



Monday, January 27, 2025

Base metals faced a volatile week as Donald Trump swore in as 47<sup>th</sup> US President and made many statements triggering volatility along with weakening dollar index. Copper outshined other metals, buoyed by positive growth figures, change in statements regarding tariff imposition on China, and supply concerns and a favorable demand outlook. Zinc and aluminum took a hit, as Trump still intends to move forward with an across-the-board tariff of 25% on Mexican and Canadian goods.

From threatening to impose a 60% tariff on Chinese imports during his election campaign to discussing a much lower rate of 10% after his inauguration, and then claiming he would "rather not" apply them at all just days later, markets are tangled between his statements. He threatened the European Union with tariffs and stated that his administration was considering a 10% punitive levy on Chinese products because fentanyl is being transported from China to the United States via Mexico and Canada. US is highly dependent on imported aluminium and zinc from Canada and Mexico with limited viable alternatives.

Trump issued his newest tariff threats in statements at the White House a day after taking office, although he did not immediately impose duties as threatened during his campaign. He underlined his abilities to promote fair trade procedures and mentioned the possibility of using tariffs as leverage in negotiations.

This suggests that, despite his willingness to use tariffs as a negotiation tactic, President Trump would prefer to strike a trade agreement with China without using such measures. Metal prices have been very sensitive to the frequent changes in statements, and will continue to be so until at least February 1<sup>st</sup>, when President Trump will be expected to make a firm decision.

Commodity	Copper	Aluminum	Zinc
<b>Open</b>	835.4	254.05	272.5
<b>Close</b>	841.25	252.75	269.00
<b>Change</b>	8.45	-3.30	-8.60
<b>% Change</b>	1.01%	-1.29%	-3.10%
<b>Open Int.</b>	2408	1226	1049
<b>Change</b>	-2300	-1147	-699
<b>Pivot</b>	842.1	253.4	270.4
<b>Resistance</b>	849.2	254.4	272.5
<b>Support</b>	834.2	251.8	266.9

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
<b>Open</b>	260150	170214	606875	199125
<b>Close</b>	257625	173808	595175	188425
<b>Change</b>	-2525	3594	-11700	-10700
<b>% Change</b>	-0.97%	2.11%	-1.93%	-5.37%

President Trump's softer approach to tariffs has pushed the dollar to a five-week low after he stated that he would "rather not" impose tariffs on China. The Fed is anticipated to hold interest rates constant when its two-day meeting ends on Wednesday, but investors will be looking for signs that a rate decrease could come in March if inflation continues to fall closer to the US central bank's 2% annual objective. Data showed U.S. business activity slowed to a nine-month low in January due to rising pricing pressures, while existing house sales surged to a 10-month high in December.

Aluminium prices retreated marginally but remain strongly supported, in accordance with our view in previous weekly report, as investors expressed optimism about China following US President Donald Trump's remarks about a potential trade agreement and sanctions woes. Positive sentiment was bolstered by developments in the EU, which is prepared to prohibit imports of primary aluminum from Russia as part of its planned sanctions package. This decision is expected to reinforce the existing phase-out of Russian aluminum imports, since European businesses have mainly avoided purchasing Russian commodities since the invasion of Ukraine in 2022.

**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.

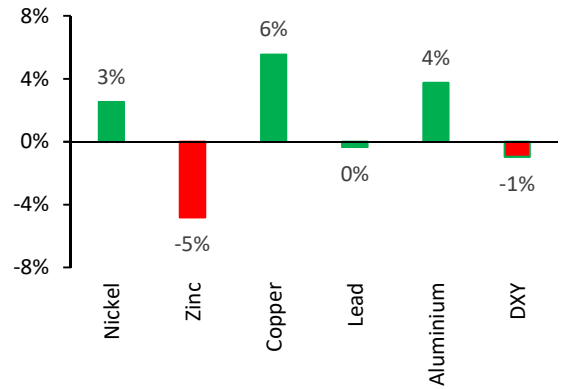
-China's factory activity unexpectedly dropped in January to 49.1, owing to a quiet season ahead of the Lunar New Year, reversing the previous three months' increases. January's manufacturing PMI is typically lower; as migrant workers return to hometowns ahead of the Chinese New Year

-China's non-manufacturing PMI, which measures services and construction activity, fell to 50.2 in January, compared to 52.2 in the preceding month.

-The People's Bank of China held the 1-year loan prime rate at 3.1%, and the 5-year LPR at 3.6% which came ahead of Donald Trump's inauguration

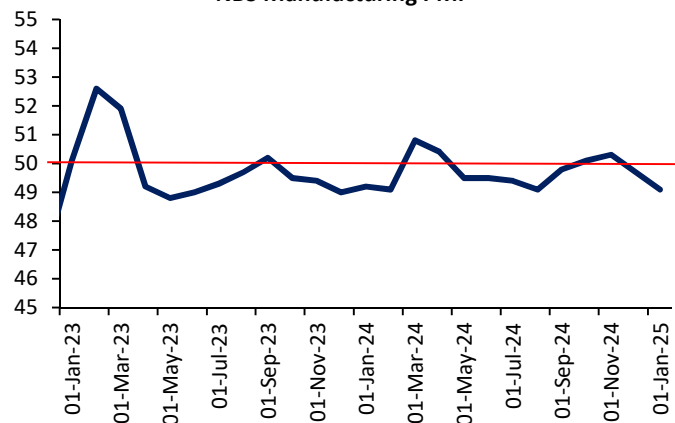
-ShFE Warehouse changes (Weekly) were reported as follows: Copper: +9,253T (+10.42%) Aluminium: -2,105T (-1.18%) Zinc: -541T (-2.57%)

**Change in LME Metals MTD**



Source: - Reuters

**NBS Manufacturing PMI**



-The 2025 Chinese New Year holiday, will begin on, January 29, and last until, February 4 celebrating the Lunar New Year.

**Outlook:** Uncertainty around tariffs are keeping metals volatile. Slowdown in consumption pattern is also expected in China on account of week-long holiday on account of Chinese New Year starting 28th January. With US central bank set to meet this week for interest rate decision, where the bank is expected to keep rates steady; the dollar index remains supported and may cap gains for metals.

**Technical Outlook: -**

**Copper**

MCX copper gain positive closing by 1.02 percent in last week, which is 8.50 rupees, copper was trading into a symmetrical triangle pattern and broke out of triangle pattern is trading close to the immediate support zone 818-805 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.



**Zinc**

MCX Zinc closed negatively last week, registering a 3.06% decline, equivalent to ₹8.50. The metal broke below its support line and is currently moving within a corrective rally, forming a zig-zag pattern. It is trading near the immediate support zone of ₹262-₹254, whereas resistance is placed at ₹276-₹282. The RSI is positioned below its midpoint, indicating weakness in the counter and signalling the likelihood of further profit booking or downside movement. Given the bearish sentiment, a "sell on rise" strategy is recommended for this counter.





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