



Monday, January 13, 2025

Base metals started the new year positively fueled by revived optimism over China in hopes it will follow through on its recent commitments to ramp up monetary and fiscal stimulus to bolster economic growth while uncertainty looming over tariffs capped any further gains.

China will significantly expand funding from ultra-long treasury bonds in 2025 to promote company expansion and consumer-boosting schemes, as Beijing ramps up fiscal stimulus to revive the flagging economy. Special treasury bonds will be utilized to fund large-scale equipment improvements and consumer goods trade-ins, according to NDRC at a press conference. Chinese officials have committed to "vigorously" expand consumption this year, raising the prospect of additional policy moves to stimulate demand and combat deflationary risks.

Amid sluggish investment growth, the government plans to increase special treasury bond issuance to boost equipment renewal efforts. This initiative will provide investment subsidies and interest subsidies for equipment renewal loans. Existing industries already benefiting from policies, such as energy, transportation, and logistics, will continue to receive support, while the scope will expand to include sectors like IT, manufacturing safety, and agriculture. The renewal efforts will prioritize high-end, smart, and environmentally friendly equipment.

Markets attempted to discount the potential for hefty tariffs on US imports after US President-elect Donald Trump takes office later this month. A Washington Post reported that Trump advisers were considering tariff plans that would apply to all countries but only cover sectors deemed critical to national or

Commodity	Copper	Aluminum	Zinc
Open	826	243	271.7
Close	826	245.05	273.05
Change	25.65	6.80	-0.40
% Change	3.20%	2.85%	-0.15%
Open Int.	5359	2796	2768
Change	-3765	-915	-653
Pivot	826.4	244.7	273.2
Resistance	829.4	246.3	274.8
Support	823.0	243.4	271.5

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	268650	164280	626775	229150
Close	263450	164904	619375	210625
Change	-5200	624	-7400	-18525
% Change	-1.94%	0.38%	-1.18%	-8.08%

economic security, a significant departure from Trump's promises during the 2024 presidential campaign. Trump had promised to put 10% tariffs on worldwide imports into the United States, as well as a 60% tariff on Chinese goods - charges that trade experts believe will disrupt trade flows, raise costs, and prompt retaliation against US exports.

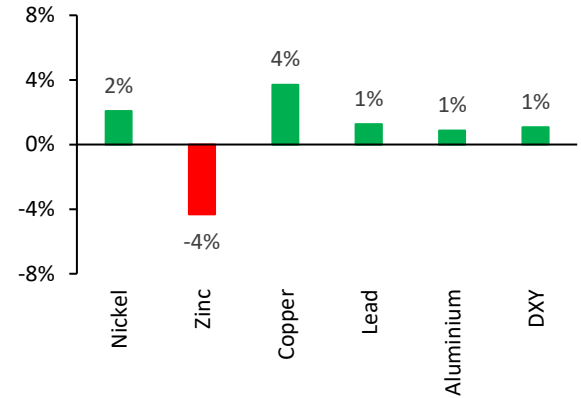
An important measure of demand for copper imported into China, the Yanghsan copper premium also increased to about \$71-73\$ from ~\$40 two months ago. China's imports of unwrought copper and copper products reached a 13-month high in December, rising 17.8% year-on-year to 559,000 metric tons, according to customs data. Imports increased 5.87% from November, partly due to sellers fulfilling remaining volume obligations of annual contracts. This reflects healthy demand in China for copper.

Data from US has been coming in stronger than expected, which poses pressure on prices. The U.S. job market once again exceeded expectations, with employers adding over 250,000 jobs in the final full month of Joe Biden's presidency, challenging predictions of a slowdown. This stronger-than-anticipated gain of 256,000 jobs in December far surpassed the 160,000 forecast. Meanwhile, the unemployment rate edged down to 4.1% from 4.2%, as detailed in the Labor Department's monthly employment report, leaving Federal Reserve officials deliberating the need for further interest rate cuts in a robust economic environment.

Outlook:

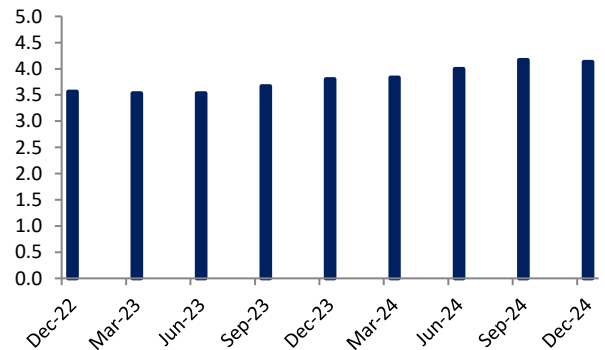
Rising global trade tensions and a potential slowdown in manufacturing, driven by looming tariffs under incoming US President Donald Trump, keeps investors cautious. Change in consumption pattern is also expected in China ahead of week-long holiday on account of Chinese New Year starting 28th January. With forecasts of reduced rate cuts, stronger than expected labor market data and cautious approach being adapted by the Fed; the dollar index is considerably firm and may cap gains for metals.

Change in LME Metals MTD



Source: - Reuters

Unemployment Rate(%)



Source: Reuters

Technical Outlook: -

Copper

Copper prices ended the previous week on a positive note, gaining approximately ₹25.50 (+3.20%). The price action rebounded from an upward-sloping trendline, reaffirming the bullish bias. Ichimoku Cloud analysis on the daily chart indicates a positive outlook, with prices trading above the Conversion Line (Tenkan-sen) and Base Line (Kijun-sen), which are expected to provide strong support. Additionally, the RSI is positioned above its midpoint, further confirming underlying strength in the counter. Key support levels are identified at ₹818-₹805, while resistance is projected at ₹838 and ₹850, suggesting a continuation of the uptrend if momentum sustains.



Zinc

Zinc prices concluded the previous week with a marginal decline of ₹0.40 (-0.15%). The price action found support near the trend line around the ₹268 level, which is likely to act as a key support zone in the coming sessions. On the weekly timeframe, Ichimoku Cloud analysis indicates that prices have taken support at the Base Line (Kijun-sen), reinforcing the potential for continued upward momentum. In this upward trajectory, immediate resistance is seen at ₹277. A breakout above this level could pave the way for further gains towards the ₹280-₹285 range. On the downside, critical support is placed at ₹267 and ₹261, with a sustained move below these levels potentially signaling weakness in the counter.



Aluminum

Aluminium prices closed the previous week on a strong note, advancing by approximately ₹6.80 (+2.85%). The rebound from an upward-sloping trend line, coupled with the formation of a bullish engulfing candlestick, suggests a base formation and strengthens the bullish sentiment. The Ichimoku Cloud indicator further reinforces this positive outlook, as prices are trading above the cloud. Additionally, the 14-period RSI is holding above the 55 level, indicating sustained bullish momentum in the near term. A "buy-on-dips" strategy aligns with this setup, with upside targets set at ₹250 and ₹253. The bullish structure remains intact unless a decisive daily close below ₹242 occurs, which would signal a potential shift in market sentiment.



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