



Monday, November 11, 2024

Base metals faced a dull week, with prices for most metals declining by more than 1%. There was a lot of built up anticipation for additional stimulus from Chinese officials, but a disappointing outcome pressured prices and ate away any potential gains. Chinese government unveiled a debt-swap plan, but stopped short of measures to directly boost domestic demand, including in the beleaguered property sector. Dollar strength leading up to the US election also kept a lid on prices.

#### China NPC Meeting:

Markets were underwhelmed on demand outlook after the Chinese government refrained from delivering fresh direct stimulus to its slowing economy. China's National People's Congress Standing Committee (NPC) met to discuss economic policies aimed at rejuvenating the economy in the midst of a long-term property slump. China announced a five-year package totaling 10 trillion Yuan (\$1.4 trillion) to tackle local government debt problems, while signaling more economic support would come next year. The debt swap program, however, fell short of many investors' expectations for more direct fiscal support. The program takes effect this year and will run through the end of 2026 for around 2 trillion Yuan a year. Central authorities would issue an annual 800 billion Yuan in local government special bonds over a five-year stretch, for a total of 4 trillion Yuan. The policies would contribute to local governments' efforts to reduce their so-called "hidden debt," estimated to drop from 14.3 trillion Yuan as of the end of 2023 to 2.3 trillion Yuan by 2028. He noted how the new measures would alleviate pressure on local authorities and free up funds for supporting economic growth.

Commodity	Copper	Aluminum	Zinc
Open	846.15	246.35	284
Close	834.4	241.60	279.90
Change	-13.40	0.05	-6.05
% Change	-1.58%	0.02%	-2.12%
Open Int.	7486	3450	3137
Change	331	-134	486
Pivot	838.4	243.3	281.4
Resistance	844.7	245.9	283.7
Support	828.0	239.0	277.6

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	273850	147162	741900	247175
Close	272400	150336	731900	245225
Change	-1450	3174	-10000	-1950
% Change	-0.53%	2.16%	-1.35%	-0.79%

With several cuts already made in the past two months by the PBoC, the country's fiscal policy would require major increases in government debt and spending to regain momentum in the country's growth.

**Dollar Strength:**

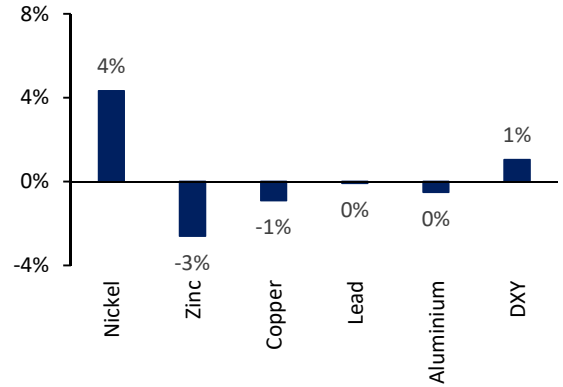
Dollar Index gained significantly past week, with some profit taking towards the end following Donald Trump presidency win. Expectations of more trade tariffs, a clampdown on illegal immigration, lower taxes and business deregulation by Trump is seen to boost growth and inflation. Despite that, the Federal Reserve cut rates by 25 basis points, which had been widely expected. Fed Chair Powell announced, U.S. central bank would not speculate on the impact of any policies by the incoming U.S. government. China's Yuan weakened after Beijing unveiled a 10 trillion Yuan (\$1.4 trillion) debt package. Yuan may face volatility over the coming months, when Donald Trump returns to the White House, potentially exacerbating trade tensions with China, as the president-elect has promised tariffs of more than 60% on all Chinese imports.

**Iron ore prices** fell after China's latest measures to resuscitate the economy disappointed investors, while an increase in Chinese port inventories underscored plentiful supply. The steel-making staple has fallen by more than a quarter this year, hampered by China's property collapse and hints that miners are increasing output. With mills in the leading producer unable to sell steel domestically due to low demand, shipments of the alloy increased to their highest level since 2015 last month. China's port stocks of iron ore have increased over the last four weeks to their highest level since early September. On a seasonal basis, inventories are at an all-time high for this time of year.

**Economic Data Points paint a mixed picture:**

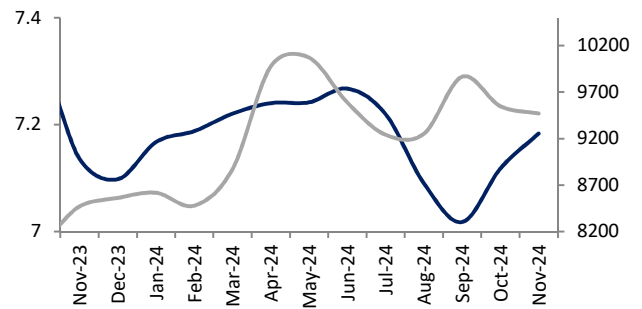
- Chinese Manufacturing PMI reported by NBS came in at 50.1, in expansionary territory for the first time since April beating expectations of 49.9
- Caixin Manufacturing PMI showed improvement rising to 50.3 in October, up from 49.3 in September; breaching the 50.0 neutral mark
- China's consumer prices rose at the slowest pace in four months in October at 0.3% while producer price deflation deepened

**Change in LME Metals MTD**



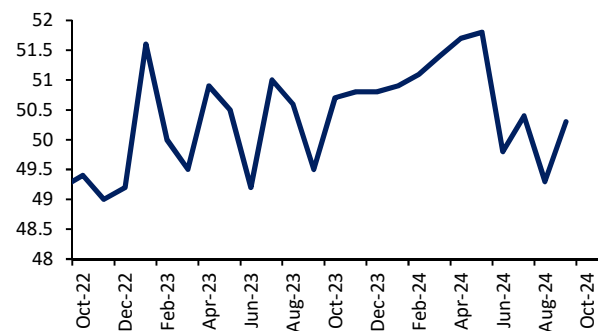
Source: - Reuters

**Yuan Vs Copper prices**



Source: Reuters

**Caixin Manufacturing PMI**



Source: Reuters

**Outlook:**

The interplay of China's anticipated fiscal stimulus, ongoing supply constraints, and the U.S. election outcome contributed to a complex environment for base metals. Fin. Min. Lan's indication on more incoming stimulus and mention of tax policies to support the housing market to come soon, may also provide some support to positive sentiment revolving around China. Anticipation of stricter trade measures under the new US administration plays its part in cautious sentiment in the base metals market, as investors weighed the implications for global demand and supply chains.

**Technical Outlook: -**

**Copper**

In the last week, copper gave a negative close, with a decline of around 13.40 rupees or -1.58%. 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. 855. There is a possibility for it to trade in the ongoing consolidative phase.



**Zinc**

In the last week, zinc gave a negative close with a decline of around 6.05 rupees or 2.12%. The 14- period Relative Strength Index (RSI) is currently trading at 46 indicating sideways to lower range. Immediate support can be identified at Rs. 270 mark whereas resistance is observed at Rs. 290 level. There is a possibility for the dip towards 270 level initially testing downward sloping channel breakout followed by a rebound towards 290 on the higher side.



**Aluminum**

In the last week, aluminium prices saw a flat close. The 14- period Relative Strength Index (RSI) currently trading above 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. 230 level testing Rs. 250 on the higher side followed by Rs. 260 as an extended target.





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