



Monday, August 19, 2024

Copper prices have been influenced by recent labour disputes at BHP's Escondida mine in Chile, the world's largest copper mine, which accounts for nearly 5% of global supply. The mine's powerful union had gone on strike over payment disputes but reached a preliminary agreement on Friday to end the strike, with a final deal signed on Sunday. This agreement helped ease concerns about a prolonged disruption that could have significantly impacted global copper supplies.

Despite the resolution, the risk of supply disruptions remains a factor in supporting copper prices, particularly as this mine has a history of strikes, including notable disruptions in 2006, 2011, 2015, and a 44-day strike in 2017 that triggered a copper price rally.

Globally, there is a broader trend of expanding copper production driven by the anticipation of rising demand, particularly due to the energy transition and the growth of data centers. This has led to significant investments in new mining projects. However, despite these efforts, the market still faces a long-term deficit as consumption is expected to rise, and new large-scale mining projects are increasingly challenging and expensive to develop.

In China, the world's largest consumer of copper, economic data has been mixed. Industrial output rose by 5.1% in July, slightly down from 5.3% in June, while retail sales grew by 2.7%, in line with forecasts. The ongoing property crisis in China has been a significant drag on metals demand, though recent data suggests a slight improvement in the housing market. Meanwhile, Chinese aluminium production reached a record high in July, driven by increased power availability and new capacity coming online, particularly in Inner Mongolia.

Commodity	Copper	Aluminum	Zinc
Open	795	219.25	258.1
Close	801.45	219.05	262.25
Change	24.85	4.85	4.55
% Change	3.20%	2.26%	1.77%
Open Int.	11364	3573	1799
Change	-2546	-469	-413
Pivot	799.3	218.8	261.2
Resistance	805.2	220.7	264.4
Support	795.6	217.2	259.1

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	296125	112404	903600	239525
Close	309050	114060	888975	260600
Change	12925	1656	-14625	21075
% Change	4.36%	1.47%	-1.62%	8.80%

Copper inventories have shown mixed trends. In London Metal Exchange (LME) registered warehouses, stocks nearly tripled over the last three months, which has muted the effect of supply disruption risks. Conversely, copper inventories in Shanghai Futures Exchange (ShFE) warehouses fell by 8.4% last week, reflecting ongoing demand despite economic challenges.

Aluminium prices experienced a significant surge recently due to concerns about rising power costs and potential disruptions in supply from Russia, a major producer, following its invasion of Ukraine. However, despite the geopolitical tensions, sanctions imposed by the United States, Britain, and other Western nations did not severely impact energy flows or directly target Russian oil and gas supplies. Consequently, the initial risk premium that drove aluminium prices higher has started to diminish.

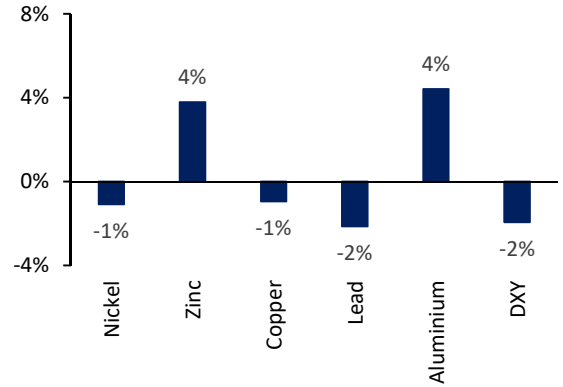
Short-term market participants have taken advantage of this deflation in risk premium to lock in profits ahead of the weekend, a period that often brings uncertainty due to potential developments in global events.

Conclusion:

The aluminium and copper markets are currently navigating a complex landscape of geopolitical tensions, labour disputes, and fluctuating demand driven by economic conditions in major markets like China and the United States. While short-term factors such as the resolution of strikes and shifts in economic data are influencing prices, long-term trends in supply and demand continue to shape the outlook for these essential industrial metals.

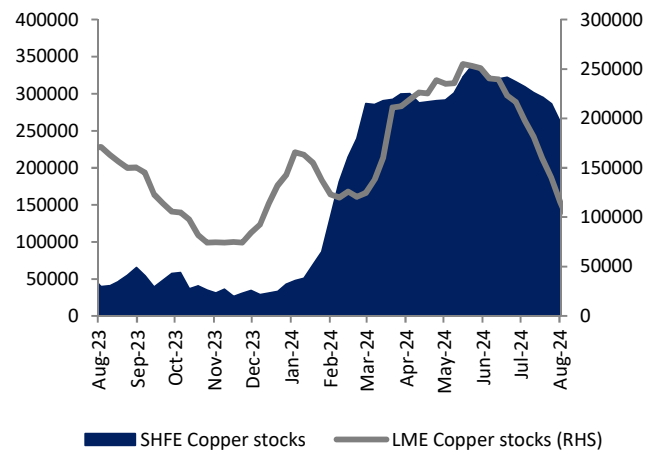
The potential for further disruptions in supply and the evolving economic situation in key markets will likely keep prices volatile in the coming weeks.

Change in LME Metals MTD



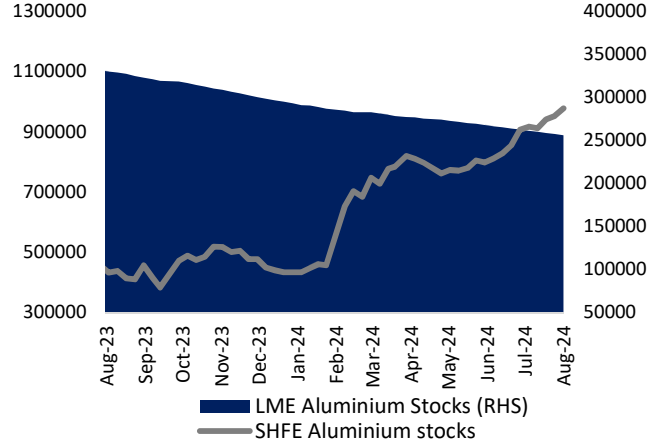
Source: - Reuters

Copper LME and SHFE Stocks



Source: Reuters

Aluminum LME and SHFE Stocks



Source: Reuters

Technical Outlook: -

Copper

In the last week, copper gave a positive close, with a gain of around 25 rupees or 3.2%. The 14- period Relative Strength Index (RSI) on the daily chart is currently trading at 50.32, positioned above the midpoint mark of 50, signalling market strength. Prices have taken out decisively from its narrow range towards upside preceded by a bullish reversal. It is expected to remain in the sideways to higher range. Immediate support can be identified at Rs. 785 mark whereas immediate resistance is observed at Rs. 830. Any sustenance above RS. 785 level is likely to test Rs. 830 level on the higher side going forward.



Zinc

In the last week, zinc gave a positive close, with a gain of around 4.50 rupees or 1.77%. The 14- period Relative Strength Index (RSI) is currently trading at 58, positioned above the midpoint mark of 50, signalling market strength. Immediate support can be identified at Rs. 256 mark whereas resistance is observed at Rs. 272. There is a possibility for it to trade with a positive bias thus any dips towards Rs. 260 level might be a good entry point with a view targeting Rs. 272 on the higher side followed by Rs. 280 level as an extended target.



Aluminium

In the last week, aluminium prices saw a positive close of nearly 5 rupees, equivalent to a gain of 2.26%. The 14- period Relative Strength Index (RSI) currently trading at 56, positioned below the midpoint mark of 50, signalling market strength. We maintain buying on dips till it holds above Rs. 213 level testing Rs. 228 on the higher side followed by Rs. 235 as an extended target.





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