

Commodities Canvas

MONTHLY REPORT, SEPT 2024, 100th EDITION

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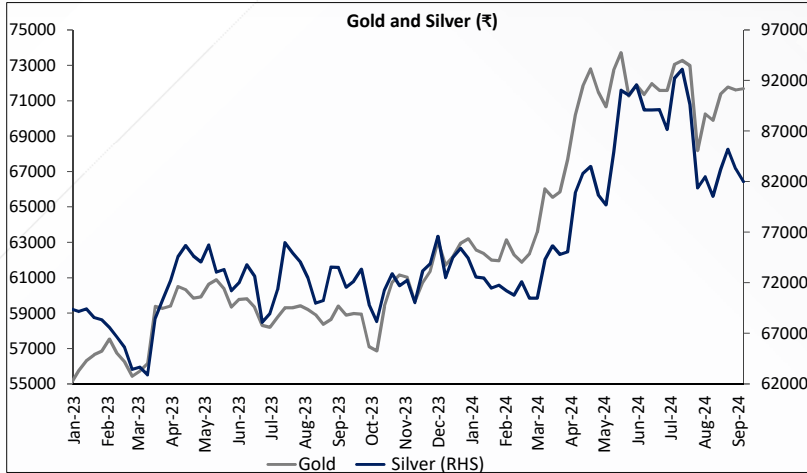
Core Team

Commodity Returns

Commodity	Closing price (as on 30/8/24)	1 week	4 weeks	12 weeks	YTD	Analysis
Gold (₹)	71611	-0.2%	3.8%	-0.4%	13.3%	A quick and strong rebound from lower levels
Gold (\$)	2503	-0.4%	2.2%	7.6%	21.4%	All time Highs last month
Silver (₹)	83285	-2.3%	-0.4%	-9.0%	11.9%	Snapback Rally
Silver (\$)	28.84	-3.3%	-0.7%	-5.0%	21.4%	Bullish progression through resistance levels
Crude Oil (₹)	6203	-1.4%	-4.9%	-3.9%	3.3%	Broad consolidation
Natural Gas (₹)	179	6.0%	3.8%	-16.8%	-15.5%	Tug of war between Bulls and Bears
Copper (₹)	805	0.7%	1.3%	-7.9%	10.6%	Congestion Zone
Zinc (₹)	274	2.5%	8.5%	1.4%	19.3%	Leading the base metals pack
Aluminium (₹)	234.6	2.1%	10.7%	-4.8%	10.6%	Demand-Driven Rebound
Lead (₹)	184.7	-2.5%	-10.8%	-3.6%	1.1%	Choppy market
Nickel (₹)	-	0.6%	7.1%	-16.4%	-0.8%	Broad consolidation
Dollar index	101.4	-0.1%	-2.9%	-3.2%	0.2%	Sharp fall supporting Commodities

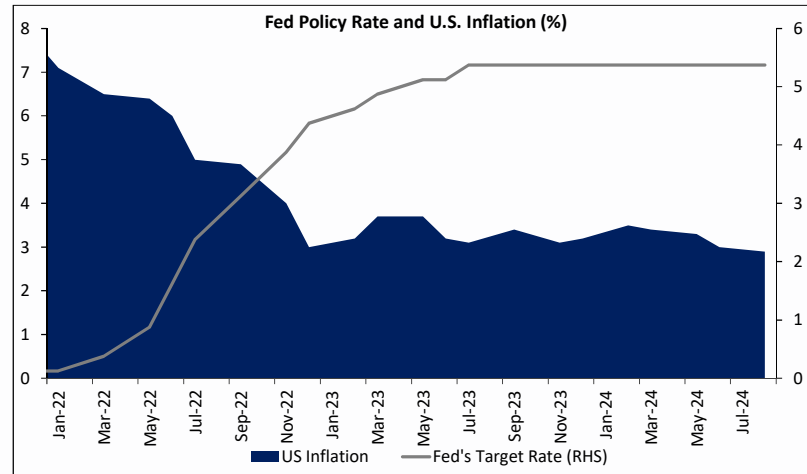
Precious Metals

Gold and Silver takes breather after sharp rally this year



Source : Reuters

Fall in inflation could end the status quo phase for Fed

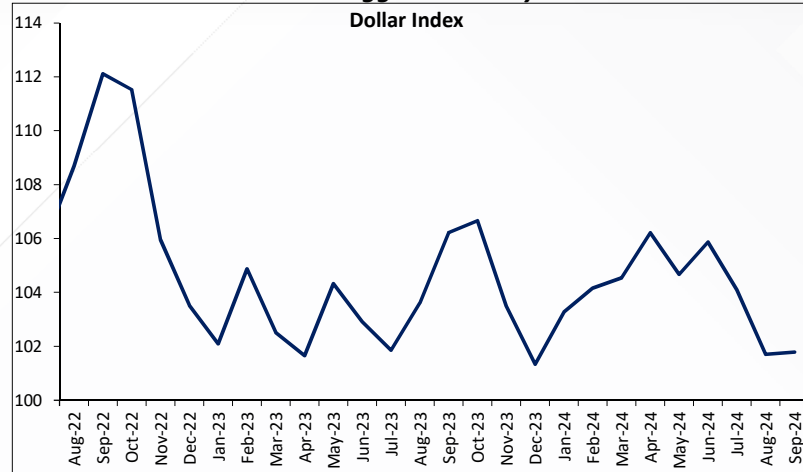


Source : Reuters

- In August, Gold rose over 2%, while Silver traded volatile in a broad range
- Major factors triggering volatility last month : Jackson Hole Symposium, Fed Rate cut expectations, Escalating geopolitical tensions and economic data points
- Governor Powell hinted at a possible rate cut in September, noting that while inflation is approaching 2% target, focus now is also on the labor market
- Bets for 25bps and 50bps rate cut in September is at ~70% and ~30% respectively
- Economic data was mixed : Jobs, inflation and housing number were weaker but, GDP and consumer spending showed strength
- Domestic prices did see some recovery post 9% duty cut, momentum is still lacking
- Renewed Russia-Ukraine and Israel-Hezbollah tensions are driving safe haven buying in Gold and Silver
- Industrial metals saw sharp recovery, supporting silver prices

