



Monday, December 16, 2024

Base metals started off the week with increased optimism as two important events were set to take place where additional policy support measures and outlooks were anticipated at the Politburo and CEWC meeting, but gains were capped by a stronger dollar and preventive measures to brace for tariffs resulting in a weakening Yuan.

The Politburo's decision not to release a summary from its usual November meeting had stoked speculation that stimulus may be forthcoming, as China, faces mounting uncertainties, including the return of US President-elect Donald Trump. Trump recently made two tariff threats, including a warning to BRICS members that if they create a currency to compete with the US dollar, they will face a 100% tariff.

It also restored investor confidence in China after announcing an implementation of a "more active" set of policies to expand domestic demand in 2025 with "moderately loose" monetary tools - language not used by high-level authorities since the global financial crisis in 2009. The summary statement included minor but substantial linguistic adjustments indicating the gravity with which the country's leadership sees current economic problems. These alterations – as well as other language from the statement – show a determination to buoy China's economic growth. The specific plans and numbers will be announced at the National People's Congress in March 2025.

Spirits were high, with another meeting lined up- the closed door Central Economic Work Conference, where economic targets and stimulus plans would be discussed until 2025. Though no specific targets were announced for next year, as is customary for the conference, which sets the overall tone for government action, the official meeting readout stated that major benchmarks would be met through a number of policy changes, including a higher

| Commodity | Copper | Aluminum | Zinc |
|-------------------|--------|----------|--------|
| Open | 823 | 243.6 | 286.7 |
| Close | 814.7 | 244.65 | 287.60 |
| Change | -7.05 | 1.35 | 1.55 |
| % Change | -0.86% | 0.55% | 0.54% |
| Open Int. | 5567 | 2717 | 2508 |
| Change | -764 | -547 | -295 |
| Pivot | 817.0 | 244.2 | 287.8 |
| Resistance | 820.8 | 245.2 | 289.6 |
| Support | 810.9 | 243.7 | 285.8 |

| LME Inventory Weekly Market Data | | | | |
|----------------------------------|--------|--------|----------|--------|
| Commodity | Copper | Nickel | Aluminum | Zinc |
| Open | 269800 | 166422 | 681600 | 278125 |
| Close | 272825 | 164508 | 675025 | 268500 |
| Change | 3025 | -1914 | -6575 | -9625 |
| % Change | 1.12% | -1.15% | -0.96% | -3.46% |

fiscal deficit ceiling, more treasury bonds, and interest rate and reserve requirement ratio cuts.

Although major decision-making bodies were ramping up efforts for buoying China’s economy, a new headwind was on the way- Trump tariff threats. China announced it is considering allowing the Yuan to weaken in 2025 to brace for higher trade tariffs in a second Donald Trump presidency. A weakening Yuan would reduce the cost of refined copper exports from China, lowering the metal's relative price on dollar-denominated commodity exchanges.

Reports showed China shipped near-record volumes of aluminum in November as exporters rushed to benefit from tax discounts that were canceled from the start of this month. Beijing last month announced it would withdraw a tax rebate of 13% that for years has helped juice overseas sales of aluminum. The move appears to have triggered a selling frenzy, with traders and producers trying to ship as much as possible before the end of November. Zinc production in China is recovering, with December’s domestic refined zinc output expected to rise by over 20,000 metric tons’ MoM, a 5% increase. Despite this recovery, cumulative zinc production for 2024 is projected to decline by over 6% year-on-year.

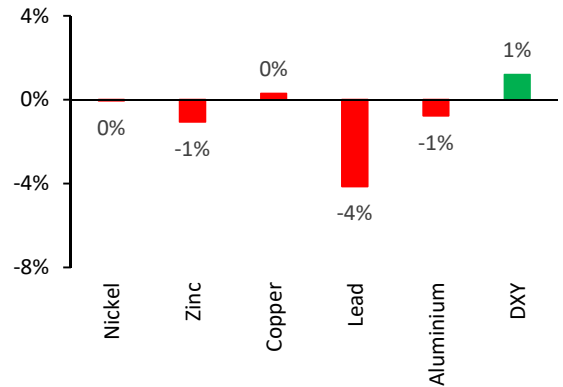
Data still shows signs of struggle:

