



Monday, November 13, 2023

Perspective

Base metals traded weak for much of last week pressured from a rebounding dollar, inventory fluctuations, and uncertainties in demand from major consumers. Dollar's rise, coupled with low bond demand in the US, tightened financial conditions, affecting manufacturers dependent on US economic conditions. China's demand outlook remained pessimistic due to contracting manufacturing PMI figures and deflation in October, despite the government's efforts to boost copper-intensive infrastructure projects.

Copper also was under pressure, but the fall hit a floor tracking upbeat sentiment in the financial markets, although a firmer U.S. dollar and uncertainty over the economic recovery in China kept the red metal near a two-week low.

ShFE copper inventories decreased by 14.0% WoW, but the country's economic data presented a mixed picture. While manufacturing activity and exports slowed, unexpected growth in imports, including a 10-month high in copper imports, was noted. Globally, the refined copper market showed a deficit of 33,000 metric tons in August, compared to a 30,000 metric tons deficit in July. However, the market was in a surplus of 99,000 metric tons for the first 8 months of the year, contrasting with a 313,000 metric tons deficit in the same period last year, as per the ICSG.

Fed officials including Powell last week expressed uncertainty in their battle against inflation and added that they would tighten policy further if need be. The US dollar weakened after the US monthly payrolls report, enhancing expectations of a potential interest rate hike by the Fed in December. The ongoing monitoring of industrial

Commodity	Copper	Aluminum	Zinc
Open	701.65	203.65	220.25
Close	706.8	205.45	221.65
Change	6.00	2.00	0.70
% Change	0.86%	0.98%	0.32%
Open Int.	7238	3228	3604
Change	1135	1022	1141
Pivot	705.3	204.8	221.4
Resistance	710.0	206.2	222.5
Support	702.1	204.0	220.5

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	180250	40902	466700	76725
Close	180000	42534	481750	70150
Change	-250	1632	15050	-6575
% Change	-0.14%	3.99%	3.22%	-8.57%

metals imports in China, coupled with consumer prices, will gauge the effectiveness of Chinese stimulus measures. Despite the US trade deficit widening to \$61.5 billion in September, it is the third-lowest since 2021.

Next week, the growth-dependent metals market will focus on release of China's October aggregate financing data, including total social financing (TSF), which has a strong relation to demand from top metals consuming country. Last month, we saw an extraordinarily high number indicating stimulus activity is working, if that cadence can be maintained, that could be a boost for metals.

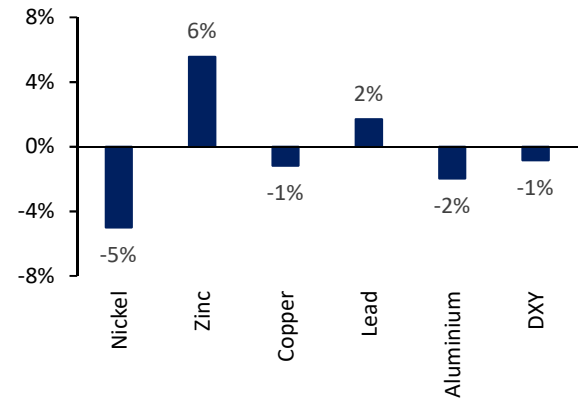
Zinc prices traded firm backed by supply concerns arising from incidents like the fire at Russia's Ozeroye mine and recent suspensions in U.S. mines, leading to reduced available stock. Additionally, LME zinc inventories have more than halved since early September. Nyrstar's plan to temporarily close two U.S. zinc mines by the end of November due to weak prices and inflation impact further intensified supply concerns.

ILZSG revealed a shift in the global refined zinc market, heading for a surplus of 248,000 metric tons this year, contrary to the previously projected deficit of 45,000 tons. The world demand for refined zinc in 2023 is expected to increase by 1.1% to 13.59 million tons, lower than the April estimate of 13.80 million tons due to tight monetary conditions. In September, China's refined zinc output was 544,000 mt, a 3.31% MoM increase but below expectations.

Aluminium prices were under pressure due to concerns surrounding the uncertainty in China's economic recovery. Mixed economic indicators showed a slowdown in manufacturing activities and exports, alongside unexpected growth in imports. Chinese authorities pledged to open up the economy and boost commodity and service imports to nearly \$17 trillion in the next five months, while market sentiment remained cautious amid developments concerning Chinese property giant Country Garden.