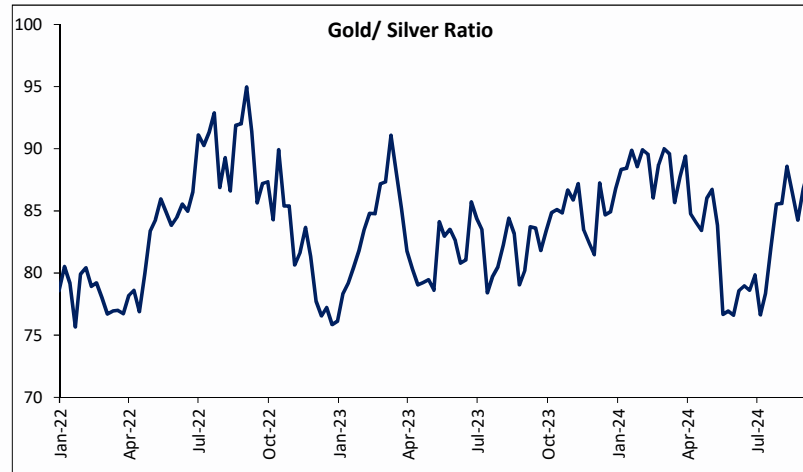
Precious Metals

Broad consolidation in DXY triggers volatility in Commodities



Source : Reuters

Ratio recovers from base, keeps market participants on edge

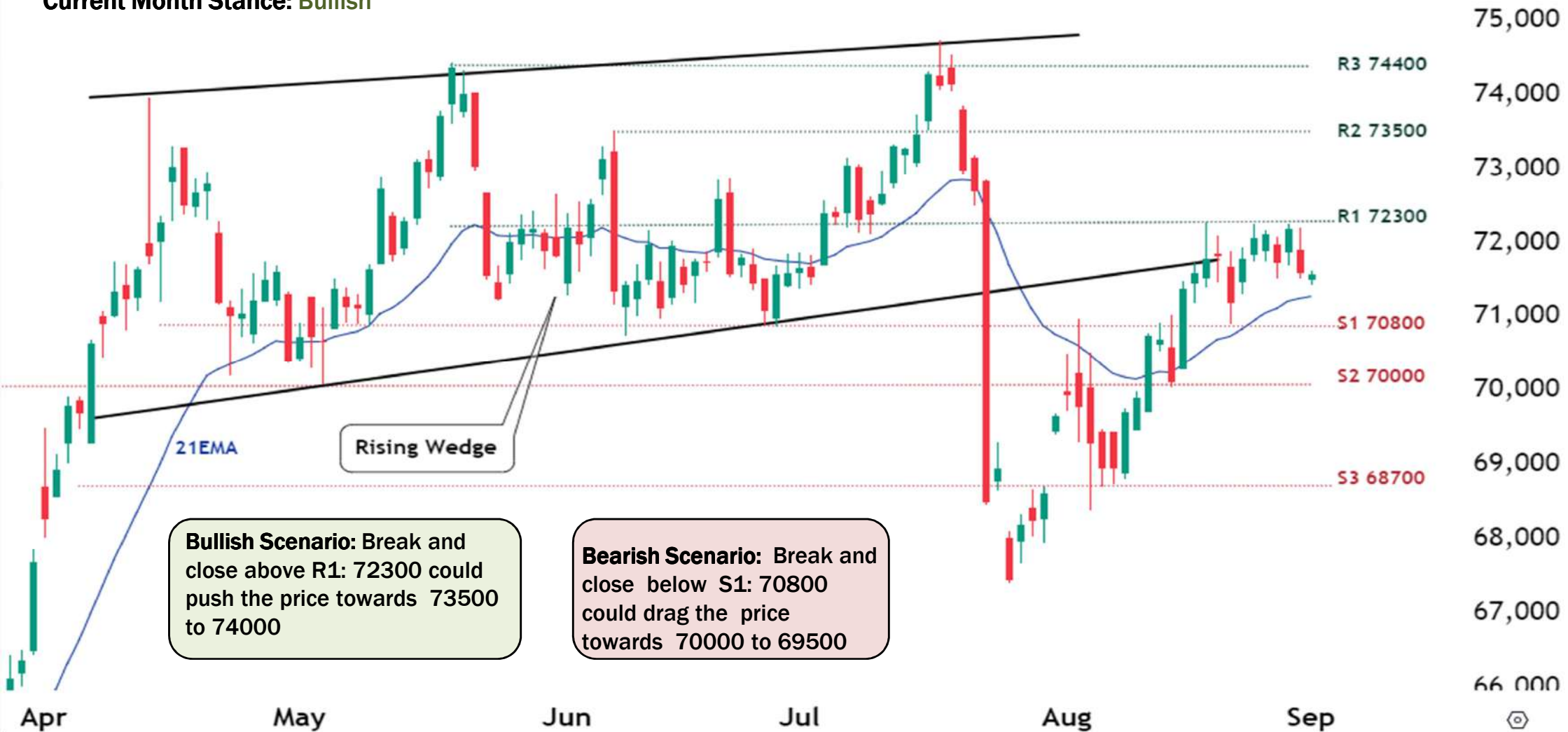


Source : Reuters

- Dollar index hit a 13-month low but, recovered by month end
- Gold/Silver ratio is trading in a range of, 80-90, trying to find a direction
- SPDR and iShares reported inflows over the last two months
- July India imports: # Gold: 43.59 tn v/s 62.74 y/y; Silver: 179.49 tn/ 52.74 tn y/y
- Possible demand spike during festive and wedding season could boost sentiment.
- Historically, the heat map shows that Gold and Silver have generally experienced declines in September.
- Looking at current factors, we believe both metals have formed some strong base, however, it could trade in a broad range till we don't get clarity on US interest rates cuts and Geo-political tensions

