



Monday, September 23, 2024

Copper prices gained for a second consecutive week, attaining support from stimulus hopes from PBoC, Federal Reserve's half point cut and signs of slight improvement in Chinese demand on the inventories front.

The US Federal Reserve's big rate decrease improved the global economic outlook, sparking a surge in risky assets. The US central bank began its easing campaign with an unexpected 50 basis point rate decrease in September and two more cuts of 25 bps to be seen in 2024 and 100 bps in 2025. The action reinforced expectations of a soft landing for the US economy when inflation returns to target, while also raising the chances of policy easing in other major nations. Revisions to the economic projections also gave insights into the future health of the economy and what to expect in the coming meetings.

The People's Bank of China kept its key lending rates steady in September, in line with market expectations. The one-year loan prime rate (LPR), which serves as a benchmark for most corporate and household loans, remained at 3.35%, while the five-year LPR, often used for property mortgages, stayed at 3.85%. Both rates are still at record lows following unexpected cuts in July. This decision comes after the central bank postponed its medium-term lending facility (MLF) operation for the second time in two months, as it aims to give short-term rates a greater influence in guiding markets.

Surprisingly, China's central bank lowered its short-term policy rate and pumped more liquidity into the financial system, in efforts to help boost the economy. PBoC cut the 14-day reverse repurchase interest rate by 10 basis points to 1.85%, and injected

Commodity	Copper	Aluminum	Zinc
Open	815.5	231.85	270.45
Close	809.45	226.90	265.50
Change	7.25	-1.90	-2.40
% Change	0.90%	-0.83%	-0.90%
Open Int.	5197	1215	1447
Change	-5005	-1672	-872
Pivot	812.3	228.6	267.3
Resistance	816.6	230.7	269.3
Support	805.2	224.9	263.5

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	308550	123810	817350	234150
Close	303350	124134	809025	256150
Change	-5200	324	-8325	22000
% Change	-1.69%	0.26%	-1.02%	9.40%

74.5 billion yuan, equivalent to \$10.6 billion, of liquidity via the policy tool. The decision to lower the 14-day rate to 1.85% from 1.95% came ahead of the National Day Holiday that will last seven days beginning Oct 1. The PBOC typically offers 14-day loans ahead of long break. The last time it provided such lending was in February ahead of the week-long Lunar New Year break. foreign demand fell marginally for the first time in the year-to-date amid report of deteriorating conditions.

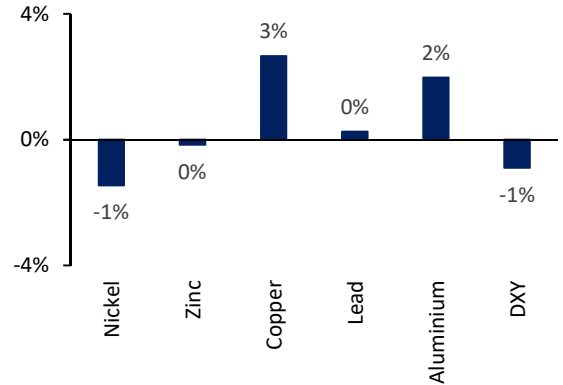
The move was made despite the US Federal Reserve beginning its rate-cutting cycle. Economic data from August indicated uncertainty, with industrial output growing at its slowest pace in five months, soft retail sales, and a rising unemployment rate; further fueling concerns that President Xi Jinping's government would fail to meet its annual growth objective of approximately 5% unless further support was provided. Additionally, new yuan loans rebounded from a 15-year low in July but still fell short of expectations.

SHFE warehouse stock changes in China shows notable shifts across base metals. Copper stocks decreased by 20,582 tons, representing an 11.09% decline. On the other hand, aluminum saw an increase of 2,722 tons, up by 0.96%, while zinc rose by 3,917 tons, marking a 4.79% growth. Lead stocks experienced the most significant surge, rising by 9,523 tons, a substantial 18.50% increase. Nickel, however, declined by 1,169 tons, down 4.87%. These changes highlight varying trends across different metals this week.

