



Tuesday, March 26, 2024

Base metals traded mixed last week with appositve start and later giving up some gains post the reaction to Fed meet commentary. Copper is still finely balanced looking at the stocks and production, but the demand is still not getting there yet.

Copper inventories in warehouses tracked by the SHFE fell for the first time on a weekly basis since Dec. 22 to 285,090 tons, albeit still hovering around their highest since 2020 due to strong Chinese production and imports. Chinese refineries have not yet reduced production in March, and consumption seems to be returning at a slow pace. However, there could be possibly signs of end of inventory accumulation.

The global refined copper market showed a 84,000 metric tons surplus in January, compared with a 27,000 metric tons surplus in December, as per the ICSG. World refined copper output in January was 2.37 million metric tons, while consumption was 2.29 million metric tons.

Zinc prices are hovering between \$2400-\$2,500 a tonne, retracing from three-week highs, amid uncertain demand outlook from China. Although the country's industrial output and consumption surpassed expectations in January-February 2024, the crisis in the real estate sector persisted, hurting the need for zinc as a building material.

According to the latest data, China's new property sales plunged annually by 29.3% in the first two months of the year, while property investment fell at a steeper 9%. Additionally, elevated inventories at LME warehouses (at around 270,000 tons) contributed to the negative sentiment.

Commodity	Copper	Aluminum	Zinc
Open	752.4	204.05	218.5
Close	752.45	206.95	217.60
Change	-9.80	2.35	-5.05
% Change	-1.29%	1.15%	-2.27%
Open Int.	679	473	802
Change	-2975	-2800	-1750
Pivot	752.1	206.1	217.8
Resistance	754.7	208.3	218.3
Support	749.9	204.8	217.1

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	117900	77454	559600	269375
Close	117400	77076	555775	266000
Change	-500	-378	-3825	-3375
% Change	-0.42%	-0.49%	-0.68%	-1.25%

Further downturn was prevented by the disruptions in major zinc mines. Glencore has recently communicated the halt of operations at its McArthur River zinc and lead mine in Australia due to heavy rainfall. Previously, Volcan and Tara announced the suspension of their activities.

Aluminium prices climbed to an 11-week high as buying interest increased with improving demand prospects from China. Data shows China imported 720,000 tons of unwrought aluminium and products in the January-February this year, up 93.6% from the same period last year. Aluminium has been lagging behind its base metals peers, it is cheap. The latest Chinese import data is surprising and widely cited as a short-term driver.

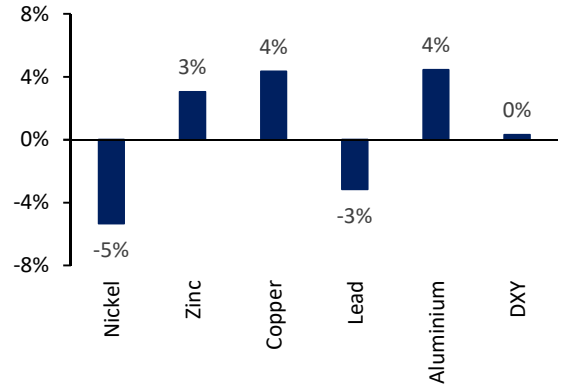
Pace of aluminium smelters in draught-hit Yunnan province restoring 500,000 metric tons of annual production, as dry weather continues to restrict hydropower supply. Overall, base metals demand from top consumer China remains uncertain, with the country's PMI looking to shed more light on manufacturing activity.

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

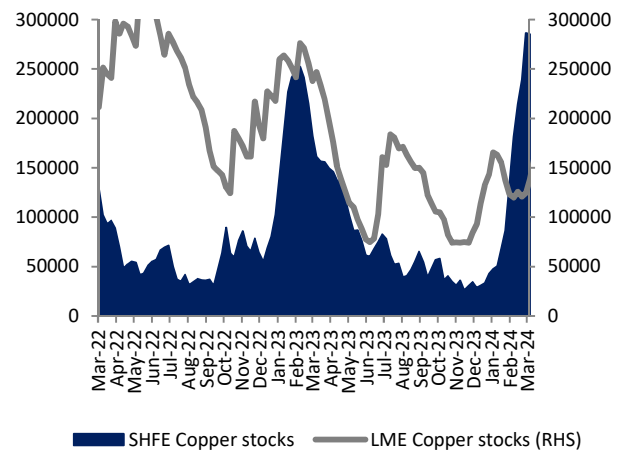
Overall its more of a pull push move across the metals pack, with little additions from inventories and Chinese demand. Overall bias continues to remain positive with intermediate swing between the rally. We have been cautiously bullish on the metals for some time now and expect some more gains before a consolidation could begin.

Change in LME Metals MTD



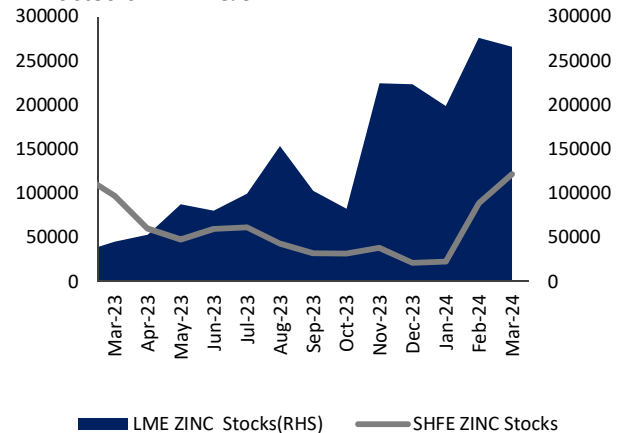
Source: - Reuters

Copper LME and SHFE Stocks



Source: Reuters

Zinc stocks in LME & SHFE



Source: Reuters

Technical Outlook: -

Copper

In the last week, copper gave a negative close, with a decline of around 3 rupees or -0.43%. The 14- period Relative Strength Index (RSI) currently stands at 61, positioned above the midpoint, signalling market strength and it is poised to continue its upward rally. Prices have taken out decisively from its consolidative phase possibly targeting Rs. 768 followed by Rs.780. Immediate support can be identified in the Rs.747 mark whereas immediate resistance is observed at 768. It is also holding well above a descending triangle breakout in the medium term indicating bullishness.



Zinc

In the last week, zinc gave a negative close, with a decline of more than 2.00 rupees or - 1.00%. The 14- period Relative Strength Index (RSI) currently stands at 51, positioned around the midpoint, signalling range bound movement. It is placed in an ascending right-angled broadening formation where the support can be identified in the Rs. 215 mark whereas resistance is observed at Rs. 225. There is a possibility for it to trade in the mentioned broader range indicating consolidative move.



Aluminum

In the last week, aluminium prices saw a positive close of nearly 3.50 rupees, equivalent to a gain of 1.71%. The 14- period Relative Strength Index (RSI) currently stands at 74, positioned at the overbought zone, signalling market strength. We anticipate a retracement on the upside testing significant resistance of Rs. 213 level. If there is a successful breakthrough and close above this resistance level, it has the ability to push prices towards the Rs. 217 level. For now, the immediate support level stands at Rs. 205.





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