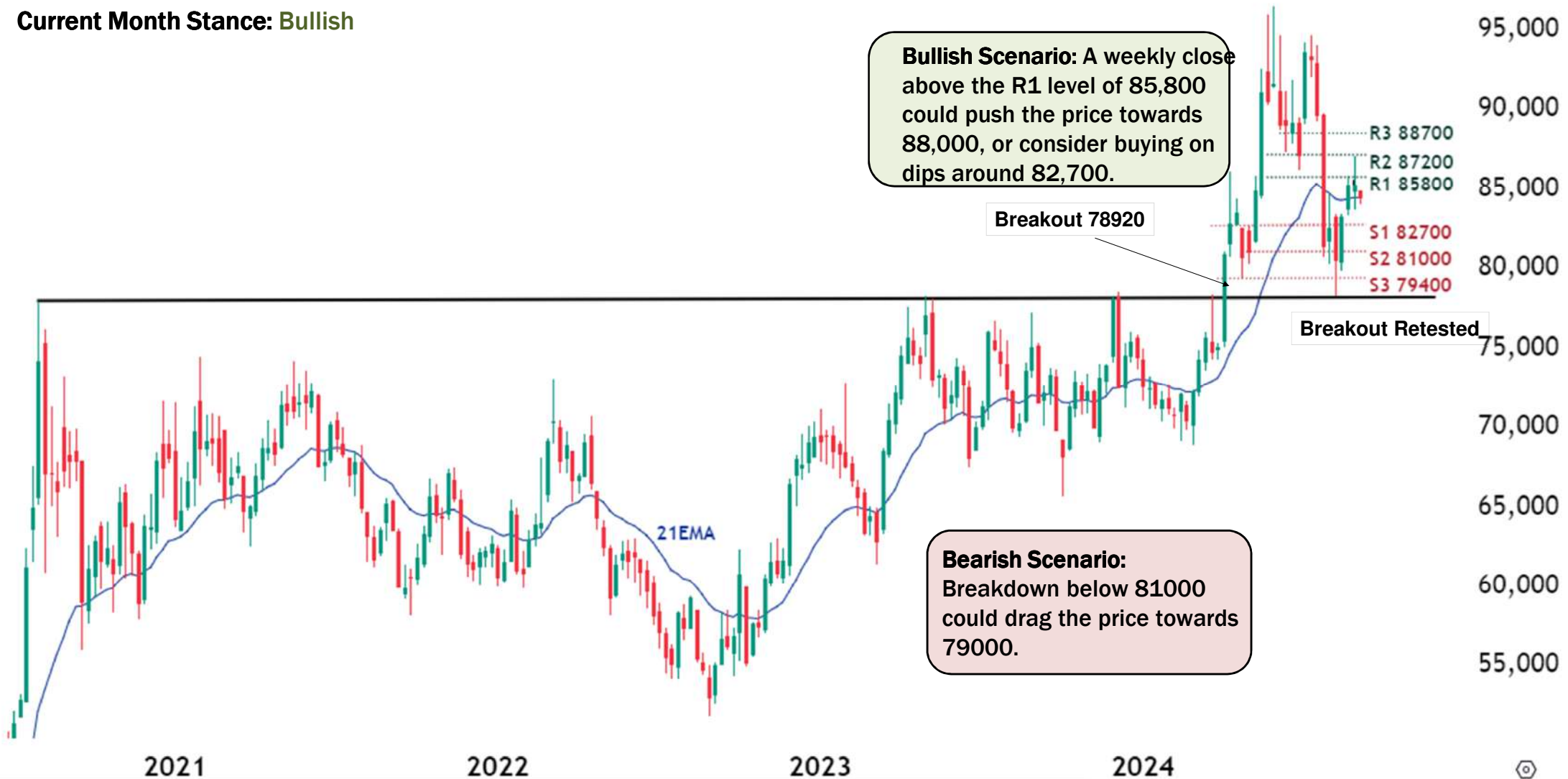
MCX GOLD DAILY CHART

Current Month Stance: Bullish



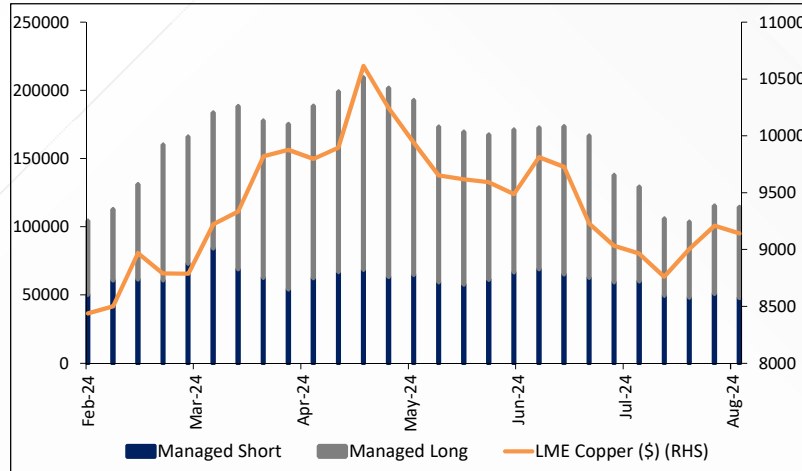
MCX SILVER WEEKLY CHART

Current Month Stance: Bullish



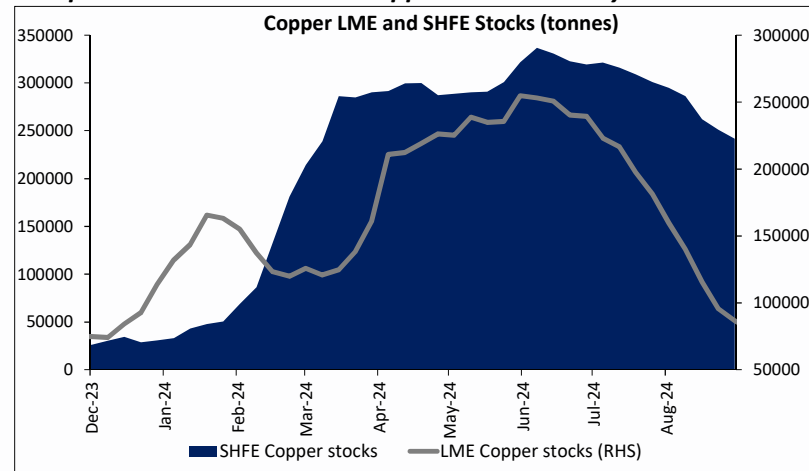
Base Metals- Copper

CFTC suggest, long position down by ~50% since May'24



Source : Reuters

Sharp decrease in inventories support demand story

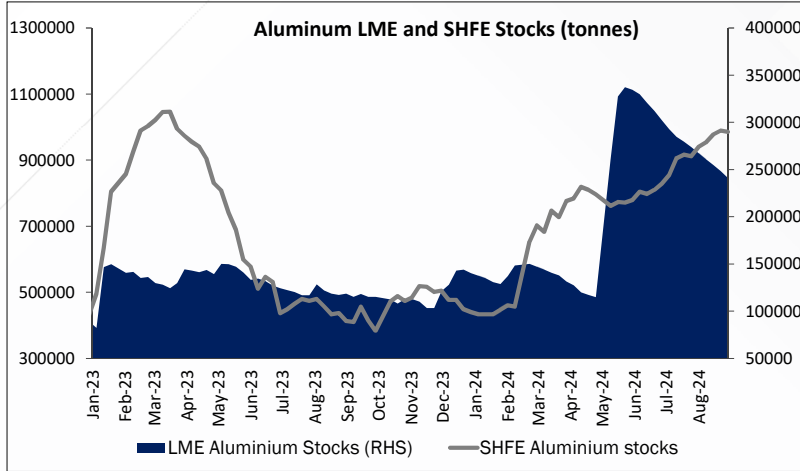


Source : Reuters

- Copper prices have been highly volatile off late correcting by over 25% from peak, trading flat for the month
- Increased Chinese optimism with steps to support the property sector & potential refinancing for homeowners
- China exported large volumes of copper, indicating weak domestic demand
- Increased exports from China led to higher LME and CME stock levels along with weak spot demand
- LME copper inventory reached a three-year high; undermining bullish narratives
- CFTC suggest funds have significantly reduced long positions due to high inventories and weak demand outlook
- Limited policy measures from the Third Plenum have disappointed market participants
- China produced 5.9 million tons of refined copper in H1 2024, despite expectations for output cuts
- Increased imports from the Democratic Republic of Congo, leading to higher supply in China
- Expectation of price pressure or consolidation remains due to soft demand outlook

