



Monday, October 21, 2024

Base metals settled lower in the previous week, following disappointment from announcements made by officials which fell short of expectations as government authorities failed to spell out exactly how much it intends to spend on any additional stimulus. Markets were sitting on a lot of built up optimism and when it fell short of such expectations, copper prices along with other metals inched lower. A stronger dollar weighed on copper and other metals, as bets rose that the Fed would not slash interest rates largely further at its remaining meetings this year.

In a briefing over the weekend hosted by Chinese Finance Minister Lan Foan, the government committed to raise borrowing to assist the housing market, provide subsidies to low-income people, and increase state bank capital without specifying the value of the whole package. Markets were expecting a significant fiscal boost worth 2-10 trillion Yuan. However, the absence of a specific monetary figure in Lan's announcement extended investors' anxious anticipation for a more detailed policy plan, likely until the next session of China's legislature, which is responsible for approving additional debt issuance. The date for this meeting hasn't been set yet, but is anticipated in the coming weeks.

A government briefing in China was also held to address the troubled housing sector. China vowed more financial support for real estate projects that fall under its "whitelist" and to speed up banks' lending of 4 trillion Yuan (\$561.8 billion) for such projects, according to the nation's housing ministry. Investor sentiment was still damp as China's announcements failed to instill market confidence by leaving investors wondering about the extent of the rescue plan. The ongoing push and pull between optimism and pessimism over China's efforts and announcements kept prices volatile.

Commodity	Copper	Aluminum	Zinc
Open	817.05	235.75	282.3
Close	822.25	239.00	284.90
Change	-17.85	-2.50	-3.40
% Change	-2.12%	-1.04%	-1.18%
Open Int.	6250	1687	2275
Change	-869	-797	-988
Pivot	821.5	238.1	284.1
Resistance	826.0	240.5	286.0
Support	817.8	236.6	283.1

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	292850	132546	769275	240625
Close	284200	134370	760350	239025
Change	-8650	1824	-8925	-1600
% Change	-2.95%	1.38%	-1.16%	-0.66%

Chinese copper smelters' processing fees remained near zero, indicating an oversupplied refined copper market. The International Copper Study Group (ICSG) reported a global refined copper surplus of 91,000 metric tons in July, down from 113,000 metric tons in June, with a year-to-date surplus of 527,000 metric tons.

Aluminum prices remained supported due to soaring alumina prices following series of supply disruptions. The trigger for the latest price jump was news of export problems in Guinea, the major import source of bauxite for China's alumina refineries. Official data revealed that China's aluminium output increased in September compared to the previous year, owing to strong demand and favorable margins for light metal companies. The world's largest aluminium producer produced 3.65 million metric tons of primary aluminium last month, a 1.2% increase over the previous year. Demand for the metal used in transportation, construction, and packaging has remained strong this year, with fast-growing consumption from solar and other renewable power industries offsetting decreased demand from the real estate market.

Mixed set of Economic Data:

-China's annual inflation rate stood at 0.4% in September 2024, below market forecasts and August's figure of 0.6%. This was the 8th month of consumer inflation but was the lowest print since June, highlighting the need for more policy support from Beijing to address growing deflation risks.

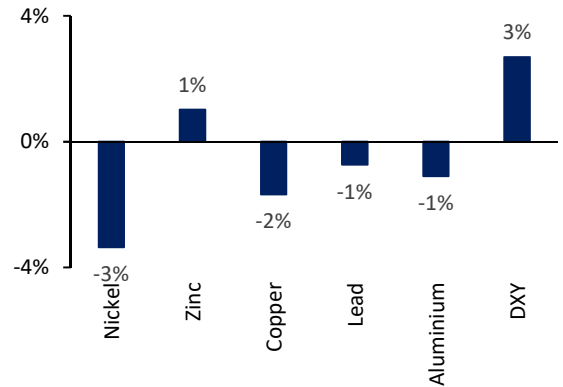
- China's exports fell substantially in September as global demand faltered, raising concerns about how to refuel growth in the world's second-largest economy. Exports gained 2.4% in dollar terms from a year earlier this month, down from 8.7% year-on-year growth in August, while imports only increased 0.3%.

