



Monday, January 20, 2025

Base metals ended the second week of January on a high note, buoyed by renewed optimism about China's ability to follow through on its recent commitments to increase monetary and fiscal stimulus to boost economic growth, uncertainty over tariffs, and a slew of positive economic data from China.

China optimism:

As Beijing increases fiscal stimulus to strengthen the faltering economy, China is expected to increase funding from ultra-long treasury bonds in 2025 to support business expansion and consumer-boosting initiatives. Large-scale equipment upgrades and consumer goods trade-ins will be financed by special treasury bonds, the NDRC announced during a press briefing. Chinese authorities have pledged to "vigorously" increase consumption this year, which increases the likelihood of further policy actions to boost demand and counteract deflationary threats.

The government intends to issue more special treasury bonds in order to support equipment renewal initiatives in the face of slow investment growth. This program will offer interest and investment subsidies for loans for the replacement of equipment.

While the scope will broaden to include businesses like IT, manufacturing safety, and agriculture, existing sectors that now benefit from policies—such as energy, transportation, and logistics—will continue to get support. High-end, intelligent, and ecologically friendly equipment will be given priority in the renewal activities

Commodity	Copper	Aluminum	Zinc
Open	840	253.45	275.25
Close	832.8	256.05	277.60
Change	6.80	11.00	4.55
% Change	0.82%	4.49%	1.67%
Open Int.	4708	2373	1748
Change	-651	-423	-1020
Pivot	834.2	255.2	276.6
Resistance	839.6	257.3	278.9
Support	827.4	254.0	275.3

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	263450	164904	619375	210625
Close	260075	169494	609375	201350
Change	-3375	4590	-10000	-9275
% Change	-1.28%	2.78%	-1.61%	-4.40%

Sanctions woes:

The European Union is reportedly considering increasing import restrictions on Russian aluminium as part of a new round of penalties aimed at Moscow for its invasion of Ukraine. The proposed restrictions would be included in the EU's 16th package of sanctions. According to sources, aluminum restrictions will be phased in, with a timetable and breadth yet to be defined. The draft suggestions are still being discussed by member states and may alter before being publicly submitted. The EU is poised to approve the new restrictions next month. Aluminum prices soared on the news of anticipated sanctions and are expected to be supported on the upside.

The National Bureau of Statistics (NBS) numbers released last week showed monthly primary aluminium production in China rising 4.2% YoY to 3.8mt in December 2024 primarily due to the additions from new production capacity in the Northwestern region of Xinjiang.

Economic Data:

Chinese economy expanded by 5.4% yoy in Q4 2024, accelerating from 4.6% in Q3 and surpassing market estimates of 5.0%. It was the strongest annual growth rate in 1-1.5 years, boosted by a series of stimulus measures launched since September to boost recovery and regain confidence.

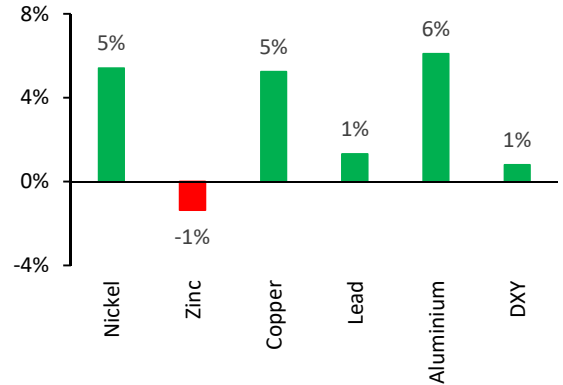
Industrial output increased by 5.8% this year, the strongest full-year result since 2021, while retail sales increased by 3.5%, reducing the growth rate in 2023.

On the trade front, exports increased by double digits in December, marking the ninth consecutive monthly gain and the greatest amount in three years, as companies rushed to finalize shipments ahead of expected tariff hikes under the Trump administration.

The housing market displayed a few green shoots, with price decreases slowing out and sales increasing slightly in the last months of last year, most likely due to the many stimulus measures announced since late September. That progress has yet to be reflected in development, with house starts slowing for the fifth year in a row.

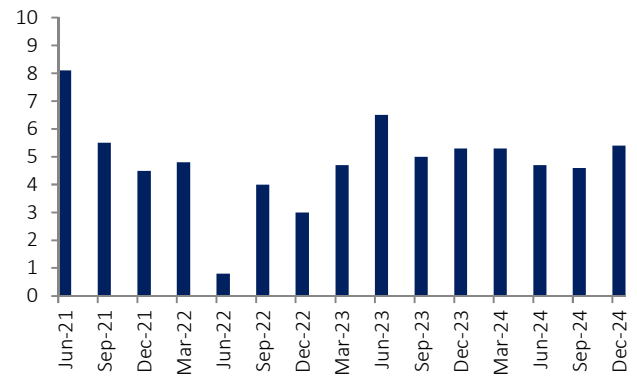
The 2025 Chinese New Year holiday, will begin on Wednesday, January 29, and last until Tuesday, February 4 celebrating the Lunar New Year. We could see some changes made to China's reserve requirement ratio (RRR) ahead of the holiday to relieve funding pressures; which may be positive for metal prices.

Change in LME Metals MTD



Source: - Reuters

China GDP



Source : Reuters

Outlook: Falling inventory levels and improving Chinese economic data is expected to *support metal prices* in the near term. Although, rising global trade tensions and a further potential slowdown in manufacturing, driven by looming tariffs under incoming US President Donald Trump set to take oath today; continues to keep 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.

Technical Outlook: -

Copper

MCX copper gain positive closing by 0.86 percent in last week, which is 7.10 rupees, copper was trading into a symmetrical triangle pattern and broke out of triangle pattern is trading close to the immediate support zone 820-805 levels, whereas immediate resistance is place at 841-855 levels for the counter. The metals is trading above mid-point of RSI, which is sign of strength in the counter, and may portend further buying in the counter. Towards the next resistance levels. Likewise, a sustain break below support zone will negate the view.



Aluminum

MCX aluminium gain positive closing by 4.53 percent in last week, which is 11.10 rupees, The metal was trading within a rising wedge pattern and has successfully broken out of its upper band, currently hovering near the immediate resistance zone of ₹260-268. On the downside, immediate support is placed at ₹248-242 levels. Aluminium is trading above the mid-point of the RSI, indicating strength in the counter and suggesting the potential for further upward movement. Given the technical setup, buying on dips is recommended, as the counter shows signs of sustained bullish momentum.





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