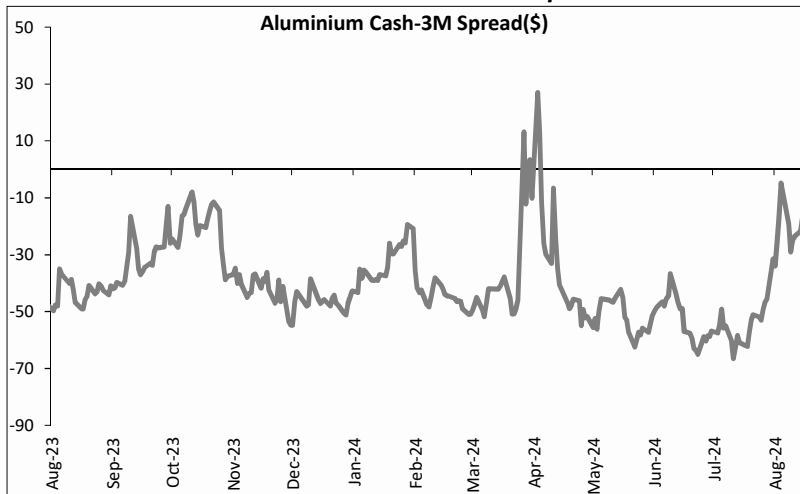
Base Metals- Aluminium

SHFE inventories stable as compared to LME, which is significantly lower



Source : Reuters

Aluminium Cash-3M discount narrowed in the previous month

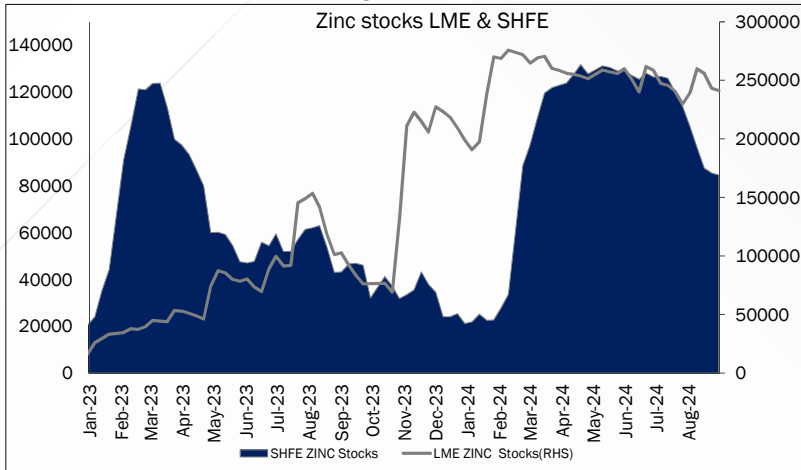


Source : Reuters

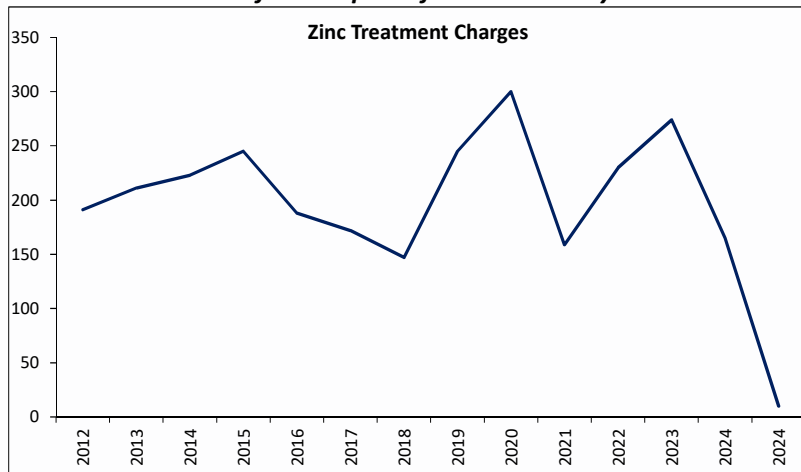
- Aluminium rallied by 5% over the last month, supported by tight supply of raw materials US rate cut expectations.
- Tightening supply led to LME aluminium stocks dropping by 22% in 3 months, while LME cash-3M discount narrowed to \$17/ton.
- Even though aluminium spreads have tightened, inventory levels are still high compared to last year.
- China's aluminium production reached record highs, driven by power supply recovery in Yunnan.
- Primary aluminium imports up 11.5% YoY in July, alumina exports were up 9.6% YoY, mainly to Russia.
- Ongoing issues in the property market continue to suppress metal demand, especially for aluminium.
- The manufacturing sector's weakness globally hints at continuing soft demand for metals.
- Despite recent turmoil, a weaker dollar and anticipated Fed rate cuts could support prices.
- Interest rate cuts might lower borrowing costs, stimulating demand and pushing prices up.
- Monitoring developments in China, inventory levels, and global manufacturing will be key to navigating the market's future.

