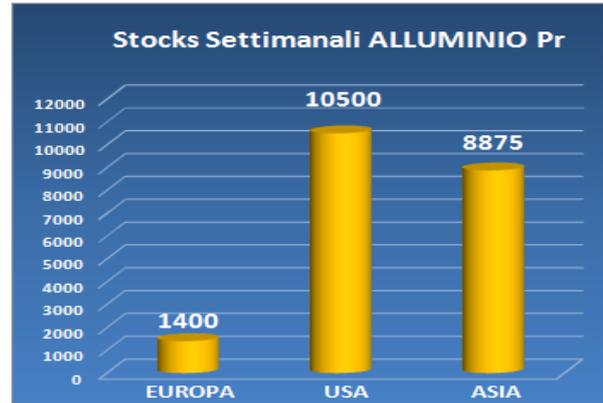
- Who has to buy the physical metal: prices are already good for buys, but they much reach level 1350€ too.
- Who has to sell the physical metal: we suggest closing contracts over level 1800\$. Open hedging position at LME.

PRICES 3-MONTH FUTURES in \$ (daily)



Upturned Scenario	Down turned Scenario
1st resistance 2000	1st support 1835
2nd resistance 2200	2nd support 1670
Short-term historical trend: down turned	
Short-term expected trend: down turned	

SITUATION OF STOCKS



Stocks increased in US (+10500 t), in Asia (+8875 t) and in Europe (+1400 t).

CASH PRICES in \$ (Daily)



Upturned Scenario	Down turned Scenario
1st resistance 1970	1st support 1770
2nd resistance 2200	2nd support 1580
Short-term historical trend: down turned	
Short-term expected trend: down turned	

CASH PRICES in € (Daily)



Upturned Scenario	Down turned Scenario
1st resistance 1550	1st support 1450
2nd resistance 1600	2nd support 1350
Short-term historical trend: down turned	
Short-term expected trend: down turned	

TECHNICAL INDICATORS

	3 Month Future in \$	Cash Prices in \$	Cash Prices in €
Last closing	1930	1876	1489.36
MAX 2008	3341	3291.5	2085.60
MIN 2008	1930	1876	1489.36
Max month	2687	2638	1827.07
Min month	1930	1876	1489.36
Spread cash-3 months: Contango 54\$ (to fix the MIN and MAX values the only official prices of the first ring are taken into account)			

CHART OF THE CASH PRICES IN DOLLARS



CHART OF THE CASH PRICES IN EUROS



Both charts here above are referred to the metal prices in dollars and euros. The chart of prices quotes the 18-, 50- and 100-day moving averages, while in the lower part of the chart you find RSI (Relative Strength Index), an indicator showing the relative strength of the metal and indications either of overbought (over level 70) or of oversold (under level 30).

At present RSI is still in an oversold area.

Interpretation and use of the report:

The trend shows the main direction of the prices. The short-term trend is referred to a period of time from four to fifteen days. The medium-term trend is referred to a period of time from two-three to eight weeks. The trends mentioned in our charts are the ones in progress up to the day of the report.

In a rising trend the **resistance** is a price level opposing a further rise. As a result its steadiness may revert the trend, while its violation favours the rise.

The rising scenario is confirmed by the overcoming of the resistance levels.

In a falling trend **the support** is a price level opposing the further fall. Because of this its steadiness may revert the trend, while its violation favours the fall.

The falling scenario is confirmed by the violation of the support levels.

The moving average is a very important trend direction. When prices are over the average, usually the market is in a rising phase, while, when it's under the average, it's in a falling phase. The break of a moving average is significant either for the break or for the confirmation of the trend in progress. When the price line breaks the moving average from down upwards we have a rising signal. Vice versa, when we have a break from up downwards we have a falling signal.

The momentum indicator shows the trend strength in progress. It supplies indications about the possibility that the trend goes on along the started direction or changes it. Furthermore it shows excess situations called of overbought or oversold. If the moment is positive we are on a rising trend, if the trend is negative we are on a falling trend. If it's neutral, it means that the market has taken no precise direction.

Daily chart and weekly or monthly chart

The daily chart is used by analysts to determine the trend, and the resistance and support levels on the short term. The weekly or monthly chart is fit for fixing the trend and the support and resistance levels on the medium and long term.

DISCLAIMER: the indications given in this report are no recommendations at all to buy or to sell. They do represent a free interpretation of markets based on a technical analysis. Cell-Data e Win Consulting decline any responsibility concerning losses bound to trading.

