



Tuesday, June 18, 2024

Copper prices have faced downward pressure, retracting 12% from their recent peak of \$11,104.50 last month due to a rally driven by speculators and investment funds. Some buyers re-entered the market at levels between \$9,600 and \$9,700, but many cancelled orders following disappointing Chinese economic data. Market participants are now cautious, waiting to see if prices will decrease further.

The outlook for copper demand was overshadowed by recent developments in China, where industrial output growth for May slowed to 5.6%, falling short of the expected 6%. Concerns persist over a slump in the property market, high local government debt, and ongoing deflation issues. The Chinese government, under President Xi Jinping, has introduced measures to stabilize economic growth and the property sector, although real estate investment and home prices continued to decline in May.

Copper, often viewed as an indicator of economic health, surged to record highs in May due to speculative buying amid shortages of raw materials. However, prices corrected as Chinese demand proved weaker than anticipated.

In LME-registered warehouses, copper inventories rose by 28% over the past month to their highest level in four months. This increase contributed to the LME cash contract trading at a discount to the three-month contract, reflecting a market condition known as contango. The discount reached \$133 per ton on Tuesday, nearing a record high.

Commodity	Copper	Aluminum	Zinc
Open	857.9	232.9	258.2
Close	856.8	232.50	255.35
Change	3.15	-3.10	4.85
% Change	0.37%	-1.32%	1.94%
Open Int.	6205	3034	2251
Change	-611	-348	-1426
Pivot	856.0	232.8	256.1
Resistance	861.1	233.7	259.0
Support	851.7	231.6	252.5

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	125325	85578	1100000	259950
Close	136675	87744	1073950	250950
Change	11350	2166	-26050	-9000
% Change	9.06%	2.53%	-2.37%	-3.46%

The strength of the US dollar and concerns about political stability in Europe have kept the euro near a more than one-month low. A stronger dollar typically makes commodities priced in dollars more expensive for foreign buyers.

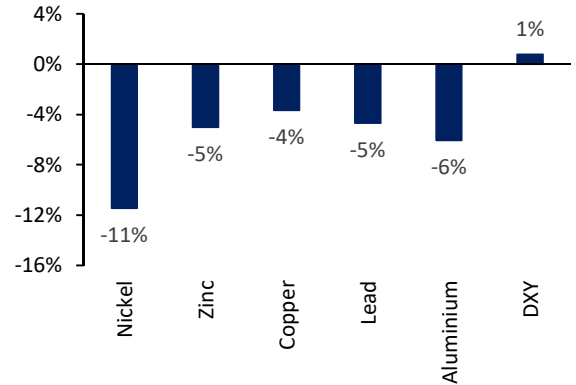
Meanwhile, aluminium prices also faced downward pressure, influenced by shifting market dynamics and economic indicators. A significant factor contributing to the decline was the doubling of LME inventories within a month, reaching 1.1 million tons. This surge indicated increased supply and added bearish sentiment to the market. Additionally, the widening gap between LME cash and 3M aluminium contracts, reaching \$62.44 per ton, the largest since August 2007, suggested weakening near-term demand compared to future expectations. The Federal Reserve's decision to maintain interest rates and delay potential rate cuts until possibly December further weighed on aluminium prices.

Despite these challenges, disruptions in alumina supply from reduced output in China and force majeure on alumina shipments from Australia raised concerns about supply constraints, potentially limiting further downside for aluminium prices. Global primary aluminium production in April showed a 3.3% year-on-year increase, indicating resilience in supply. China's strong import figures for unwrought aluminium and products, up 72.1% year-on-year in April, underscored sustained demand amid broader economic uncertainties.

Zinc prices closed higher after recent declines, driven by short covering activities, particularly as China's zinc concentrate imports dropped significantly in the first four months of 2024. Imports totaled 1.18 million metric tons, a 24% decrease compared to the same period last year, signaling shifting demand dynamics. Global zinc production has declined by 2% in 2022 and another 1% in 2023, reflecting a downward trend.

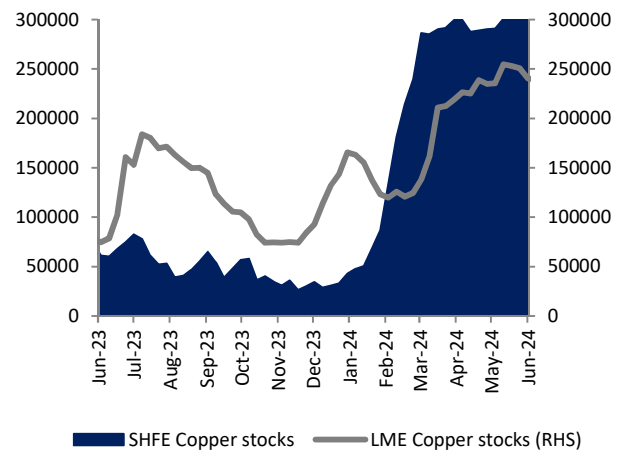
Regarding inventories, LME zinc stocks increased notably throughout 2023, rising from 30,475 tons to 223,225 tons by year-end, and further to 255,900 tons since January 2024. Despite fluctuations driven by arbitrage activities, LME stocks have generally held within the range of 250,000-260,000 tons since April. The global zinc market recorded a surplus of 52,300 metric tons in March, down from 66,800 tons in February, with a first-quarter surplus of 144,000 tons in 2024, lower than the 201,000-ton surplus in the same period last year.