Base Metals- Zinc

Zinc stocks still remain near higher



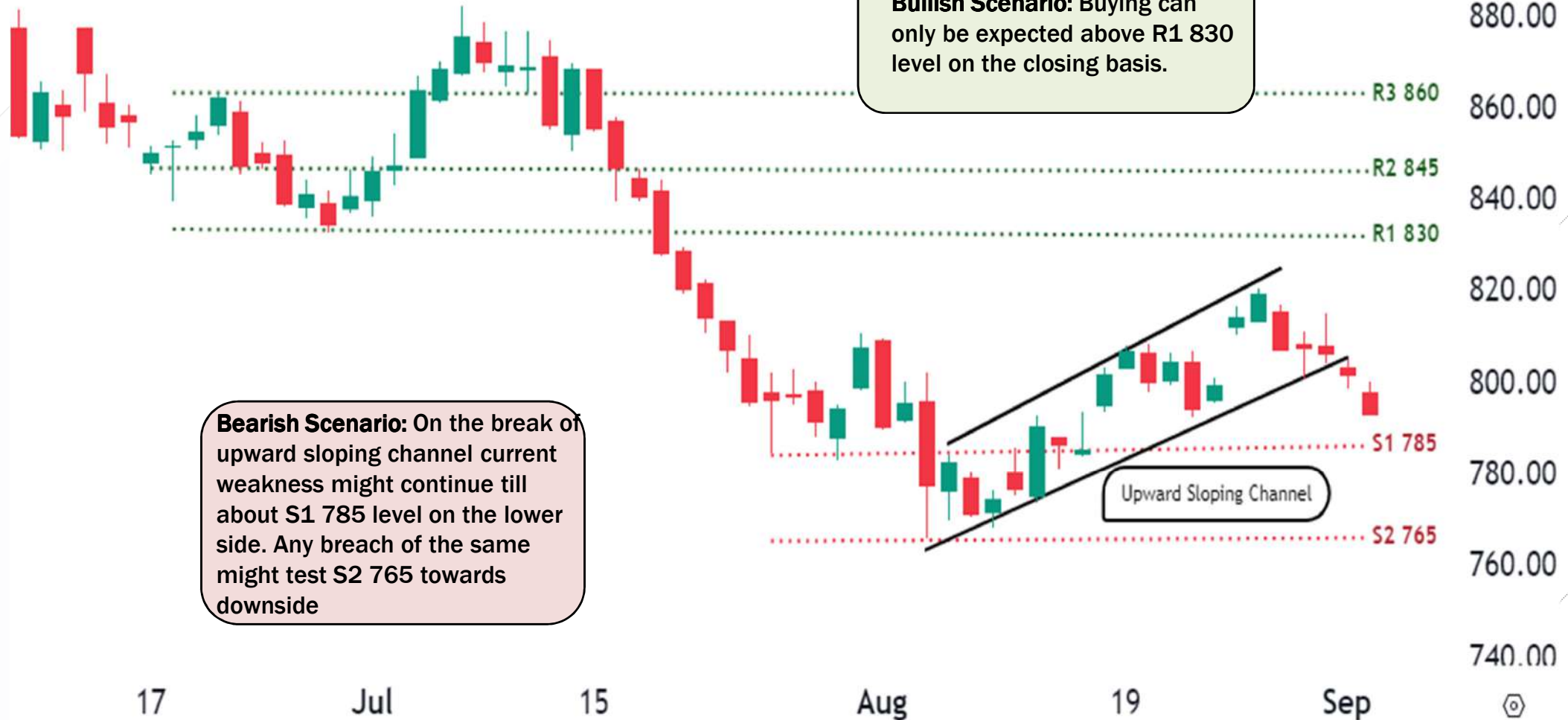
China's Zinc smelters feel the pinch from historically low TCs



- Zinc rallied 5.5% towards \$2930, on expectations of reduced supply and seasonal demand increases
- Mine production fell by 3.4% YoY in H1 2024, continuing a decline that has persisted since 2022
- As the largest producer of refined zinc, China is feeling the pressure of reduced raw material availability
- TC/RC Dropped to multi-year low of \$10 per ton in China, significantly below the \$165 per ton annual benchmark, making operations unprofitable for many smelters
- Reopening of European smelters : Glencore's Nordenham and Nyrstar's Budel, partially offset lower Chinese output
- China's zinc concentrate imports fell by 22% YoY, marking the lowest import levels since 2019
- Global refined zinc market reported a surplus of 228,000 tons in H1 2024, with excess supply flowing into LME warehouses
- ShFE zinc inventory dropped 50,000 tons from peak, still higher than the beginning of the year
- Half of the global zinc demand originates from the construction sector, which remains weak in China and Europe
- Declining mine production, tightening raw material supply chains along with production cuts and lower treatment charges signal a squeeze on the market
- Global surplus and tepid demand from the construction sector could cap price growth

MCX COPPER DAILY

Current Month Stance: **Negative**



MCX ALUMINIUM DAILY

Current Month Stance: **Negative**

Bullish Scenario: Breakout above R1 229 only could push the prices higher towards R2 235