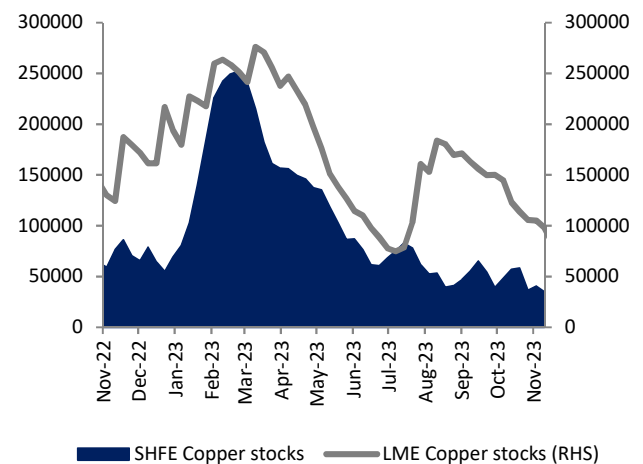
Copper and aluminium stocks in LME warehouses rebounded after arrivals. Aluminium inventories in warehouses monitored by the ShFE rose by 10% this week, but copper stocks fell by 14%.

Change in LME Metals MTD



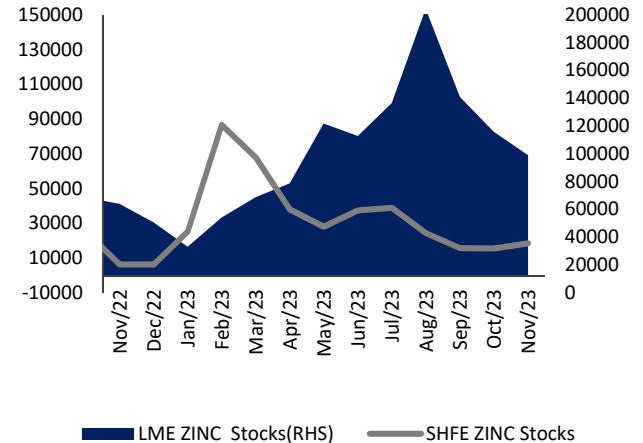
Source: - Reuters

Copper LME and SHFE Stocks



Source: Reuters

Zinc stocks in LME & SHFE



Source: Reuters

Outlook:

Overall market sentiments are mixed and bias is little unclear as US growth concerns are deepening, while Chinese economic recovery is underway. How the dollar behaves and demand pull is likely to define the short term trend in base metals. We continue to remain positive and suggest dip buying in Aluminium and Zinc

Technical Outlook: -

Copper

In the last week, copper gave a negative close, with a loss of more than 12.00 rupees or 1.70%. This marked the negative close for the week. The 14- period RSI currently stands at 38, positioned below the midpoint, signalling market weakness. Immediate support can be identified in the Rs. 689 to Rs. 690 range. Nevertheless, we anticipate a retracement on the upside, possibly reaching around Rs. 710 to Rs. 715. We have observed sideways movement within a near term trading range of Rs. 695 to Rs. 710. One can enter long position only above Rs. 710 levels on sustainable basis with first target of Rs. 720.



Zinc

In the last week, zinc witnessed a positive closure, with a gain of over 4.80 rupees or +2.15%. The 14- period Relative Strength Index (RSI) currently stands at 62, positioned above the midpoint, signalling market strength. Immediate support can be identified in the Rs. 222 to Rs. 221 range. Nevertheless, we anticipate a corrective rally on the upside, possibly reaching around Rs. 233 to 235. The expected target range for a potential upward movement would be between Rs. 239 and Rs. 240.



Aluminium

In the last week, aluminium prices saw a negative close of around 2.00 rupees, equivalent to a loss of 1.04%. The 14- period Relative Strength Index (RSI) currently stands at 45, positioned below the midpoint, signalling market weakness. There is an anticipation of further range bound movement, as prices could encounter significant resistance around the Rs.209- 210 level. However any successful breakthrough and closure above this resistance level could potentially propel prices towards the range of Rs. 214 to Rs. 215. For now, the immediate support level stands at Rs. 199. Below that, a robust support zone can be identified at Rs. 194.



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