



Monday, August 26, 2024

Copper prices struggled to pick up pace over the last few days pressured by rare surge in Chinese exports which deflated bullish sentiment in the copper market, with funds selling long positions. Positive sentiment had built up following labour disputes at BHP's Escondida mine in Chile, which boosted prices and increased supply worries.

In June, China exported a record-breaking 158,000 metric tons of refined metal. Mine output in Chile increased by 2.4% for the six-month period, but remains 4.5% below the average first half production level of the last five years, as per the ICSG data. This disruption of typical trading patterns tempered the bullish narrative of restricted supply and cyclical demand recovery.

On the demand side, preliminary figures from the ICSG indicate that the world's apparent refined copper usage increased by approximately 3.3% in the first half of 2024, with unequal demand increases across regions. China's apparent demand (excluding changes in bonded/unreported stockpiles) increased by about 3.5%. Its net refined copper imports rose 9%, despite a 74% growth in refined copper exports.

Copper wire rod makers in China have been taking advantage of lower prices by increasing orders, while their downstream customers, grid companies, raised output to meet annual production targets.

Zinc prices gained for fourth consecutive session by almost 1%, supported by supply concerns after smelters in top producer China agreed to trim production because of low ore availability and weak profits.

Commodity	Copper	Aluminum	Zinc
Open	796.15	226.65	267.25
Close	799.15	229.80	267.25
Change	-2.30	10.75	5.00
% Change	-0.29%	4.91%	1.91%
Open Int.	2954	726	466
Change	-8410	-2847	-1333
Pivot	798.4	228.3	266.9
Resistance	801.4	231.8	268.8
Support	796.1	226.3	265.4

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	308075	114456	885375	260000
Close	315575	116616	870950	256050
Change	7500	2160	-14425	-3950
% Change	2.43%	1.89%	-1.63%	-1.52%

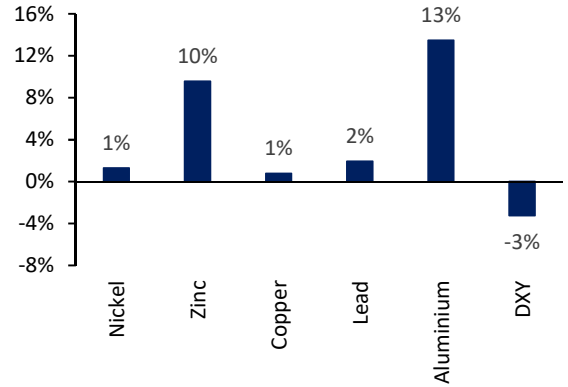
Chinese zinc smelters have agreed to reduce production in response to lower treatment charges. Treatment charges, the price smelters receive from miners to process ore concentrate into zinc, have been falling since the fourth quarter of 2023 owing to tight ore supply. To compensate for the decline in treatment fees, 14 smelters with a combined annual capacity of 4.17 million tonnes, or 70% of the country's total, have agreed to adjust their maintenance plans, increase the usage of secondary raw materials, and delay new capacity. Spot treatment charges on imported ore have lately fallen below zero due to global concentrate supply constraints and poor demand. Zinc output in China has already fallen from a record high of 661kt in December to 536kt in July, a one-year low.

Aluminum prices have also gained tremendously, set for its largest weekly gain since April on account of tight raw material supply of bauxite and alumina and increased hopes of a US rate cut next month.

Supply constraints have increased by output reduction at Alcoa and Rio Tinto's alumina refineries in Australia. Over 30% of alumina inventories were evacuated from warehouses supervised by the Shanghai Futures Exchange (ShFE) in the last three weeks, owing to increased profitability in primary aluminium production. This increase in production is due to new projects in Inner Mongolia as well as ongoing robust production in other major regions.