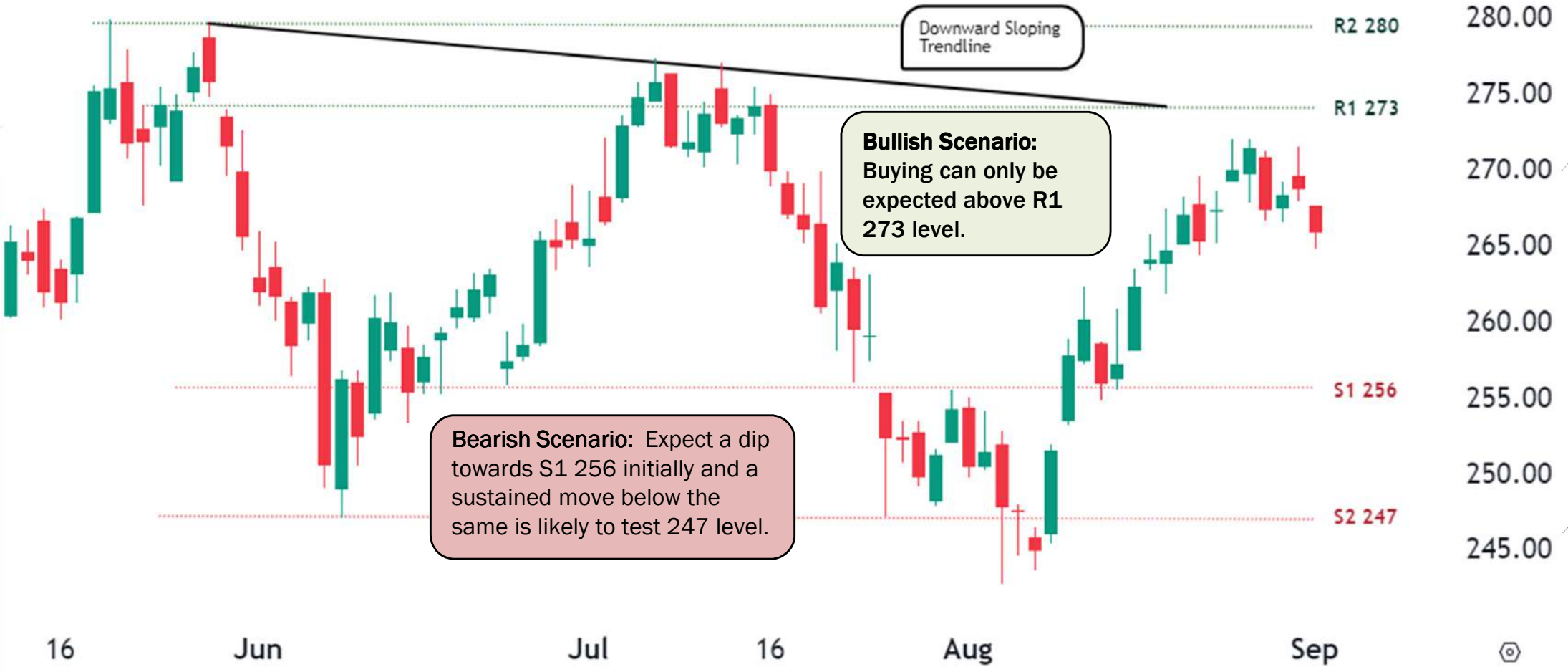


Bearish Scenario: There is a possibility for a current selloff to continue preceded by a bearish gap testing S1 216 level on the lower side followed by S2 209 as extended target

MCX ZINC DAILY

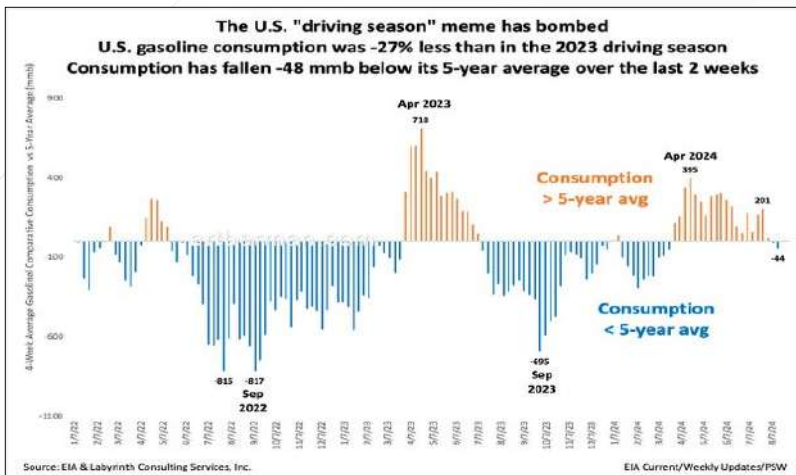
Current Month Stance: **Range bound**

285.00



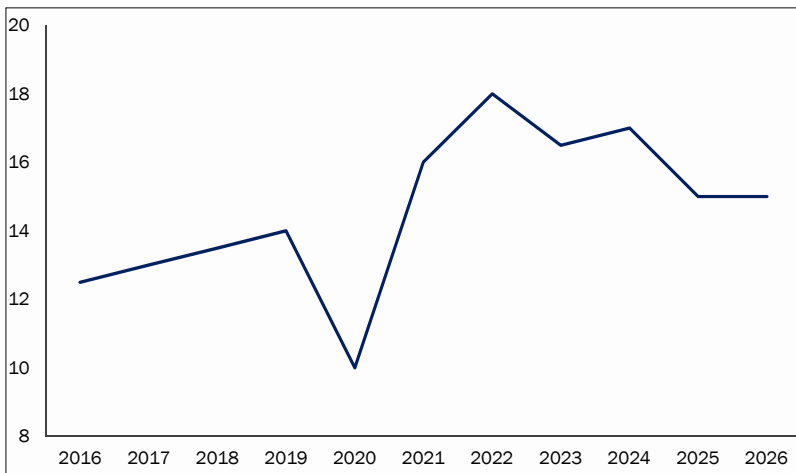
Energy- Crude Oil

Driving Season: A major disappointment



Source: Reuters

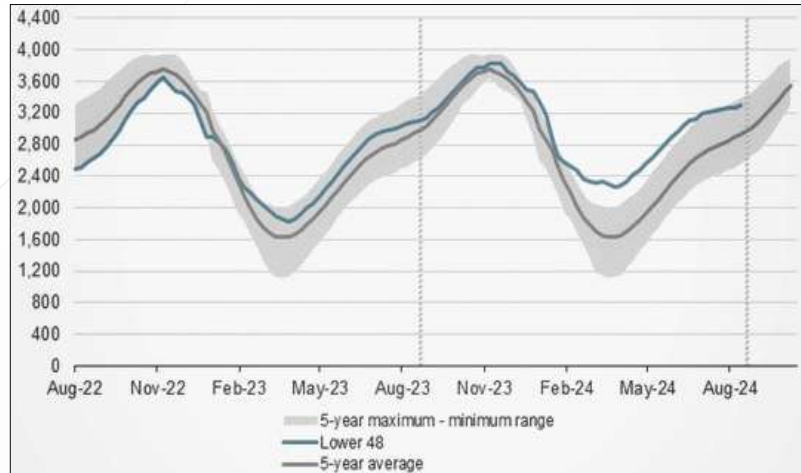
China oil demand growth has slowed Sharply(Mb/d)



- Crude oil prices were highly volatile within a range of \$71 and \$80
- Geo-political tension continue to support prices
- On Libya output cuts front, biggest risk is production to fall from current levels of 1 mbpd to zero
- OPEC+ faces moment of truth on planned output increase
- Europe demand for diesel-type fuel is expected to be worse in 2024 than Covid pandemic
- U.S. diesel consumption has fallen below its 5-year average by -245 mmb over the last 3 weeks
- U.S. gasoline consumption was -27% less than in the 2023 driving season
- Gasoline Consumption has fallen -48 mmb below its 5-year average over last 2 weeks
- Investment bankers reduced 2024 oil demand growth outlook on China factors
- China demand growth YoY to be just 0.2mb/d in H12024 and negative YoY growth this summer
- Japan oil demand down 5% YoY on average over 1H
- Prices are expected to stay negative as demand concerns will continue to pressure prices.