- The country still struggles with deflation concerns as the annual inflation rate unexpectedly eased to 0.2% in November 2024 from 0.3% in the previous month, falling short of market forecasts of 0.5%
- Retail sales rose by 3% YoY in November 2024, slowing from a 4.8% growth in the previous month and below market expectations of a 4.6% gain. This marked the weakest growth in retail activity since August
- New home prices in 70 cities shrank by 5.7% YoY in November 2024, following the steepest decline in over nine years of 5.9% in the previous month. This marked the 17th consecutive month of decreases

Outlook:

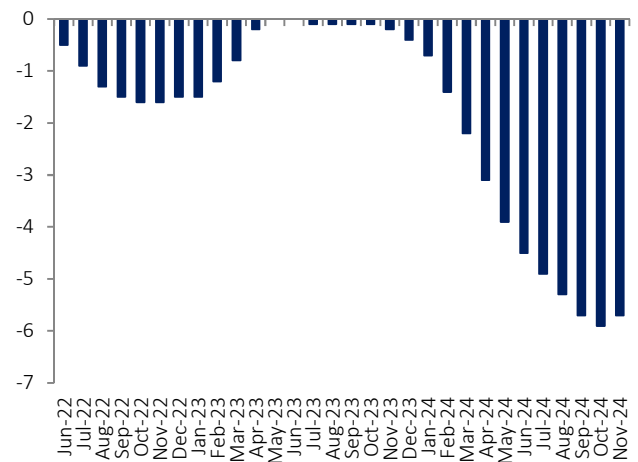
More stimulus measures and specific numbers are needed for sustained confidence and recovery in base metal prices. This week, Fed meets for interest rate decision and a quarter point cut is widely expected. While a cut is expected now, the probabilities for further cuts have diminished which further supports the dollar index, pressuring base metal prices. Also year-end book closure by global hedge funds and traders can lead to ad hoc spikes in certain metals.

Change in LME Metals MTD



Source: - Reuters

China House Prices



Source : Reuters

Technical Outlook: -

Copper

In the last week, copper gave a negative close, with a loss of around 7 rupees or -0.86%. 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. 790 level whereas immediate resistance is observed at Rs. 830. Selling on rise seems likely testing 790 level on the lower side till it holds below 830 level.



Zinc

In the last week, zinc gave a positive close with a gain of around 1.55 rupees or 0.54%. The 14- period Relative Strength Index (RSI) is currently trading at 61 indicating sideways to higher range. Immediate support can be identified at Rs. 280 mark whereas resistance is observed at Rs. 294 level. Any dip towards 280 level is a buy with a view targeting 294 on the higher side.



Aluminum

In the last week, aluminium prices gave a positive close with a gain of around 1.35 rupees or 0.55%. The 14- period Relative Strength Index (RSI) is currently hovering around midpoint mark of 50, suggesting range bound movement. Prices are sustaining above the symmetrical triangle pattern breakout and the slope of 20 day moving average is headed upwards. We maintain neutral stance and it is expected to trade in a broader consolidation range of 249 - 237 going forward.





| | | |
|-----------------------|----------------------|--|
| Navneet Damani | Research-Head | navneetdamani@motilalosal.com |
|-----------------------|----------------------|--|

For any details contact:

Commodities Advisory Desk - +91 22 3958 3600
commoditiesresearch@motilalosal.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.motilalosal.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 CCL 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.motilalosal.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.motilalosal.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.
- 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.
- 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.
- The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein.
- 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.
- 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.
- 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.
- MOFSL and its 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.motilalosal.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@motilalosal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

| Contact Person | Contact No. | Email ID |
|--------------------|-----------------------------|--|
| Ms. Hemangi Date | 022 40548000 / 022 67490600 | query@motilalosal.com |
| Ms. Kumud Upadhyay | 022 40548082 | servicehead@motilalosal.com |
| Mr. Ajay Menon | 022 40548083 | am@motilalosal.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 dp@grievances@motilaloswal.com.