



Tuesday, January 23, 2024

Perspective

- Base metals under pressure as Chinese demand disappoints
- Dollar Index gains adding further pressure to metals

Copper prices fell to a 6 week low weighed down by uncertainty over interest rate cuts and patchy economic recovery in China. Copper inventories at the LME fell 18% to 156,750 tonnes since mid-October - provided some support to prices. In late 2023 there was bullish sentiment supported by rate cut expectations and the market priced that in. At the start of this year there has been a setback, with inflation in the US and United Kingdom still quite high and Chinese data not helping.

China missed forecasts for economic growth while sales in the debt-heavy property sector continued to decline. China's troubled real estate sector continues to weigh down on copper prices and other industrial metals as manufacturing also slows down worldwide.

The global refined copper market showed an 119,000 metric tons deficit in November, compared with a 48,000 metric tons deficit in October, as per the ICSG. World refined copper output in November was 2.26 million metric tons, while consumption was 2.38 million metric tons. When adjusted for changes in inventory in Chinese bonded warehouses, there was a 128,000 metric tons deficit in November compared with a 70,000 metric tons deficit in October.

Commodity	Copper	Aluminum	Zinc
Open	714.45	197.55	219.55
Close	717.8	197.40	219.75
Change	5.40	-4.20	-3.30
% Change	0.76%	-2.08%	-1.48%
Open Int.	3985	3268	2229
Change	-2975	-2800	-1750
Pivot	716.5	197.4	219.8
Resistance	719.4	198.2	220.8
Support	714.9	196.6	218.7

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	155025	69012	558550	209200
Close	156750	69492	550825	199125
Change	1725	480	-7725	-10075
% Change	1.11%	0.70%	-1.38%	-4.82%

Chinese lunar New Year holidays are around the corner and trading activity generally hits a slow patch during these times. Metals across the complex await the introduction of new stimulus measures from mainland China and assess the extent to which global economic growth is subdued. There could be a close tug-of-war between fundamentals and sentiment driven by macro factors throughout the year.

Fed’s resistance to market expectations of multiple rate cuts in the face of ongoing inflationary pressures contributed to a stronger US dollar, impacting copper benchmarks priced in the currency and squeezing the purchasing power of importers. China saw slower-than-expected growth figures, further dampening the outlook as the country refrains from implementing additional stimulus measures.

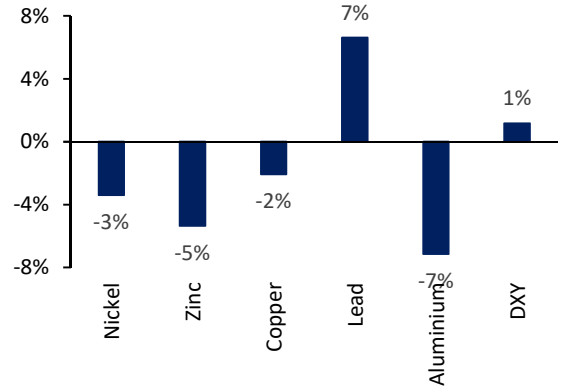
Dollar headed for a second weekly gain in a row on signs of resilience in the US economy and caution about rate cuts from central bankers. For now, the dollar is standing firm, but weakening of U.S. dollar, caused by a dovish Federal Reserve as inflation cools, will support demand for metals prices in 2024.

Aluminium slipped to its lowest since December as LME aluminium stocks have jumped by 25% since December, indicating healthy supplies of the metal widely used in construction and transportation. China’s aluminium imports rose by 28% YoY to 3.1 million tonnes in 2023 thanks to robust demand.

Outlook:

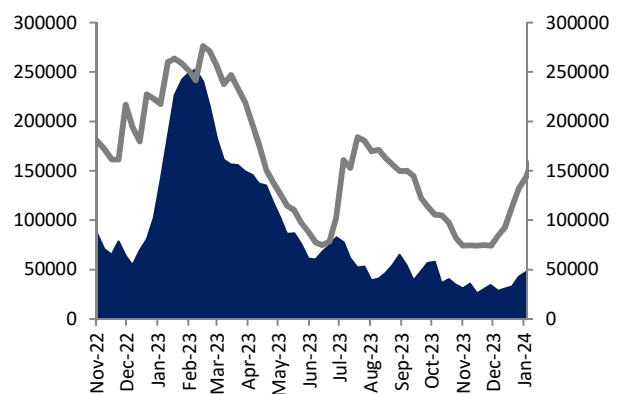
Overall most metals have taken a beating over the last few weeks and are around critical support junctures, whit some exciting possibilities of a bounce back. Trading activity will get slower approaching the lunar New Year, but it will be interesting to see how the demand revives once we come out the holiday phase.

Change in LME Metals MTD



Source: - Reuters

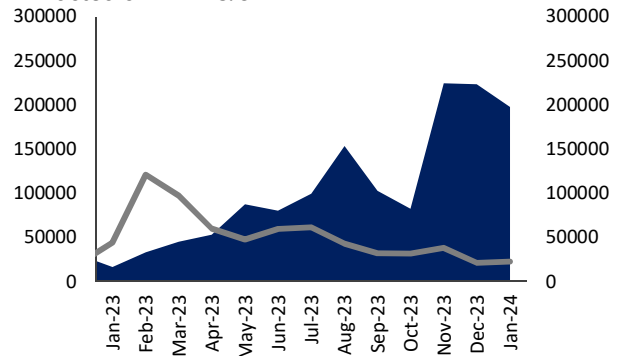
Copper LME and SHFE Stocks



SHFE Copper stocks LME Copper stocks (RHS)

Source: Reuters

Zinc stocks in LME & SHFE



LME ZINC Stocks(RHS) SHFE ZINC Stocks

Source: Reuters

Technical Outlook: -

Copper

MCX copper gain positive closing by 0.76 percent in last week, which is 5.40 rupees, copper is trading into a rising wedge channel, at the same time forming head and shoulder pattern and is trading close to the immediate support zone 710-705 levels, whereas immediate resistance is place at 721-730 levels for the counter. The metals is trading below mid-point of RSI, which is sign of weakness in the counter, and may portend further sell of the counter. Towards the next support levels. Likewise, a sustain break above resistance zone 730-736 might be the reversal which will negate the view.



Aluminium

MCX aluminum lose by 1.79 percent in last week, which is -4.20 rupees Aluminum has form triple top on daily chart, whereas immediate support for the counter is place at 194 -190 levels. , whereas immediate resistance is place at 200-202 levels for the counter. The metals is trading below mid-point of RSI, which is sign of weakness in the counter, and may portend further sell of the counter. Towards the next support levels. Likewise, a sustain break above resistance zone 200-205 might be the reversal which will negate the view.





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