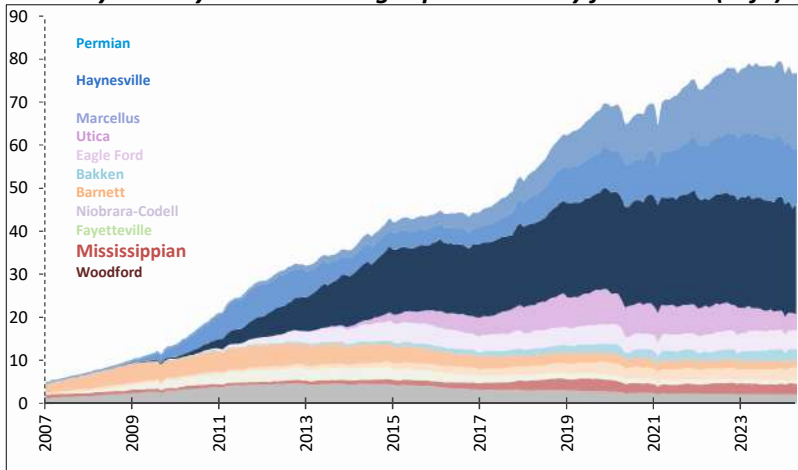
Energy- Natural Gas

Working gas in underground storage compared with 5-yr (Mb/d)



Source : EIA

Monthly U.S. dry shale natural gas production by formation (bcfd)

