



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.

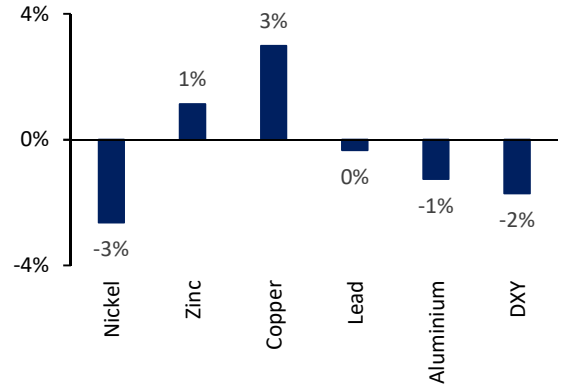
Zinc, which had been a top performer among metals in recent weeks, paused and consolidated within a range. Anticipated boosts in demand from China ahead of the Communist Party's third plenum kept prices elevated. In May 2024, China's refined zinc output rose by 6.26% month-on-month to 536,200 metric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

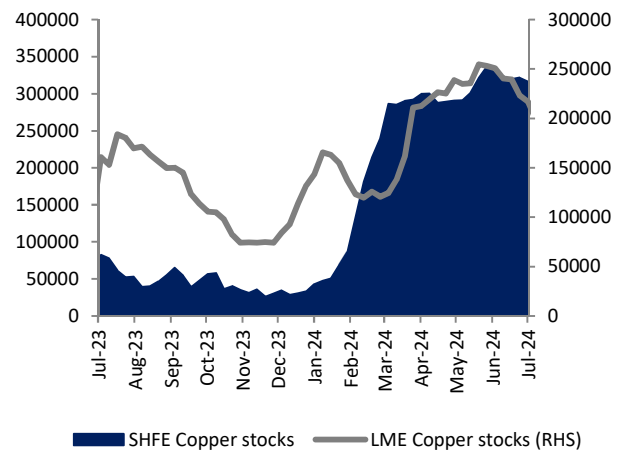
Shanghai Futures Exchange (SHFE) inventories increased, reflecting waiting imports and prevailing market conditions, while LME inventories rebounded by 9%, reaching their highest level in nearly three months, indicating surplus metal availability despite recent declines. Data from the International Lead 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



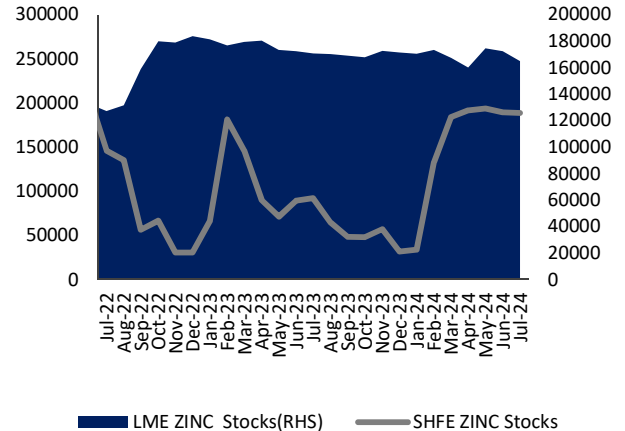
Source: - Reuters

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.





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