Change in LME Metals MTD



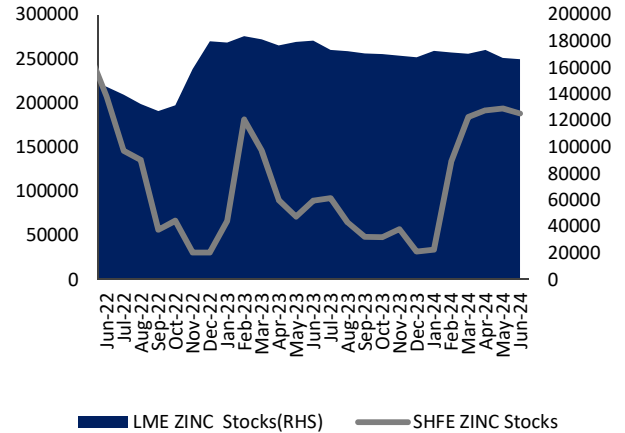
Source: - Reuters

Copper LME and SHFE Stocks



Source: Reuters

Zinc stocks in LME & SHFE



Source: Reuters

Outlook: -

Overall, market sentiment in metals has turned cautious, with buyers hesitant until there are clear signs of upward momentum in specific metals and significant changes in underlying factors. The recent decline in risk appetite follows a strong market surge that was arguably overextended at the time.

Technical Outlook: -

Copper

In the past week, copper prices closed flat with a slight rise of around 3 rupees or 0.30%. The market exhibited sideways and lower movement throughout the week. On the daily chart, prices are forming lower highs and lower lows, indicating a bearish trend. 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 840 to 835 range. Nevertheless, we anticipate a retracement on the upside, possibly reaching around Rs. 858 to 865. It's prudent to set a stop loss at 875-880 levels to manage risk. The expected target range for a potential downward movement would be between 835 and 825.



Aluminum

MCX Aluminium experienced a decline of 1.30% or 3 rupees in the last week. On the daily chart, aluminium has been trading within a rectangular pattern since April 2024 and is currently hovering near the lows seen in May 2024, specifically around the critical level of 228. A decisive break below this support level could signal further weakness in the counter. On the average front the price is trading below its 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. 228 level. A decisive close below this level is likely to drag prices towards Rs. 224-222 levels with accelerated momentum. However, key immediate resistance is observed at Rs. 235 level with higher strong resistance placed at Rs. 239 level. Sell on rise is suggested in the counter as long as this level is not breached on an upside.





Navneet Damani	Research-Head	navneetdamani@motilaloswal.com
-----------------------	----------------------	--

For any details contact:

Commodities Advisory Desk - +91 22 3958 3600
commoditiesresearch@motilaloswal.com

Commodity Disclosure & Disclaimer:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRIL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Ltd. are available on the website at <http://online.reports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf>

Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

Terms & Conditions:

- This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions.
- This material is for the personal information of the authorized recipient and we are not soliciting any action based upon it.
- This report is not to be construed as an offer to sell or solicitation of an offer to buy any commodity or commodity derivative to any person in any jurisdiction where such an offer or solicitation would be illegal.
- It is for the general information of clients of MOFSL. It doesn't constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients.
- The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL.
- The report is based on the facts, figures and information that are considered true, correct, reliable and accurate.
- All such information and opinions are subject to change without notice.
- Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.
- We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed.
- Neither MOFSL, nor any person connected with it, accepts any liability arising from the use of this document.
- The recipients of this material should rely on their own investigations and take their own professional advice. Price and value of the commodity referred to in this material may go up or down. Past performance is not a guide for future performance.
- Certain transactions including those involving commodity derivatives involve substantial risk and are not suitable for all investors.
- Reports based on technical analysis centers on studying charts of a commodity's price movement and trading volume as opposed to focusing on a commodity's fundamentals and as such may not match with a report on a commodity's fundamentals.
- Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to subject commodity for which Research Team have expressed their views.
- MOFSL or its associates or Research Analyst or his relatives may have Open Position in subject commodity.
- A graph of daily closing prices of commodities is available at <http://www.moneyline.co.in/>
- Opinions expressed are our current opinions as of the date appearing on this material only. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.
- The commodities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.
- This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment.
- The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the commodities mentioned in this document.
- The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein.
- The commodities described herein may or may not be eligible for trade in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.
- Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors.
- MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may (a) from time to time, have long or short positions in, and buy or sell the commodities mentioned herein or (b) be engaged in any other transaction involving such commodities and earn brokerage or other compensation or act as a market maker in the commodity/ (ies) discussed herein or have other potential conflict of interest with respect to any recommendation and related information and opinions. However the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the commodities mentioned in the research report.
- MOFSL and its associates and Research Analyst have not received any compensation or other benefits in connection with the research report. Compensation of Research Analysts is not based on any brokerage transactions generated by broking activities under Motilal Oswal group.

This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN: 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.



Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dp@grievances@motilaloswal.com.