



Monday, October 30, 2023

- Base metals consolidate last week after falling for much of October
- DXY continues to hover over 106 capping gains
- Metals supported by US economic data and China's infrastructure spending.

Perspective

Copper has been hovering around \$8000 over the last few days with choppiness led by some upbeat signs of recovery in China and as speculators reacted to bullish short-term technical signals. What was a pretty tough month has been somewhat mitigated by those announcements from China.

The global refined copper market showed a 33,000 metric tons deficit in August, up from 30,000 metric tons in July. However, the overall balance for the first eight months of the year remained in surplus, in contrast to the previous year's deficit. World refined copper output in August was 2.25 million metric tons, slightly below consumption at 2.28 million metric tons. Chinese copper cathode production in September increased by 2.3% month-on-month and 11.3% YoY, reflecting continued growth.

Profits at China's industrial firms extended gains for a second month in September, adding to signs of a stabilising economy as the authorities launched a burst of supportive policy measures. There are still the economic worries about not only China, but the wider world, we have not seen anything which could trigger a meaningful extension to the upside. However, from a short term perspective, we've managed to hold above a very key area of support, which has given a little confidence back to the market.

Commodity	Copper	Aluminum	Zinc
Open	701.65	203.9	220.6
Close	706.8	204.70	220.95
Change	6.00	2.50	1.30
% Change	0.86%	1.24%	0.59%
Open Int.	7238	234	152
Change	1135	-2102	-2009
Pivot	705.3	204.4	221.0
Resistance	710.0	206.3	221.3
Support	702.1	202.8	220.6

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	190450	44862	486450	76250
Close	180600	45564	478725	76525
Change	-9850	702	-7725	275
% Change	-5.17%	1.56%	-1.59%	0.36%

US GDP rose 4.9% in Q3 2023, recording the strongest increase since the last quarter of 2021 despite a long stretch of interest rate increases. China has grown at 4.9% in the third quarter, the same pace as the US, and following a series of supportive measures such as relaxing property market curbs and cutting RRR is on track to grow by between 5.2% and 5.3% this year. While this is below the pace of growth in the early 2000s and 2010s it is nevertheless solid and more aligned with the speed of expansion of a developed economy. The strength of the recovery in the US coupled with similar growth in China will provide solid support for base metals and will have implications for demand over months to come.

Nickel was set for its biggest weekly decline in a month, pressured by a surplus in the global market. BMI forecast a surplus in the global nickel market in 2023 of 307,000 tons, expanding from the surplus of 126,000 tons seen in 2022. However, LME nickel prices could rally to around \$20,000 a ton on stretched fund short positioning, supply risk in top producer Indonesia and potential further Chinese easing.

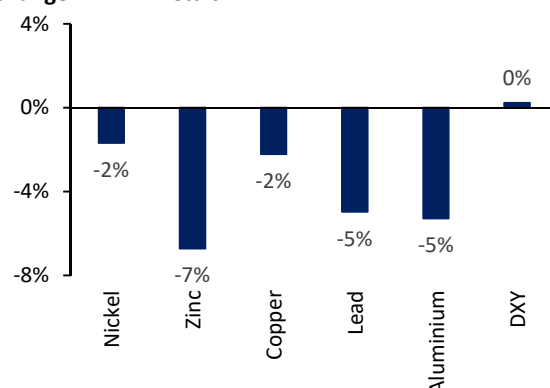
Aluminium has been forming a base over the last few week and could be ready for some positive momentum. Global primary aluminium output in September increased by 2.7% YoY, reaching 5.871 million tonnes, as per the IAI. China's aluminium production also rose by 5.3% in September and by 3.3% for the first nine months of the year. The aluminium market is keeping an eye on purchasing manager surveys in China's manufacturing sector, expected later in October, for insights into demand.

