Monday, November 25, 2024

Base metals rebounded after two consecutive weeks of declines starting in early November. Prices found support from China's decision to cancel export tax rebates beginning December 1st, sparking concerns about a potential reduction in overseas shipments. However, further gains were limited by a stronger U.S. dollar, which reached its highest level in 13 months.

Rebate cancellations

China announced reduction in the export tax rebate rate for some refined oil products, photovoltaics, batteries, and certain non-metallic mineral products from 13% to 9%. The abolition of the 13% VAT refund by the Ministry of Finance, which will take effect on December 1, which also applies to copper and aluminium product exports. China's aluminium exports have long been a source of contention with Western trading partners, who accuse the country of unfair subsidies and harmful trade practices. Removing the tariff on exports could be a preemptive concession at a time when international tensions are growing. China's copper product shipments are not minor, totaling roughly 700,000 tons per year, but aluminum volumes are on a different scale. In 2023, the country's exports of semi-manufactured items such bars, sheets, and tubes totaled 5.2 million tons.

China braces for heavy tariffs

China's commerce ministry announced a number of policy measures aimed at increasing the country's overseas trade, including a pledge to increase firm financial support and expand agricultural commodity exports. With U.S. President-elect Donald Trump's threat to impose tariffs of more than 60% on all Chinese goods, which has spooked Chinese manufacturers and accelerated factory relocation to Southeast Asia and other

Commodity	Copper	Aluminum	Zinc
Open	824.45	245.7	280.1
Close	813.75	247.60	282.25
Change	18.60	4.95	5.50
% Change	2.34%	2.04%	1.99%
Open Int.	1925	1102	507
Change	-5648	-1322	-1973
Pivot	818.7	247.0	281.5
Resistance	825.0	249.1	286.2
Support	807.4	245.5	277.5

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	271525	159156	716425	259500
Close	272525	159000	708550	261325
Change	1000	-156	-7875	1825
% Change	0.37%	-0.10%	-1.10%	0.70%

regions, exporters in the world's second-largest economy are bracing for trade disruptions. According to a Reuters poll, US could put roughly 40% tariffs on Chinese imports early next year, potentially reducing China's GDP by up to one percentage point. China will push financial institutions to provide additional products to help enterprises enhance their currency risk management, as well as to increase macroeconomic policy coordination to keep the Yuan "reasonably stable," according to an online statement from the ministry.

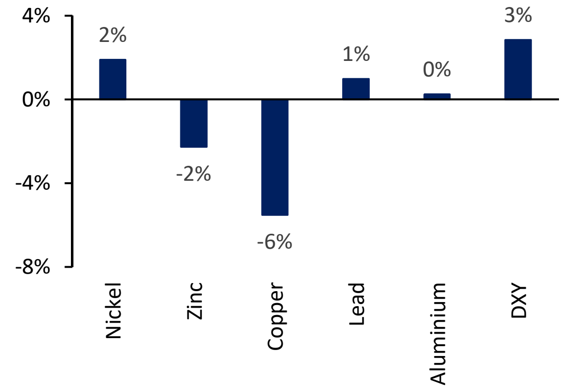
China Loan Prime Rate and Business Activity

The People's Bank of China kept one-year loan prime rate unchanged at 3.10%, while the five-year rate also stays at 3.60%. China is showing early signs of stabilization following its most aggressive stimulus measures since the pandemic. This development comes as the country prepares for the return of President-elect Donald Trump, who has threatened to increase tariffs on Chinese exports. In the previous month, the central bank maintained its one-year policy rate after implementing a record reduction in funding costs. This cautious approach signaled a measured strategy to sustain economic growth while carefully managing monetary stimulus. Policymakers have also delivered interest-rate cuts and support for the property and stock markets, while also rolling out a $1.4 trillion debt swap program to curb risks faced by local authorities and free up fiscal room for them to promote growth. Last month, PBOC Governor Pan Gongsheng reiterated the central bank may lower the RRR — which frees up cash for banks to lend — by another 25 to 50 basis points by the end of the year depending on market liquidity conditions which may support metal prices. The Eurozone's dominant services industry contracted and manufacturing sank deeper into recession this month, pressuring the Euro further. Manufacturing and Services PMI figures from China this weekend will be important to watch for.

Outlook:

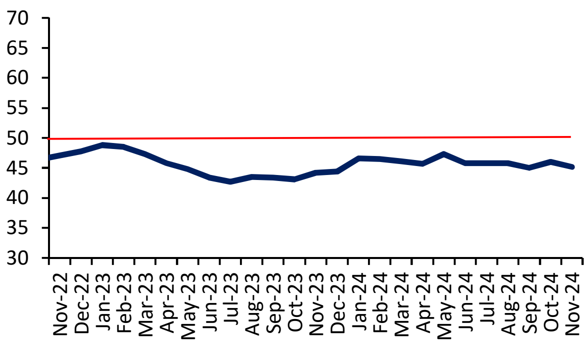
Although metal prices have been struggling due to underwhelming measures from China government, heightened tensions, tariff threat and a rallying dollar, some support can be seen from the announcement and implementation of China cancelling the 13% tax rebate on aluminium and copper products starting from 1 December. This will have implications for the global aluminium market, making it more expensive.

Change in LME Metals MTD



Source: - Reuters

EuroZone Manufacturing PMI



Source: Reuters

Technical Outlook: -

Copper

In the last week, copper gave a positive close, with a gain of around 18 rupees or 2.34%. The 14- period Relative Strength Index (RSI) on the daily chart is currently trading below the midpoint mark of 50 indicating sideways to lower range. Prices are holding below 20 day SMA in a broad consolidation. Immediate support can be identified at Rs. 785 level whereas immediate resistance is observed at Rs. 825. 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 5.50 rupees or 2.00%. The 14- period Relative Strength Index (RSI) is currently trading at 48 indicating sideways to lower range. Immediate support can be identified at Rs. 274 mark whereas resistance is observed at Rs. 285 level. There is a possibility for the dip towards 274 level initially testing downward sloping channel breakout followed by a rebound towards 285 on the higher side.

Aluminum

In the last week, aluminium prices gave a positive close with a gain of around 5 rupees or 2.00%. The 14- period Relative Strength Index (RSI) currently trading above 61, signalling market strength. Prices are sustaining above the symmetrical triangle pattern breakout and the slope of 20 day moving average is turning upwards and is relatively stronger. We maintain buying on dips till it holds above Rs. 239 level testing Rs. 252 on the higher side followed by Rs. 260 as an extended target.

Navneet Damani	Research-Head	navneetdamani@motilaloswal.com

For any details contact:

Commodities Advisory Desk - +91 22 3958 3600

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. 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://onlinereports.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:

1. 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.
2. This material is for the personal information of the authorized recipient and we are not soliciting any action based upon it.
3. 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.
4. 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.
5. 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.
6. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate.
7. All such information and opinions are subject to change without notice.
8. 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.
9. 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.
10. Neither MOFSL, nor any person connected with it, accepts any liability arising from the use of this document.
11. 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.
12. Certain transactions including those involving commodity derivatives involve substantial risk and are not suitable for all investors.
13. 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.
14. 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.
15. MOFSL or its associates or Research Analyst or his relatives may have Open Position in subject commodity.
16. A graph of daily closing prices of commodities is available at http://www.moneyline.co.in/
17. 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.
18. 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.
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, not 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.