- China's Q3 2024 GDP grew by 4.6%, below both Q2's 4.7% and the government's 5% target for the year, showing signs of slowdown.

- Industrial production showed strong growth, rising by 5.4% year-on-year in September, up from 4.5% in August.

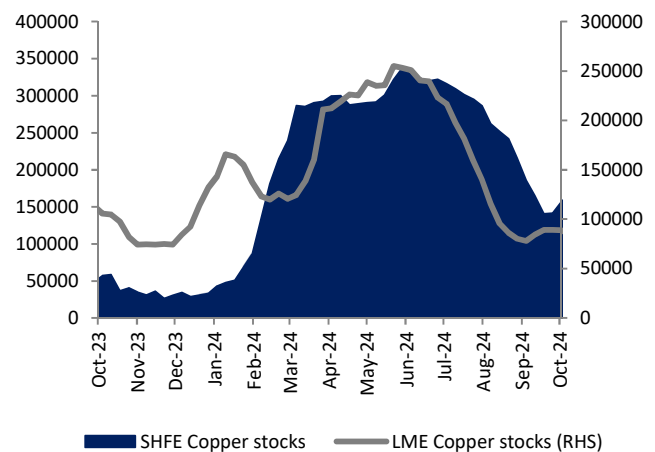
- At the October fixing, the PBoC lowered key lending rates to new lows, stepping up measures to stabilize a flagging economy. The one-year loan prime rate, which is the benchmark for most business and family loans, was slashed by 25 basis points to 3.1%, while the five-year rate, which is used for property mortgages, was decreased by the same margin to 3.6%.

Change in LME Metals MTD



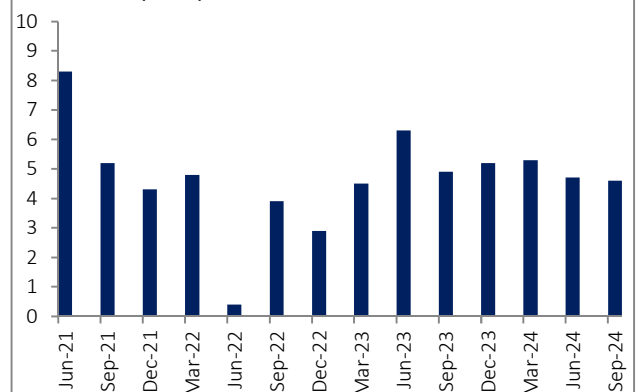
Source: - Reuters

Copper LME and SHFE Stocks



Source: Reuters

China GDP (QoQ)



Source : Reuters

Outlook:

Market participants are seeking greater reassurance to fully support the narrative of China's complete economic revival. Mini 'bazookas' are boosting sentiments temporarily but are unable to trigger larger sustainable rallies in base metals due to lack of confidence in support measures and their impacts. The recent cuts in loan prime rates prove to be beneficial to metal prices and any further announcements by Chinese officials would trigger volatility for prices. However, sustained strength in dollar index may keep a lid on further gains.

Technical Outlook: -

Copper

In the last week, copper gave a negative close, with a decline of around 18 rupees or -2.12%. 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. 815 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 842 level on sustainable basis.

Zinc

In the last week, zinc gave a negative close, with a decline of around 3.40 rupees or 1.20%. The 14- period Relative Strength Index (RSI) is currently trading at 61.50 indicating buying strength. Prices are holding well above downward sloping channel breakout. Immediate support can be identified at Rs. 281 mark whereas resistance is observed at Rs. 300 level. There is a possibility for it to trade in a broader phase going forward indicating sideways to higher range. We maintain buying on dips stance till it holds above 281 targeting 300 on the higher side.

Aluminum

In the last week, aluminium prices saw a negative close of nearly 2.50 rupees or -1.04%. The 14- period Relative Strength Index (RSI) currently trading at 58, 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. 236 level testing Rs. 246 on the higher side followed by Rs. 253 as an extended target





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