



Monday, October 16, 2023

- Metals traded with a weaker bias on risky off sentiments
- Dollar gains continue to cap the rallies for metals
- Chinese economy shows signs of rebound, could start to lend a floor to prices

### Perspective

Copper prices are trading choppy after the recent fall, supported by resilient demand in China amid signs of a stabilizing economy, although rising inventories and dollar strength capped gains. Tensions in the Middle East escalated, while investors awaited a speech by Federal Reserve Chair Jerome Powell later this week for further clues on the U.S. central bank's rate outlook.

Recent Chinese trade data showed a slump in exports and imports was gradually easing. September copper imports by China hit an intra-year high, although still lower than last year's volume. However, copper stocks on the LME and SHFE warehouses recorded weekly rises last week, creating headwinds for the metal used in power, construction and transportation sectors. Chinese data showed exports declined less than expected in September, while total social financing (TSF) climbed to 4.12 trillion Yuan (\$563.91 billion) from 3.12 trillion in August, higher than expected.

The Chinese export data are still negative, but compared to the prior month, it's a significant step in the right direction. Things from the data side are generally moving in the right direction in China. It seems like the stimulus activity is helping.

Commodity	Copper	Aluminum	Zinc
Open	701.2	203.1	220.25
Close	698.15	203.05	220.15
Change	-7.75	-2.70	-2.70
% Change	-1.10%	-1.31%	-1.21%
Open Int.	8725	3696	3436
Change	1570	24	161
Pivot	699.5	203.4	220.2
Resistance	702.3	203.8	220.8
Support	695.3	202.6	219.6

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	170475	43134	495650	92425
Close	181000	42870	486600	83450
Change	10525	-264	-9050	-8975
% Change	6.17%	-0.61%	-1.83%	-9.71%

Copper production in Peru rose 7.5% YoY in August, as output of the red metal totalled about 223,000 metric tons for the month. The August data landed below the previous month's output. Peru is the world's second-largest copper producer, and output spiked nearly 18% in July to reach some 230,000 tons. Copper production was impacted early in the year due to social unrest causing work stoppages at some mines.

Zinc prices traded flat for much of the week due to slower-than-expected demand growth. The global refined zinc market is expected to be in a surplus of 248,000 tons in 2023, as per the ILZSG, flipping its forecast from a deficit of 45,000 tons previously. The IMF expects China's economy to grow by 5.0% this year, down from 5.2% in previous forecasts, while expecting a 4.2% growth rate in 2024. The IMF believes that China continues to struggle with the fallout of the COVID-19 pandemic and the extreme measures taken to contain it. Global refined zinc markets are likely to see surpluses in both 2023 and 2024.

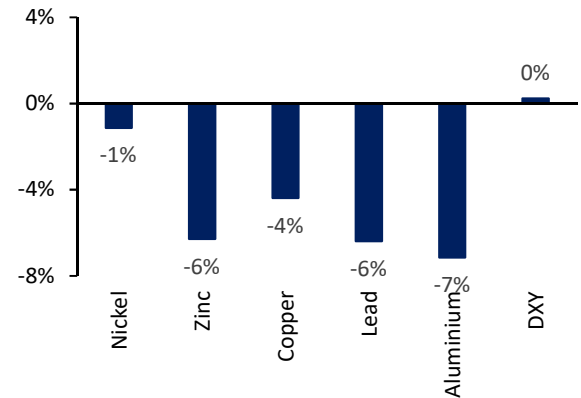
Zinc was under pressure as refined zinc output recovered post-smelter maintenance. On the supply side, refineries have started purchasing raw materials for winter storage, causing zinc concentrate treatment charges (TCs) to decrease significantly. This points to a consensus that there might be reduced smelter output in Q4.

Zinc is expected to see a surplus of 248,000 tons in 2023 and a surplus of 367,000 tons in 2024. Global demand for refined zinc is expected to increase by 1.1% to 13.59 million tons in 2023 and by 2.5% to 13.93 million tons in 2024. Global refined zinc metal production is forecast to rise by 3.7% to 13.84 million tons in 2023, and by 3.3% to 14.30 million tons in 2024, mainly driven by a substantial increase in China.

## Outlook:

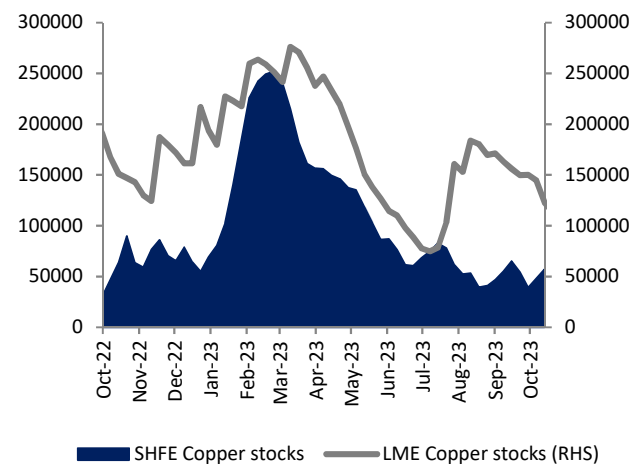
Higher-for-longer interest rate narrative and consequent slower economic growth concerns are keeping industrial metals prices on a weaker footing. While there could be more downside for the sector because of many moving parts on macro front, we see renewable and strong rebound in completed property to bode well for copper demand.

Change in LME Metals MTD



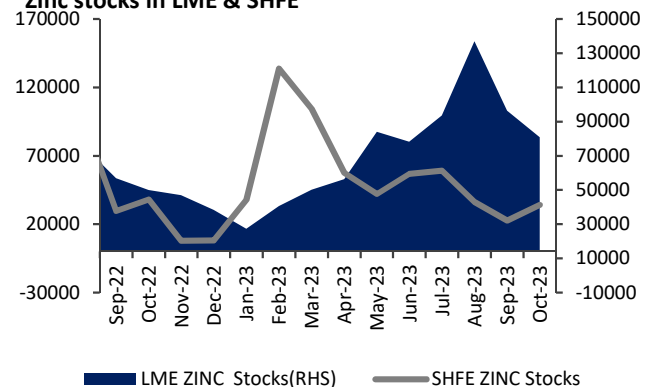
Source: - Reuters

Copper LME and SHFE Stocks



Source: Reuters

Zinc stocks in LME & SHFE



Source: Reuters

## Technical Outlook: -

### Copper

In last week, copper witnessed a negative closure, with a decline of over 7.70 rupees or -1.10%. This marked the second consecutive week of decline. The 14-period Relative Strength Index (RSI) currently stands at 41, positioned below the midpoint, signaling market weakness. Immediate support can be identified in the 690 to 684 range. Nevertheless, we anticipate a retracement on the upside, possibly reaching around Rs. 710 to 712. This level presents an attractive opportunity to consider selling, while it's prudent to set a stop loss at 729 levels to manage risk. It's worth noting that our perspective would shift if the price manages to maintain itself above the resistance level. The expected target range for a potential downward movement would be between 690 and 684.



### Zinc

In last week, zinc witnessed a negative closure, with a decline of over 7.70 rupees or -1.10%. Leading up to this, prices had been following a pattern of forming higher lows and higher highs, indicating an upward trend. However, the most recent movement is a reversal from the higher price levels. Considering the structural and historical price movement, it's advisable to employ a "buy on dips" strategy, targeting entry points near the range of Rs. 219 to 218. To manage potential risks, setting a stop loss at Rs. 210 is recommended. The anticipated price target in this scenario is within the range of 230 to 235.



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