



Monday, November 18, 2024

Base metals maintained their southward journey, with copper closing the week 5% lower. Metals were pressured by mixed Chinese data, disappointment revolving stimulus, and continuous concerns over the potential for higher US trade tariffs under the newly appointed Trump administration. The only metal sustaining in the green was aluminum, closing 1% higher after China announced export rebate cancellation on copper and aluminum products.

#### China Angst

Optimism built around China providing more direct fiscal support was cut short by China announcing \$1.4 trillion package over five years to tackle local governments' 'hidden' debt. 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. The new measures would alleviate pressure on local authorities and free up funds for supporting economic growth. 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.

#### DXY surge

Dollar Index and other riskier assets gained tremendously past week, thanks to the newly elected 47<sup>th</sup> President Donald Trump which triggered major "trump trades". DXY was up almost 2% near 2-year highs, pressuring metal prices. It maintained the majority of its post-election surge on forecasts that higher interest rates will rein in President-elect Trump's expansionary fiscal policies, putting pressure on commodities priced in the greenback and reducing industrial demand from emerging

Commodity	Copper	Aluminum	Zinc
Open	800	238.55	278.15
Close	795.15	242.65	276.75
Change	-39.25	1.05	-3.15
% Change	-4.70%	0.43%	-1.13%
Open Int.	7573	2424	2480
Change	87	-1026	-657
Pivot	801.0	243.5	279.4
Resistance	807.5	248.4	282.7
Support	788.7	237.7	273.4

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	271875	150252	729325	244500
Close	271875	154434	718950	248450
Change	0	4182	-10375	3950
% Change	0.00%	2.78%	-1.42%	1.62%

nations. Fed's interest rate cut in November was as expected, but the statement on achieving inflation targets was removed, suggesting a possible pause in interest rate cuts in December. Fed Chair Jerome Powell said the central bank has no immediate plans to decrease interest rates, noting the economy's resiliency, a strong labor market, and persistent inflationary pressures. Retail sales and inflation numbers were stronger than expected, adding to a hawkish view for Fed policy.

**Inventories:**

ShFE warehouse inventories, which track weekly change in Shanghai monitored warehouses showed positive signs of aluminium demand. The weekly change was as follows:

Copper: -9197t (-6.6%)

Aluminium: -35713t (-13.3%)

Zinc: +17996t (+24.8%)

**China data still shows some struggle**

- New bank lending in China dropped sharply in October, hitting a three-month low, as efforts to ramp up policy stimulus to support the faltering economy struggled to drive credit demand. Chinese banks extended 500 billion yuan (\$69.51 billion) in new Yuan loans last month, greatly lagging the forecast for 700 billion Yuan.

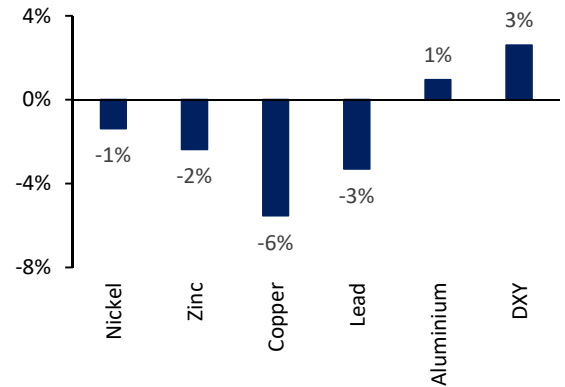
- Total social financing, data which is closely seen as a key gauge of metals demand, also slowed to a record low of 7.8%.

- New home prices fell by -0.51% MoM, up from -0.71% MoM in September, while secondary home prices fell by -0.48% versus a -0.93% MoM move the prior month. The rate of the decline was the smallest since March for new home prices, and the smallest since September 2023 for the secondary market

- Retail sales rebounded to 4.8% YoY, up from 3.2% YoY – significantly beating market expectations and our forecasts for a milder uptick

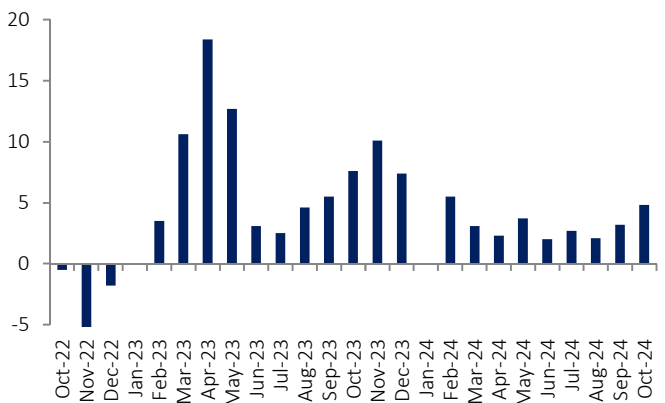
- Fixed asset investment remained steady at 3.4% YoY YTD for the third consecutive month, basically in line with expectations.

**Change in LME Metals MTD**



Source: - Reuters

**China Retail Sales**



Source : Reuters

**Outlook:**

Disappointment with Chinese stimulus in recent months, combined with the possibility of significant US taxes on imports following Donald Trump's presidential election victory, is projected to keep industrial metals under pressure. China's manufacturing sector could face further headwinds once additional tariffs from the US are introduced. Amongst base metals, aluminium looks sustainably stronger with supply tightness and higher raw material cost along with the newly announced cancellation and reductions on export tax rebates on copper and aluminum products by China which will take effect December 1<sup>st</sup>.

**Technical Outlook: -**

**Copper**

In the last week, copper gave a negative close, with a decline of around 40 rupees or -4.70%. 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. 780 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 negative close with a decline of around 3.15 rupees or 1.13%. The 14- period Relative Strength Index (RSI) is currently trading at 45 indicating sideways to lower range. Immediate support can be identified at Rs. 270 mark whereas resistance is observed at Rs. 284 level. There is a possibility for the dip towards 270 level initially testing downward sloping channel breakout followed by a rebound towards 284 on the higher side.



**Aluminum**

In the last week, aluminium prices gave a positive close with a gain of a rupee or (0.43%). The 14- period Relative Strength Index (RSI) currently trading above 60, signalling market strength. Prices are sustaining above the symmetrical triangle pattern breakout and the slope of 20 day moving average is turning upwards. We maintain buying on dips till it holds above Rs. 234 level testing Rs. 250 on the higher side followed by Rs. 260 as an extended target.





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