



Monday, October 14, 2024

- Manufacturing PMI continue to in contraction zone
- Inflation ticks lower in China to 0.4%
- Lack of definite stimulus measures dampen optimistic sentiment

Base metals had an interesting start to the week - following optimism around China announcing a slew of economic measures in efforts to spur its deteriorating economy which included a drop in bank reserve requirements and key short term lending rates. On the other hand, prices came under pressure after dollar index reversed from its recent lows and weighing on major commodity prices.

Chinese markets were shut for a week on account of national holiday in the first week of October. The uptick seen in the prices of base metals post the announcements, eased following the reopening of China's mainland markets after the week-long holiday. The much-anticipated briefing by the National Development and Reform Commission (NRDC), was largely underwhelming, as it fell short of announcing new government spending initiatives. China has been a drag on metals demand for over two years, with a broad economic slowdown and the ongoing property sector crisis. Despite the introduction of numerous property support measures this year, they have yet to make a significant impact on metals demand.

Chinese government also conducted a press briefing wherein, no definite measures were announced, instead focus was on increasing debt and deficit. In the lead-up to the briefing, there was optimism in markets that China might introduce significant new stimulus package within a range of 2 trillion Yuan (\$283.1 billion) to more than 10 trillion Yuan. Minister Lan indicated that

Commodity	Copper	Aluminum	Zinc
<b>Open</b>	833	238.6	284.35
<b>Close</b>	840.1	241.50	288.30
<b>Change</b>	-15.25	-1.40	0.50
<b>% Change</b>	-1.78%	-0.58%	0.17%
<b>Open Int.</b>	7119	2484	3263
<b>Change</b>	-1547	-856	-454
<b>Pivot</b>	837.0	241.0	286.5
<b>Resistance</b>	844.5	243.4	290.3
<b>Support</b>	832.6	239.1	284.6

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
<b>Open</b>	297300	131856	780275	244100
<b>Close</b>	297550	132570	770275	242000
<b>Change</b>	250	714	-10000	-2100
<b>% Change</b>	0.08%	0.54%	-1.28%	-0.86%

the weekend briefing was not the final word, suggesting that more stimulus measures are forthcoming and that the debt or deficit adjustments the markets have been anticipating could be announced soon. However, it remains uncertain whether the scale of any such stimulus will meet market expectations or how much of it will be directed towards boosting consumption or supporting the real estate sector.

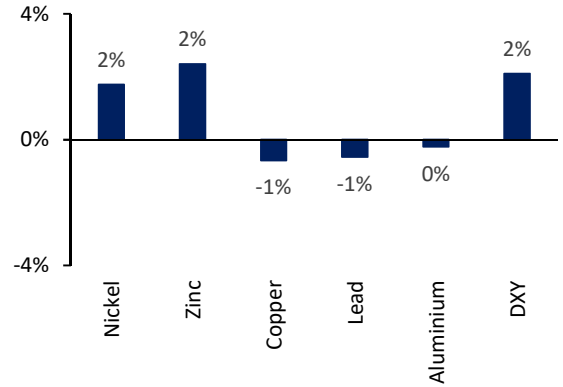
For economic numbers, China's **Caixin Manufacturing PMI** fell to 49.3 in September, indicating a contraction in the sector and a missed market prediction, which contributed to lower demand expectations. In September 2024, **China's annual inflation rate** was 0.4%, lower than market expectations and the 0.6% level recorded in August. This was the eighth month of consumer inflation, but it was the lowest since June, emphasizing the need for additional policy support from Beijing to combat rising deflation threats.

Chinese **copper** smelters are warning about possible shutdowns if processing fees decline too drastically. These warnings come amid ongoing annual supply negotiations with major miners. Reports suggest that processing fees might drop to levels that would threaten smelters' profit margins. If smelters begin cutting back or stopping refining activities, the refined copper market could experience short-term tightness. Copper treatment charges for this year are set at \$80 per ton, but Bloomberg estimates suggest these could fall to between \$20 and \$40 per ton next year.

The global refined **zinc** market is expected to face a deficit of 164,000 metric tons in 2024 due to reduced production in Europe and other regions, rather than the previously forecasted surplus, according to the International Lead and Zinc Study Group (ILZSG) on Monday. Back in April, the ILZSG had predicted a 56,000-ton surplus for 2024. Prices for zinc, which is used to galvanize steel for the construction and automotive sectors, have increased by 16.5% so far this year. European production is projected to decrease by 11.4% this year, mainly due to cuts in Ireland and Portugal, as noted by the group.

