



Monday, May 27, 2024

Over the last few weeks, the metals market has been akin to a roller coaster ride, with remarkable highs followed by sudden shifts in sentiment leading to profit-taking. The surge in copper prices, exceeding \$11,000 per ton, has been fueled by concerns over supply shortages, propelling prices to historic levels and igniting a \$49 billion takeover battle between industry titans. Despite smelters initially pledging to reduce capacity due to plummeting fees amid ore supply constraints, these cuts have yet to materialize, and China's economic slowdown has hindered the absorption of excess copper.

China presents a paradoxical situation, as its copper smelting industry continues to operate at near-record levels despite raw material scarcity, facilitated by higher prices incentivizing scrap metal processing. This discrepancy between supply and demand has become increasingly apparent, with copper prices up by 21% for the year, but facing challenges in further advancement as long as China remains oversupplied.

Analysts attribute the recent price surge to a combination of genuine market changes and speculative activity. Concerns persist about the closure of the Cobre Panama copper mine in South America, exacerbating supply worries amid rising demand from China's recovering economy and manufacturing sector.

However, the meteoric rise in copper prices is also influenced by external factors. Copper prices typically correlate closely with US bond yields, which have remained unexpectedly high, further driving up copper prices. Additionally, short sellers facing pressure to cover their positions have contributed to the upward price momentum.

Commodity	Copper	Aluminum	Zinc
Open	891.8	239.8	272.85
Close	883.05	240.80	274.20
Change	-33.70	1.05	7.50
% Change	-3.68%	0.44%	2.81%
Open Int.	829	495	839
Change	-4499	-1857	-1691
Pivot	887.6	241.1	273.3
Resistance	893.0	243.5	276.4
Support	877.7	238.4	271.1

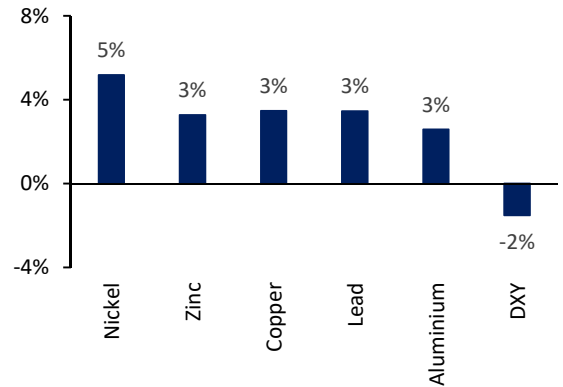
LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	105900	81834	1092800	258850
Close	112675	83988	1124700	257225
Change	6775	2154	31900	-1625
% Change	6.40%	2.63%	2.92%	-0.63%

Looking ahead, barring significant economic downturns or shocks to China's economy, the fundamental demand for copper is expected to remain stable. Despite a recent surge in copper inventory in China following a drop in demand after prices exceeded \$10,000 per ton, global refined copper markets showed a surplus in March, albeit smaller than in previous months.

Meanwhile, aluminium experienced a delayed but significant uptrend driven by concerns over rising power costs and potential supply disruptions from Russia following its invasion of Ukraine. Despite sanctions imposed by Western nations, particularly the US, energy flows, including oil and gas, have not been targeted, alleviating some of the risk premiums associated with aluminium production.

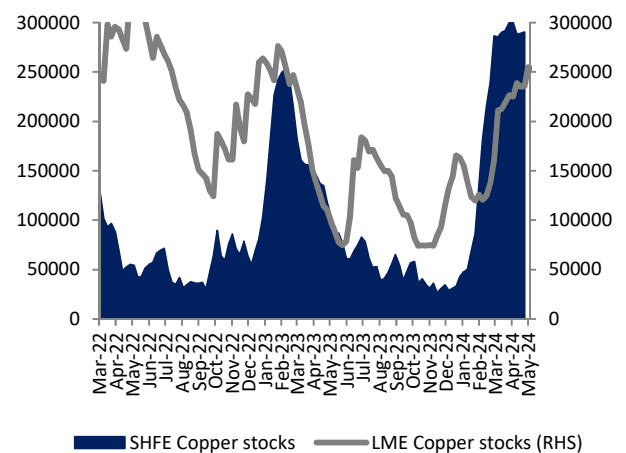
Russia's significance as a major producer of aluminium, nickel, and gas underscores the importance of monitoring geopolitical developments for potential impacts on global metal markets. As traders engage in profit-taking amidst uncertainties, market dynamics remain fluid, influenced by both fundamental and speculative factors.

Change in LME Metals MTD



Source: - Reuters

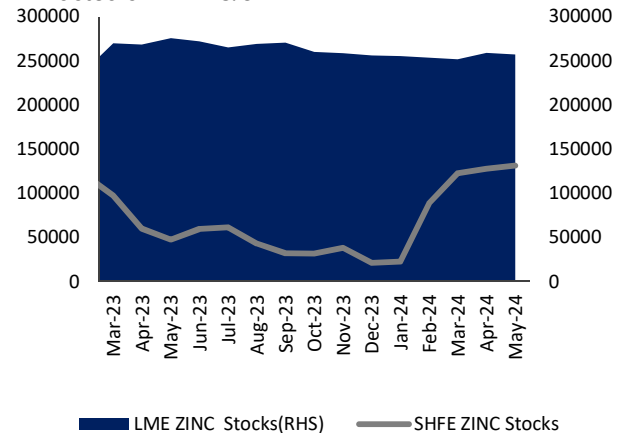
Copper LME and SHFE Stocks



Legend: SHFE Copper stocks (Area), LME Copper stocks (RHS) (Line)

Source: Reuters

Zinc stocks in LME & SHFE



Legend: LME ZINC Stocks(RHS) (Area), SHFE ZINC Stocks (Line)

Source: Reuters

Technical Outlook: -

Copper

In the last week, copper gave a negative close, with a decline of around 32 rupees or 3.45%. Despite this dip, the overall trend remains positive, with copper maintaining its previous weekly lows for the past 15 weeks. Technical indicators support this bullish outlook. The Ichimoku cloud analysis indicates a bullish trend as copper prices are trading above the cloud. Additionally, the 14-period Relative Strength Index (RSI) stands at 55, positioned above the midpoint of 50, signaling underlying market strength. Copper is also trading well above its 21-day Exponential Moving Average (EMA), reinforcing the medium-term bullish outlook. Immediate support can be identified in the Rs.875 & followed by 865 marks whereas immediate resistance is observed at Rs. 910 & 925 levels. So, buying on dips is recommended but our bias will negate below Support levels.



Zinc

MCX zinc gain positive closing by 1.20 percent in last week, which is 3.40 rupees. On a daily chart, zinc is classically moving in a well-channelized manner. The price has respected the channel's upper and lower trend line every time it has touched and at the same time, the price has been trading higher highs and higher lows formation which indicates bullish trend. On the average front the price is trading above its 9 and 21 EMA indicating an uptrend. A momentum indicator RSI (14) is reading above 60 levels, which suggests a bullish move may continue in near term. The immediate resistance is observed at Rs. 278 level. A decisive close above this level is likely to push prices towards Rs. 285 level with accelerated momentum. However, key immediate support is observed at Rs. 265 level with lower strong support placed at Rs. 260 level. Buy on dips is suggested in the counter as long as this level is not breached on the lower side.





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