



Monday, July 15, 2024

Base metals have experienced considerable volatility in recent weeks, particularly showing weakness before the weekend due to high inventories and sluggish demand in China. The strengthening dollar added to market uncertainty as investors awaited economic data from China for insights into global demand trends. Furthermore, an attack on U.S. presidential candidate Donald Trump increased the likelihood of his victory, introducing a new layer of political uncertainty to the markets.

A busy week for economic indicators began with China reporting a 4.7% year-on-year growth in GDP for Q2 of 2024. Retail sales and industrial output figures for June were at 2% and 5.3% respectively. Additionally, a gathering of top Chinese officials is scheduled from July 15-18.

Despite maintaining reasonable demand for key commodities in June, there were no signs suggesting confidence in an imminent upturn. China's imports of unwrought copper fell to a 14-month low in June due to weak domestic demand and high inventory levels, dampening purchasing interest. Chinese metal stocks currently stand at four-year highs, driven by challenges in concentrate supplies for the refining and smelting industry, exacerbated by aggressive purchasing by Chinese companies.

In June, imports of unwrought copper and copper products totaled 436,000 tonnes, marking a 3% year-on-year decrease from 449,649 tonnes, the lowest since April 2023. This represented a 15% decline from May's 514,000 tonnes. Year-to-date, copper imports increased by 6.8% to 2.76 million tonnes. Meanwhile, imports of copper concentrate reached 2.31 million tonnes in June, up 8.7% from a year earlier, with a total of 13.9 million tonnes imported in the first half of 2024, a 3.7% increase from the same period in 2023.

Commodity	Copper	Aluminum	Zinc
Open	854.1	232.3	272.35
Close	868.25	229.05	273.30
Change	-9.60	0.20	7.65
% Change	-1.12%	0.09%	3.00%
Open Int.	6929	3476	2349x
Change	-4558	-2416	-1507
Pivot	862.6	228.8	272.4
Resistance	875.1	230.0	274.5
Support	855.8	227.8	271.2

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	191475	97470	994175	258675
Close	206225	98526	976725	251125
Change	14750	1056	-17450	-7550
% Change	7.70%	1.08%	-1.76%	-2.92%

Copper inventories in LME warehouses remained near their highest levels in over 2-1/2 years, nearly doubling since mid-May due to inflows into Asian warehouses. However, on-warrant stocks on the LME declined to 190,500 tonnes after 5,900 tonnes were earmarked for delivery out, potentially signalling a slowdown in large inflows.

Investor sentiment has been increasingly optimistic about China's policy support, with expectations that the NCP could introduce additional stimulus measures in July, particularly aimed at upgrading renewable energy infrastructure. Additional measures targeting Chinese real estate and grid investments could provide short-term support to copper prices.

The ongoing crisis in China's property sector shows no signs of imminent recovery, with low housing starts expected to continue weighing on future copper demand, given the lag in metal usage following construction starts.

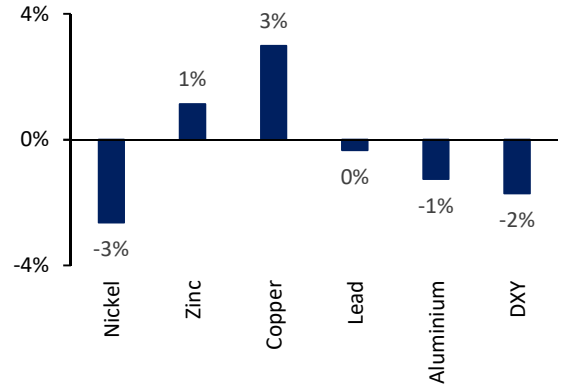
Zinc, which had been a top performer among metals in recent weeks, paused and consolidated within a range. Anticipated boosts in demand from China ahead of the Communist Party's third plenum kept prices elevated. In May 2024, China's refined zinc output rose by 6.26% month-on-month to 536,200 metric tons, indicating robust production despite prevailing market conditions.

Aluminium supplies in the short term are constrained, as companies are using metal as collateral to release tied-up cash from their stocks. Concerns about shortages persist despite record high stocks, as seen in the narrowing contango—a discount for cash material over the three-month contract—which decreased to around \$30 per ton compared to levels around \$35 per ton on June 1st.