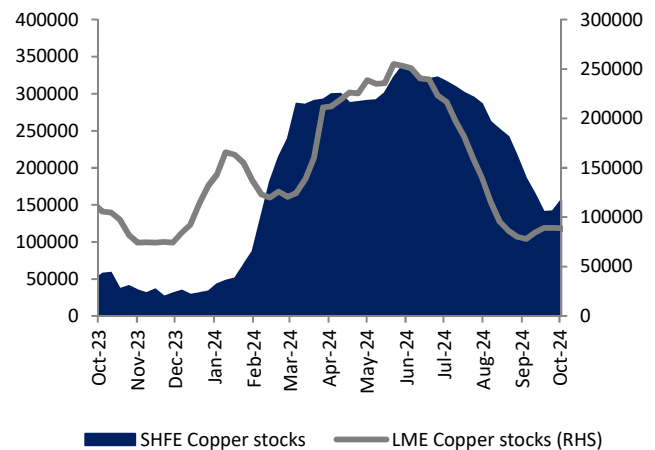
Despite the recent pickup in copper consumption due to seasonal demand and recent falling prices, the pace of gains in base metal prices is not what is expected. Despite the aggressive 50 bps cut, the dollar did not slump further, capping any further gains for the commodity. The only hope remaining would 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**



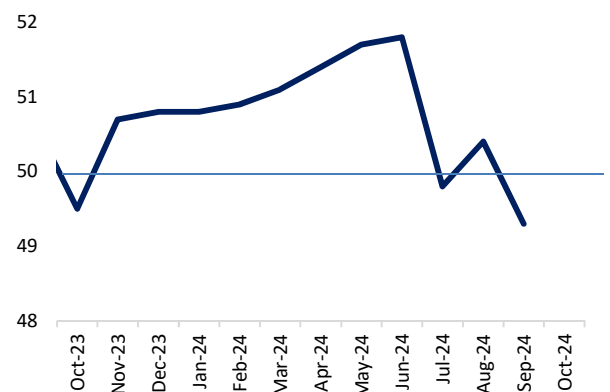
Source: - Reuters

**Copper LME and SHFE Stocks**



Source: Reuters

**Caixin Manufacturing PMI**



Source: Reuters

Production cuts are also expected in China, Canada, South Africa, the U.S., and Peru, particularly at the Antamina mine. However, these declines might be partly offset by increases in production in Australia, Mexico, and Congo, the ILZSG mentioned. The ILZSG forecast that global refined zinc metal production will be constrained by the availability of concentrates, predicting a 1.8% drop to 13.67 million tons in 2024. For 2025, the group anticipates a surplus of 148,000 tons. Global demand for refined zinc is forecast to grow by 1.8% to 13.83 million tons in 2024, with usage projected to increase by 0.7% in both 2024 and 2025 in China, the largest consumer.

**Outlook:**

Recent strength in dollar coupled with disappointment amongst market participants regarding lack of concrete fiscal measures kept prices pressured. Although sustained optimism regarding China, supply tightness and steady draws in inventories provided support to prices. Upcoming China GDP data could provide a clear view of China’s economic health and may provide headspace for officials to take needed actions triggering volatility in prices.

**Technical Outlook: -**

**Copper**

In the last week, copper gave a negative close, with a decline of around 15 rupees or -1.78%. The 14- period Relative Strength Index (RSI) on the daily chart is currently hovering around midpoint mark of 50 indicating range bound movement. Prices are dwelling around 200 day SMA in a broad consolidation. Immediate support can be identified at Rs. 820 level whereas immediate resistance is observed at Rs. 850. There is a possibility for it to trade in the ongoing consolidative phase however bias remains slightly positive if it breaks above 850 level on sustainable basis.

**Zinc**

In the last week, zinc gave a flat close, with a gain of around 0.50 rupees or 0.17%. The 14- period Relative Strength Index (RSI) is currently trading at 59 indicating buying strength. Prices are holding well above downward sloping channel breakout. Immediate support can be identified at Rs. 277 mark whereas resistance is observed at Rs. 292 level. There is a possibility for it to trade in a broader phase going forward indicating sideways to higher range.



## Aluminum

In the last week, aluminium prices saw a negative close of nearly 2 rupees or -0.58%. The 14- period Relative Strength Index (RSI) currently trading at 56, holding well above the midpoint mark of 50, signalling market strength. Prices are sustaining above the symmetrical triangle pattern breakout and the slope of 200 day moving average is turning upwards. We maintain Buying on dips till it holds above Rs. 228 level testing Rs. 246 on the higher side followed by Rs. 252 as an extended target.



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

### For any details contact:

Commodities Advisory Desk - +91 22 3958 3600

[commoditiesresearch@motilaloswal.com](mailto:commoditiesresearch@motilaloswal.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.motilaloswal.com](http://www.motilaloswal.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 CCRL 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.motilaloswal.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.motilaloswal.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.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.



19. 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.
20. 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.
21. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein.
22. 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, any 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.
23. 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.
24. 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.
25. MOFSL and it's 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.motilaloswal.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@motilaloswal.com, Contact No.:022-40548085.

**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

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. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to [dpgrievances@motilaloswal.com](mailto:dpgrievances@motilaloswal.com).