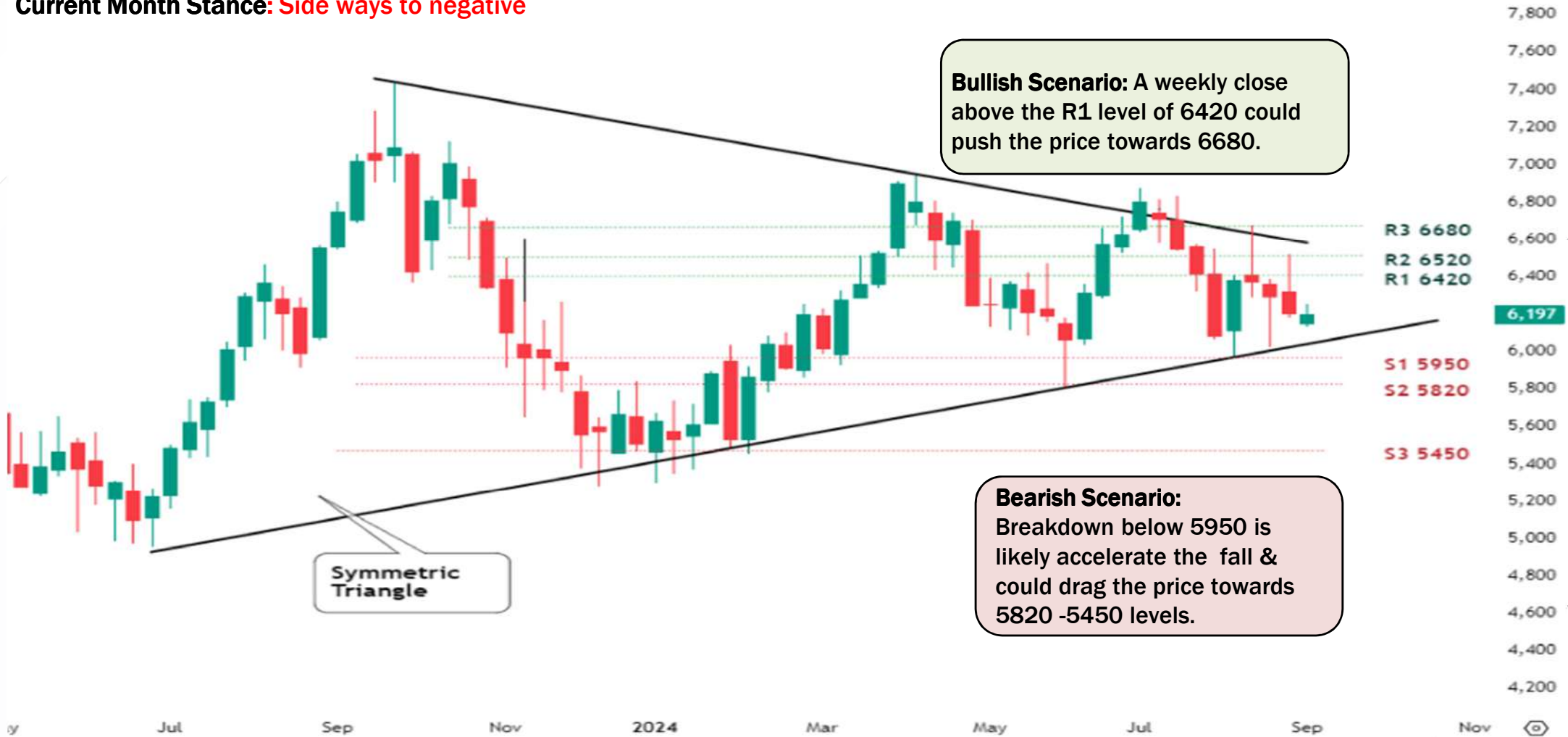


Source : Reuters

- Natural gas deceives investors once again with starting green for the month and ending in the red.
- Working gas in storage is 3,299 Bcf, 221 Bcf higher than last year and 369 Bcf above five-year average of 2,930 Bcf.
- Gas inventories remain well above 5 yr avg and excess storage has not shrunk over last few months despite increase in demand
- Incentive for producers to maintain high output diminished due to lower prices, leading to reduction in production
- Production levels have dropped to approximately 101 bcf/d, marking a notable decrease from the July highs
- EIA – Forecast U.S. Dry Natural Gas production at 103 Bcfd in Aug, down from forecast of 103.5 Bcfd in July
- Surpluses were expected to continue lower through fall towards 200-225 Bcf as long as production holds ~100 Bcfd, end of season supplies expected to be 3.9 Tcf ahead of the winter.
- Weather remained mixed with majority times, milder-than-expected dampened demand pressurizing prices
- **Natural gas prices are expected to stay lower amid concerns about storage in the US approaching capacity by October may re-emerge**
- Prices are expected to range bound as market participants await winter season demand push. Any extreme weather will push prices higher
- However, failure for any incremental demand push will push prices lower.

MCX CRUDEOIL WEEKLY CHART

Current Month Stance: Side ways to negative



MCX NATURAL GAS WEEKLY CHART

Current Month Stance: Positive



Bullish Scenario: Breakout above R1 192 only could push the prices higher towards R2 208 & 240 levels

Downward sloping channel

Bearish Scenario: Breakdown below 174 could drag the price towards 160.

MMBtu

400.0
375.0
350.0
325.0
300.0
275.0
250.0
225.0
200.0
175.0
150.0
125.0
100.0

Oct Nov Dec 2024 Feb Mar Apr May Jun Jul Aug Sep



Monthly Calendar- September 2024

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
2nd United States - Labor Day Caixin Manufacturing PMI (Aug) CNY India Manufacturing PMI (Aug)	3rd S&P US Manufacturing PMI (Aug) ISM Manufacturing PMI (Aug)	4th Caixin Services PMI (Aug) India Services PMI (Aug) Trade Balance (Jul) US Factory Orders (MoM) (Jul) US JOLTs Job Openings (Jul) US	5th ADP Nonfarm Employment Change Initial Jobless Claims S&P Global Services PMI (Aug) ISM Non-Manufacturing PMI	6th GDP (QoQ) (Q2) FX Reserves, USD Average Hourly Earnings (MoM) Nonfarm Payrolls (Aug) Unemployment Rate (Aug)
9th CPI (YoY) (Aug) CNY	10th Claimant Count Change (Aug) Unemployment Rate (Jul) OPEC Monthly Report	11th Core CPI (MoM) (Aug) US CPI (YoY) (Aug) US	12th CPI (YoY) (Aug) IN PPI (YoY) (Aug) US	13th WPI Inflation (YoY) (Aug) IN Michigan Consumer Sentiment (Sep) US
16th NY Empire State Mfg Index (Sep) China and Japan Holiday	17th China Holiday Retail Sales (MoM) (Aug) US Industrial Production (MoM)(Aug) US	18th CPI (YoY) (Aug) UK CPI (YoY) (Aug) EU Building Permits (Aug) US Housing Starts (Aug) US Fed Interest Rate Decision	19th Unemployment Claims US Existing Home Sales US	20th 1-y Loan Prime Rate CNY 5-y Loan Prime Rate CNY Industrial Production CNY Retail Sales y/y CNY BOJ Policy Rate
23rd Manufacturing and Services PMI US, UK, EU	24th CB Consumer Confidence	25th New Home Sales	26th Final GDP q/q US Unemployment Claims US Core Durable Goods Orders US Durable Goods Orders US Final GDP Price Index q/q US Pending Home Sales m/m US	27th Core PCE Price Index m/m Goods Trade Balance Revised UoM Consumer Sentiment
30th Manufacturing PMI CNY Non-Manufacturing PMI CN Chicago PMI US				

Central Bank Updates

Central Bank	RBI	FED	BOJ	BOE	ECB
Date of Policy	8th August, 2024	31st July, 2024	31st July, 2024	1st August, 2024	18th July, 2024
Next Policy meet	9th October, 2024	18th Sept, 2024	20th Sept, 2024	19th September, 2024	12th Sept, 2024
Current Interest rate (%)	6.50%	5.25%- 5.5%	0.25%	5.00%	4.25%
Stance	Hawkish Pause	Dovish Pause	Cautiously Hawkish	Cautious Cut	Dovish Pause
Key highlights of the meeting	<ul style="list-style-type: none"> RBI keeps repo rate at 6.50% Focus on withdrawal of accommodation to balance growth and inflation Food inflation remains a concern FY25 GDP growth forecast: 7.2% Q1-Q4 GDP: 7.3%, 7.2%, 7.3%, 7.2% FY25 CPI inflation: 4.5%. 	<ul style="list-style-type: none"> Fed kept rates unchanged, hinting at a cut next meeting Powell suggests a possible rate cut in September, data-dependent Focus remains on inflation and employment GDP forecast for 2024: 2.1% Core PCE projected at 2.6% (up from 2.4%) Unemployment forecast for 2024: 4% 	<ul style="list-style-type: none"> BoJ kept its policy rate at 0% to -0.1% Will continue JGB purchases as per March decisions Moderate economic recovery, with some areas of weakness CPI forecast for FY24: 2.5% to 3% (up from 2.2%-2.5%) GDP forecast for FY24: 0.7% to 1% (down from 1%-1.2%) 	<ul style="list-style-type: none"> BoE cut bank rate to 5% MPC takes a medium-term, forward-looking approach for inflation control Inflation risks persist; BoE avoids hasty decisions Q3 '24 GDP growth: 1.5% Q3 '24 CPI: 2.3%. Service inflation revised to 5.5% in September (up from 4.7%) 	<ul style="list-style-type: none"> ECB keeps rates unchanged after last cut Steady rates due to inflation concerns, especially from labor market Potential for two more rate cuts remains Eurozone inflation: 2.6% in July (up from 2.5% in June) 2024 growth forecast: 0.6% (down from 0.8%) Inflation forecast: 2.3% (down from 2.7%)
Currency Impacted	USDINR(₹)	Dollar Index(\$)	USDJPY(¥)	GBPUSD(£)	EURUSD(€)
Impact on Currency	Positive	Negative	Positive	Neutral	Negative
Impact on Gold	Neutral	Positive	Neutral	Neutral	Neutral

Core Team

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