



Monday, June 10, 2024

Base metals experienced a substantial surge in recent weeks, followed by a sudden slowdown that prompted a healthy correction. The recent rally lacked support from the physical market, indicating a logical pullback. In China, economic indicators presented a mixed picture. While May trade data showed better-than-expected exports, suggesting overseas demand resilience, slower import growth reflected domestic consumption fragility.

Copper steadily declined to its lowest point in five weeks, influenced by a stronger dollar, robust US employment figures, and varied trade data from China. The market's climb to record highs wasn't substantiated by real-world supply and demand dynamics. Despite investor enthusiasm in copper futures, China's leading consumer market exhibited weakness.

Supply constraints, including the closure of First Quantum Minerals Ltd.'s mine in Panama, contributed to a record squeeze in the semi-processed copper ore market. Disappointing mine output led to a concentrates shortage, prompting smelters to reduce production and indicating tighter refined metal inventories despite tepid demand.

China's unwrought copper imports in May exceeded expectations, despite subdued physical consumption. May imports totaled 514,000 metric tons, up 15.8% from the previous year and 17.4% from the previous month. Despite high prices, the double-digit growth surprised many market observers given weak consumption.

Commodity	Copper	Aluminum	Zinc
<b>Open</b>	877.15	241.6	261.8
<b>Close</b>	853.65	235.60	250.50
<b>Change</b>	-18.15	-5.30	-15.10
<b>% Change</b>	-2.08%	-2.20%	-5.69%
<b>Open Int.</b>	6816	3382	3677
<b>Change</b>	714	91	897
<b>Pivot</b>	862.6	237.5	254.1
<b>Resistance</b>	872.1	240.3	259.2
<b>Support</b>	844.2	232.8	245.4

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
<b>Open</b>	116000	83724	1113150	255925
<b>Close</b>	123800	85602	1103500	260825
<b>Change</b>	7800	1878	-9650	4900
<b>% Change</b>	6.72%	2.24%	-0.87%	1.91%

Copper inventories on the ShFE reached a four-year high after a recent surge, rising 4.7% in the past week. Typically, ShFE copper stocks decline from the second half of March, with the second quarter being the peak season for copper demand.

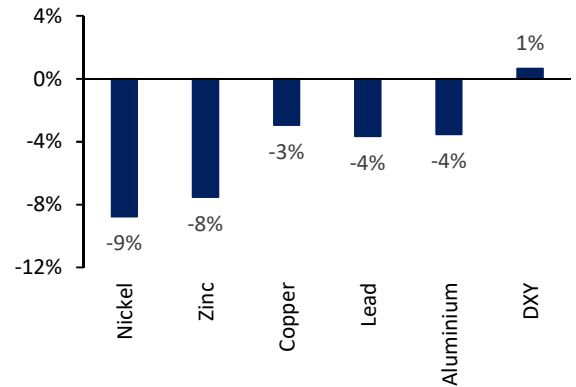
The US dollar strengthened following robust job creation data, suggesting a potential delay in the Federal Reserve's easing measures, which could dampen growth prospects for commodities priced in dollars.

Although aluminium rallied alongside other metals, concerns about sluggish demand persisted. Shortages of alumina, a crucial intermediary in aluminium production, emerged due to reduced output in China and disruptions to Rio Tinto's Australian exports.

Despite supply disruptions, global primary aluminium output in April increased by 3.3% year-on-year. China's unwrought aluminium imports surged by 72.1% year-on-year in April, with imports for the first four months rising by 86.6% compared to the same period last year. Russian imports also saw a significant increase.

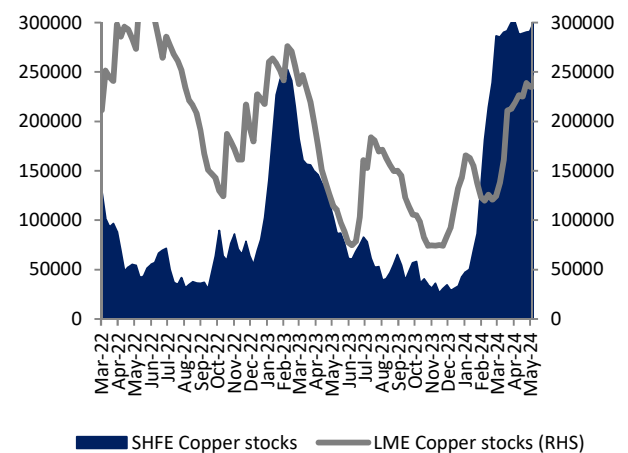
The recent market fluctuations have left participants uncertain, with upcoming weeks likely characterized by data-driven movements. While medium-term prospects remain positive, short-term volatility will likely keep market participants engaged.

**Change in LME Metals MTD**



Source: - Reuters

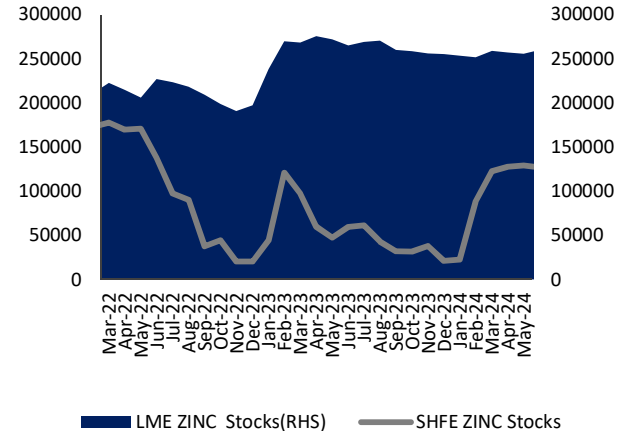
**Copper LME and SHFE Stocks**



■ 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**

In the last week, copper gave a negative close, with a decline of around 34 rupees or 3.80%. This marked the first weekly closed below previous weeks' lows which indicates change in the direction and the same time Copper has given a breakdown of upward sloping trend line on the daily chart. The Ichimoku cloud analysis indicates a bearish momentum as copper prices are trading below the conversion and base line. Additionally, the metals are trading below mid-point of RSI, which is sign of weakness in the counter, and may portend further sell off in the counter. Immediate support can be identified in the 845 to 840 range. Nevertheless, we anticipate a retracement on the upside, possibly reaching around Rs. 865 to 870. it's prudent to set a stop loss at 885-890 levels to manage risk. The expected target range for a potential downward movement would be between 840 and 828.



**Zinc**

MCX zinc lost by 9% in last week, which is 24.80 rupees. On a daily chart, zinc has given a breakdown of upward sloping trend line and at the same time, the price has been trading in lower highs and lower lows formation which indicates bearish trend. On the average front the price is trading below its 9 and 21 EMA indicating a bearish outlook. A momentum indicator RSI (14) is reading below 50 levels, which suggests a bearish move may continue in near term. The immediate support is observed at Rs. 246 level. A decisive close below this level is likely to drag prices towards Rs. 242-240 levels with accelerated momentum. However, key immediate resistance is observed at Rs. 254 level with higher strong resistance placed at Rs. 259 level. sell on rise is suggested in the counter as long as this level is not breached on an upside.





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