



Monday, September 16, 2024

Base metal prices had a good run up recently on back of dollar weakness from increasing bets of rate cuts by the Federal Reserve, slight reversal in inventories trend and hopes of stimulus in China. The follow up to the mid-autumn long holiday in China on 16th and 17th of September saw some restocking too, which bodes well for most base metals.

PBoC maintains its policy stance that it would strive to expand domestic demand, with more focus on consumption. The country's new bank loans growth in August missed expectations, though the total social financing numbers, a gauge of future metals consumption, are ahead of expectations. Copper has fallen from record highs touched in May aided by speculative buying on projected shortages due to future demand. With the price decline, which was primarily due to the unwinding of investor positioning, Chinese buying has seemed to increase, and there has been some restocking activity ahead of China's lengthy October break.

Copper inventories in Shanghai Futures Exchange warehouses fell by 13.9% from last week, marking a 45% decline over the past three months to 185,520 tons, the lowest since February. The import discount for copper in China also shifted to a premium, reaching \$65 per ton, indicating stronger demand. Chile's state miner Codelco produced 111,400 metric tons of copper, a 10.7% decrease from the previous year. However, the BHP-controlled Escondido mine grew output by 29% to 106,500 tons, while the Collahuasi mine, which is jointly operated by Glencore and Anglo-American, experienced a 6% reduction to 47,000 tons.

Commodity	Copper	Aluminum	Zinc
Open	803.4	226.9	264.6
Close	802.2	228.80	267.90
Change	20.30	11.20	14.20
% Change	2.60%	5.15%	5.60%
Open Int.	10202	2887	2319
Change	-1972	-1194	-475
Pivot	801.6	227.7	266.5
Resistance	805.9	230.2	270.0
Support	797.9	226.4	264.4

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	316450	121656	834850	236550
Close	311525	123360	820850	229300
Change	-4925	1704	-14000	-7250
% Change	-1.56%	1.40%	-1.68%	-3.06%

The Caixin China General Manufacturing PMI rose to 50.4 in August 2024 from 49.8 in July, above market forecasts of 50.0 as new orders returned to growth, driving faster production expansion amid better underlying demand conditions. However, foreign demand fell marginally for the first time in the year-to-date amid report of deteriorating conditions.

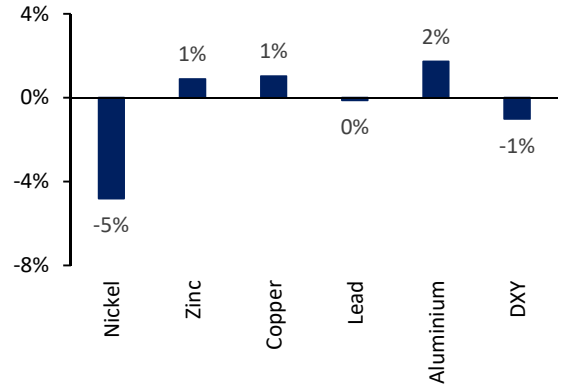
Aluminum prices have also gained substantially on hopes of US interest rate cuts and Chinese economic stimulus measures. A restricted supply of raw materials and a falling US dollar have aided the increasing trend. However, the outlook is uncertain as economic data from major metal consumers, particularly China, continues to provide uncertainty about steady growth.

Supply constraints in key raw materials such as alumina and bauxite have also aided in the upmove of prices. China's alumina prices recently reached a near-three-month high due to rising demand and restricted supply, with inventories at Shanghai Futures Exchange-monitored warehouses falling significantly in recent weeks. Furthermore, interruptions in bauxite shipments from Guinea, the world's largest supplier, and production cuts outside China have exacerbated the supply constraints.

Outlook:

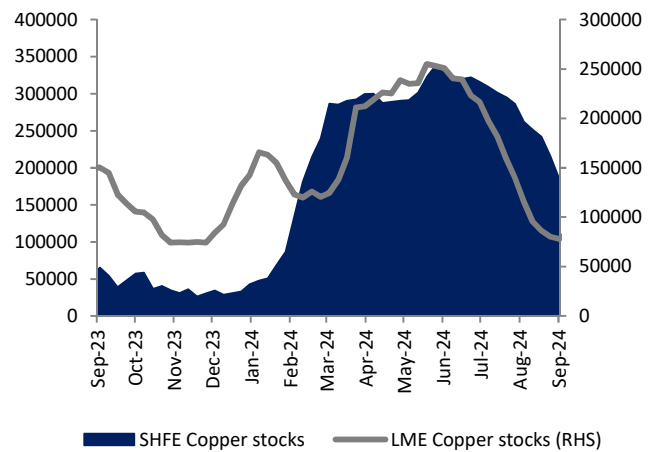
Despite some positive cues from slight demand pick up and dollar weakness, major pressure from the prolonged crisis in the Chinese property market and a moderate global growth outlook continue to burden prices. There have been bouts of bullish and bearish bias in the metals complex for the last many weeks, but with the Fed meet approaching, we would have better clarity over the rate cut stance in the US and how fast and how frequently will the rate be brought down. Once these unknowns become knowns, there could be a transitional shift in the medium term outlook for the metals complex. But over the next 3-5 trading session – brace yourself for some heightened volatility. A high than expected cut of 50 bps points will set the tone for a bullish bias in the industrial metals.

Change in LME Metals MTD



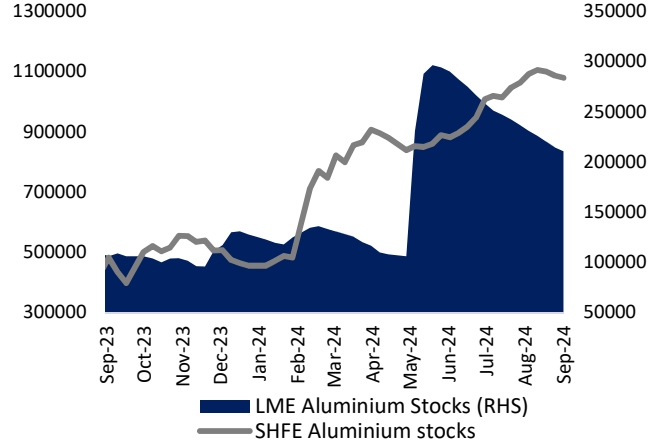
Source: - Reuters

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 20 rupees or 2.6%. The 14- period Relative Strength Index (RSI) on the daily chart is currently trading at 48, hovering around midpoint mark of 50 indicating range bound movement. Prices have remained in a broader range. Immediate support can be identified at Rs. 785 mark whereas immediate resistance is observed at Rs. 830. There is a possibility for it to trade in the ongoing consolidative phase.



Zinc

In the last week, zinc gave a positive close, with a gain of around 14 rupees or 5.60%. The 14- period Relative Strength Index (RSI) is currently trading at 56, positioned above the midpoint mark of 50, signalling market strength. Immediate support can be identified at Rs. 255 mark whereas resistance is observed at Rs. 280. There is a possibility for it to trade with a positive bias and any sustainable move above break of downward sloping channel seems likely to test 280 level on the higher side.



Aluminum

In the last week, aluminium prices saw a positive close of nearly 11 rupees, equivalent to a gain of 5.15%. The 14- period Relative Strength Index (RSI) currently trading at 61, positioned above the midpoint mark of 50, signalling market strength. We maintain buying on dips till it holds above Rs. 223 level testing Rs. 237 on the higher side followed by Rs. 246 as an extended target.





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