However, concerns over supply disruptions surfaced as MMG Ltd announced a temporary halt at its Dugald River zinc mine in Australia for maintenance, amidst an already tight zinc concentrates market. This decision is likely to further constrain supply, potentially supporting prices in the near term. Investors are closely monitoring China's stimulus measures, particularly those affecting the property market, to gauge their impact on zinc demand.

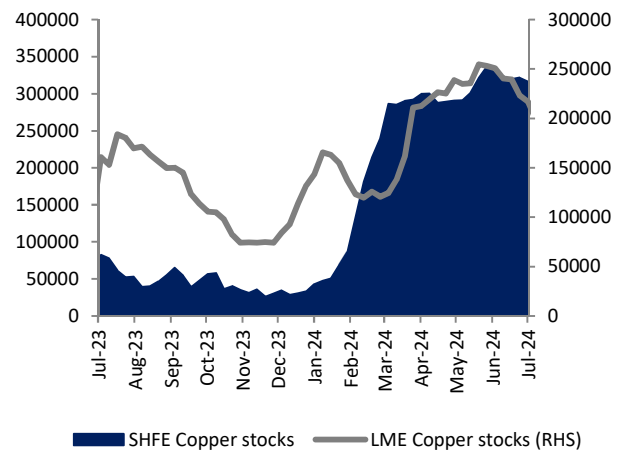
Shanghai Futures Exchange (SHFE) inventories increased, reflecting waiting imports and prevailing market conditions, while LME inventories rebounded by 9%, reaching their highest level in nearly three months, indicating surplus metal availability despite recent declines. Data from the International Lead and Zinc Study Group (ILZSG) showed a global zinc market surplus of 22,100 metric tons in April, down from 70,100 tons in March.

Change in LME Metals MTD



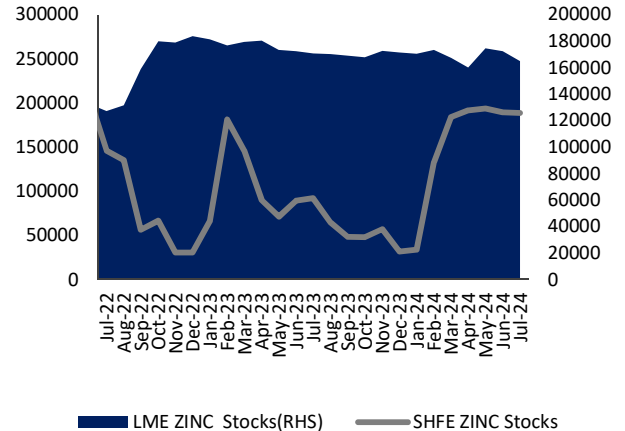
Source: - Reuters

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 7 rupees or -0.80%. The 14- period Relative Strength Index (RSI) is currently hovering around 50 indicating range bound movement. Prices are expected to remain in the broader consolidation range of 845 - 885. Immediate support can be identified at Rs. 855 mark whereas immediate resistance is observed at Rs. 876. Any breach on either side might initiate decisive moves going forward.



Zinc

In the last week, zinc gave a negative close, with a decline of around 2.00 rupees or 0.85%. The 14- period Relative Strength Index (RSI) is currently trading at 62, positioned above the midpoint mark of 50, signalling market strength. Immediate support can be identified at Rs. 270 mark whereas resistance is observed at Rs. 277. Buying on dips is advised till it holds above Rs. 270 level. There is a possibility for it to head towards next leg of rally till about Rs. 277 and Rs. 281 as an extended target.



Aluminum

In the last week, aluminium prices saw a negative close of nearly 5.00 rupees, equivalent to a loss of 2.14%. The 14- period Relative Strength Index (RSI) currently trading at 40, positioned below the midpoint mark of 50, signalling market weakness. We anticipate it to trade in a broader consolidation range of 221 - 236. For now, the immediate support level is placed at Rs. 225 whereas resistance is seen at Rs. 232.





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

For any details contact:

Commodities Advisory Desk - +91 22 3958 3600
commoditiesresearch@motilalosal.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.motilalosal.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 CCLR 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://onlinereports.motilalosal.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.motilalosal.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, 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.motilalosal.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@motilalosal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

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