Stocks of aluminium in LME warehouses have decreased by nearly 20% since June, with a significant portion earmarked for delivery. Higher aluminium prices are influenced by substantial holdings of aluminium warrants, contributing to a narrower cash-aluminium contract discount. However, the outlook suggests that no significant capacity growth is expected in the Chinese aluminium market, as it nears its peak capacity.

Outlook:

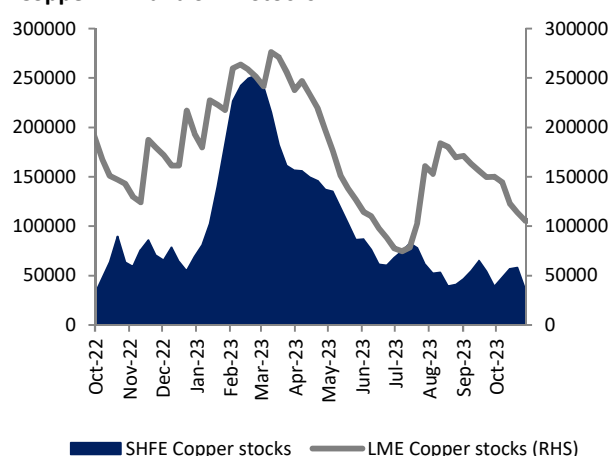
Overall metals have been weak, but last couple of weeks of consolidation gives an indication that weakness could have been overplayed and some bounce back could be on cards. Now has it bottomed or is it just a pullback after the fall is still hazy, but major weakness from here looks unlikely.

Change in LME Metals MTD



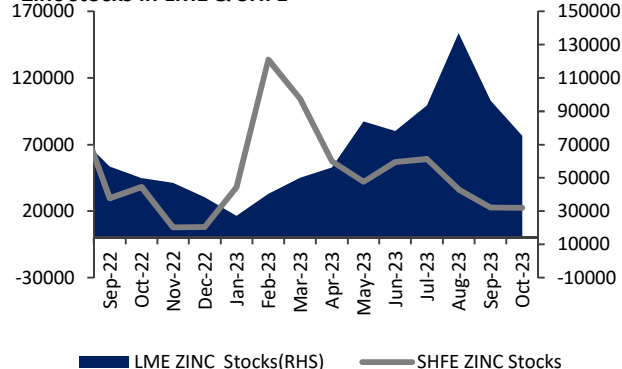
Source: - Reuters

Copper LME and SHFE Stocks



Source: Reuters

Zinc stocks in LME & SHFE



Source: Reuters

Technical Outlook: -

Copper

In the last week, copper gave a positive close, with a gain of over 4.35 rupees or 0.63%. This marked the positive close for the week. The 14- period Relative Strength Index (RSI) currently stands at 54, positioned above the midpoint, signalling market strength. Immediate support can be identified in the 702 to 700 range. Nevertheless, we anticipate a retracement on the upside, possibly reaching around Rs. 720 to 725. We have observed base formation at support region followed by a consolidation range breakout. The expected target range for a potential upward movement would be between 730 and 735.



Zinc

In last week, zinc witnessed a positive closure, with a gain of over 0.30 rupees or +0.14%. The 14- period Relative Strength Index (RSI) currently stands at 53, positioned above the midpoint, signalling market strength. Immediate support can be identified in the 217 to 216 range. Nevertheless, we anticipate a retracement on the upside, possibly reaching around Rs. 228 to 230. The expected target range for a potential upward movement would be between 233 and 235.



Aluminium

In Last week, aluminium prices saw a positive close of over 1.15 rupees, equivalent to a gain of 0.57%. The 14- period Relative Strength Index (RSI) currently stands at 59, positioned above the midpoint, signalling market strength. There is an anticipation of further upward movement, although prices could encounter significant resistance around the Rs.209- 210 level. If there is a successful breakthrough and closure above this resistance level, it could potentially propel prices towards the range of 213 to 215. For now, the immediate support level stands at Rs. 203. Beyond that, a robust support zone can be identified at Rs. 199.





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