Outlook:

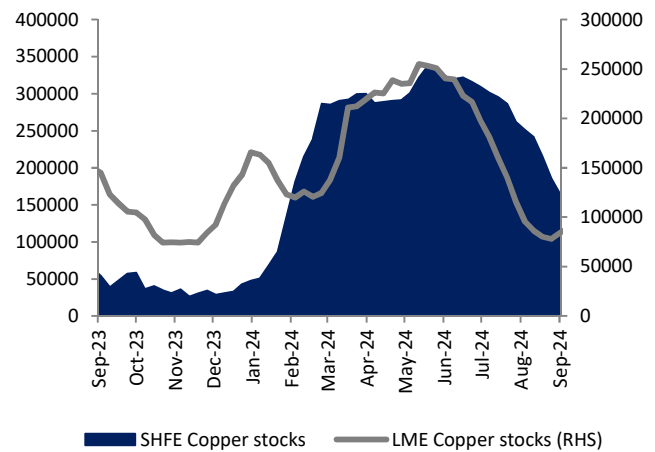
Despite the recent pickup in copper consumption due to seasonal demand and recent falling prices, the pace of gains in base metal prices is not what is expected. Despite the aggressive 50 bps cut, the dollar did not slump further, capping any further gains for the commodity. The only hope remaining would be Chinese authorities taking advantage of the Federal Reserve's 50-basis-point decrease, because it offers them "wiggle room" to lower borrowing costs. Pressure is mounting on the government to do more to boost growth following August data that cast doubt on China's ability to meet its 5% growth target this year. Any further supportive actions from China would help boost base metal prices.

Change in LME Metals MTD



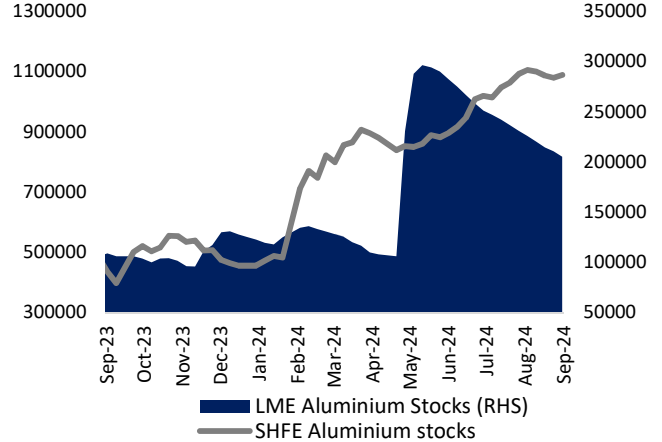
Source: - Reuters

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 7 rupees or 0.90%. The 14- period Relative Strength Index (RSI) on the daily chart is currently trading at 50, hovering around midpoint mark of 50 indicating range bound movement. Prices have traded in a broader range overall. 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 however bias remains slightly positive if it continues to hold above 795 level on sustainable basis.



Zinc

In the last week, zinc gave a negative close, with a decline of around 2 rupees or 0.90%. The 14- period Relative Strength Index (RSI) is currently trading at 51, hovering around the midpoint mark of 50 indicating consolidative move. Immediate support can be identified at Rs. 255 mark whereas resistance is observed at Rs. 272. There is a possibility for it to trade in a broader range going forward indicating range bound movement.



Aluminum

In the last week, aluminium prices saw a negative close of nearly 2 rupees, equivalent to a decline of 0.83%. The 14- period Relative Strength Index (RSI) currently trading at 52, hovering around the midpoint mark of 50, signalling market indecisiveness. We maintain selling on rise till it holds below Rs. 234 level testing Rs. 218 on the lower side followed by Rs. 211 as an extended target.





Navneet Damani	Research-Head	navneetdamani@motilaloswal.com
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For any details contact:

Commodities Advisory Desk - +91 22 3958 3600
commoditiesresearch@motilaloswal.com

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Grievance Redressal Cell:

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

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