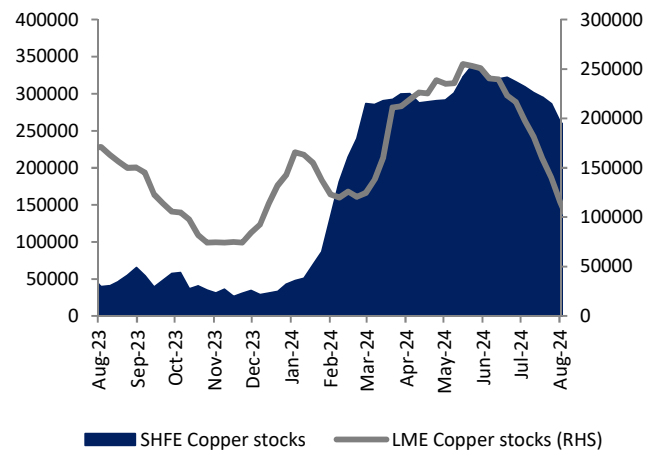
Majority gains in LME metals this week was provided by a boost in sentiment for rate cuts by Fed in the past week pushing the dollar to 52-week lows. The minutes showed that at the September FOMC meeting, there was no discussion of 25bp or 50bp rate reduction, only that "the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks". Nonetheless, Gov. Powell suggests that they could lower rates significantly if conditions warranted it. Federal Reserve Chair Jerome Powell delivered a dovish address at the Jackson Hole Symposium, indicating that the central bank is willing to provide a greater rate cut to ensure a soft landing. Lower interest rates could boost global growth and metals demand.

Change in LME Metals MTD



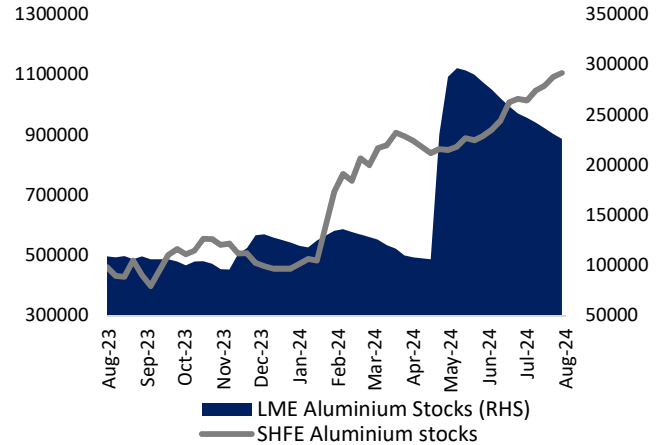
Source: - Reuters

Copper LME and SHFE Stocks



Source: Reuters

Aluminum LME and SHFE Stocks



Source: Reuters

**Technical Outlook: -**

**Copper**

Over the past week, copper prices closed relatively flat, registering a minor decline of approximately 2.20 rupees or 0.27%. The market exhibited a sideways movement, fluctuating within a range of Rs. 816 to Rs. 802, awaiting a breakout for directional cues. On the daily chart, Ichimoku cloud analysis suggests a potential pause in the ongoing downtrend, as prices are trading above both the conversion and base lines, which are expected to provide support. Furthermore, the metal is trading above the midpoint of the RSI, indicating underlying strength in the counter. Immediate support is observed in the Rs. 802 to Rs. 795 range, while resistance is anticipated at Rs. 818 and Rs. 830 levels.



**Zinc**

Last week, Zinc posted a positive close with an increase of approximately 10.25 rupees or 3.96%, marking the formation of three consecutive bullish weekly candles. On the daily chart, Zinc is displaying a higher highs and higher lows pattern, coupled with a breakout above a downward sloping trend line. Technical analysis through the Ichimoku cloud indicates a bullish trend, as prices are trading above both the conversion and base lines. The momentum indicator, RSI (14), is reading above the 55 level, suggesting that the bullish momentum is likely to continue in the near term. In this upward trend, resistance is identified at the 274 level. A breach of this resistance could lead to a further rise towards the 280-286 levels. On the downside, support is seen at the 266 and 261 levels.





<b>Navneet Damani</b>	<b>Research-Head</b>	<a href="mailto:navneetdamani@motilalosal.com">navneetdamani@motilalosal.com</a>
-----------------------	----------------------	--

**For any details contact:**

Commodities Advisory Desk - +91 22 3958 3600  
[commoditiesresearch@motilalosal.com](mailto: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](http://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://online-reports.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](http://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](mailto:na@motilalosal.com), Contact No.:022-40548085.

**Grievance Redressal Cell:**

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	<a href="mailto:query@motilalosal.com">query@motilalosal.com</a>
Ms. Kumud Upadhyay	022 40548082	<a href="mailto:servicehead@motilalosal.com">servicehead@motilalosal.com</a>
Mr. Ajay Menon	022 40548083	<a href="mailto:am@motilalosal.com">am@motilalosal.com</a>

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](mailto: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](mailto:grievances@motilaloswal.com), for DP to [dp grievances@motilaloswal.com](mailto:dp grievances@motilaloswal.com).