



Monday, February 10, 2025

Base metals had a splendid week, with copper outperforming the pack rising 5% on the MCX. The primary catalyst were U.S. President Donald Trump's tariff threats, which targeted various imported goods, including semiconductors, pharmaceuticals, steel, aluminum, and copper. These policies, aimed at promoting American manufacturing, raised concerns about global trade disruptions, particularly in relation to China, Canada, and Mexico.

Metal prices initially plunged due to concerns about U.S. tariff policies and weak industrial data from China. Trump reiterated his plan to impose a 25% tariff on Mexico and Canada, alongside a 10% duty on China. These measures put pressure on market sentiment, particularly in the copper and aluminum sectors. The U.S. imports approximately 36% of its copper requirements from Canada and Mexico, while imported aluminum accounts for 82% of the country's refined aluminum demand.

Despite the initial downturn, metal prices rebounded later in the week as the U.S. dollar index stabilized. Additionally, President Trump decided to pause the proposed tariffs on Mexico and Canada for a month, following negotiations with their leaders. Market optimism also grew as speculation increased about a potential trade agreement between the U.S. and China, which could prevent the 10% tariffs on Chinese imports from taking effect. Discussions between President Trump and Chinese President Xi Jinping were anticipated, offering hope for a resolution to the escalating trade tensions.

The tariff on Chinese goods officially took effect, part of an executive order designed to pressure Beijing into curbing fentanyl shipments to the U.S. In response, China countered, imposed duties ranging from 10% to 15% on selected American products, including a 15% tariff on coal and liquefied natural gas, as well as

Commodity	Copper	Aluminum	Zinc
Open	857.8	256.85	271.2
Close	867.15	257.60	270.80
Change	38.30	6.90	7.65
% Change	4.62%	2.75%	2.91%
Open Int.	6467	4308	2842
Change	217	556	-1156
Pivot	864.9	257.8	271.2
Resistance	872.0	258.7	272.4
Support	860.0	256.7	269.6

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	255125	172500	587200	179275
Close	245825	175710	563200	168700
Change	-9300	3210	-24000	-10575
% Change	-3.65%	1.86%	-4.09%	-5.90%

a 10% duty on crude oil, agricultural machinery, large-displacement automobiles, and pickup trucks.

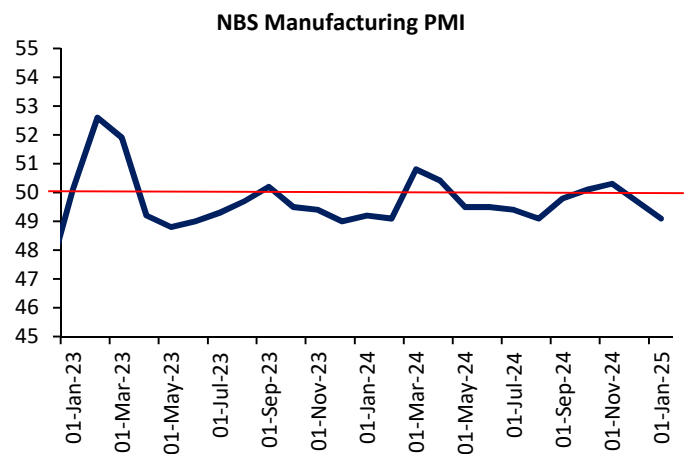
Trump announced plans to impose a 25% tariff on all steel and aluminum imports, effective immediately. This decision marked a significant escalation in trade policy, affecting major exporters to the U.S., including Canada, Brazil, Mexico, South Korea, and Vietnam. Market participants are closely monitoring the situation, as the tariffs could lead to higher costs for U.S. consumers and potential retaliatory measures from affected countries, further influencing aluminum prices and broader economic conditions.

Chinese markets reopened following the Lunar New Year, further supporting price movements. Even with trade tensions, China's unwrought copper imports surged by 17.8% year-on-year to 559,000 metric tons in December, as refiners restocked in response to strong order flows. On the supply side, Chile's copper output rose 14.3% YoY in December, reaching 566,547 metric tons, while Peru's Las Bambas mine projected annual production of 400,000 metric tons by 2025.

China's industrial activity showed signs of slowing, with the Caixin/S&P Global Manufacturing Purchasing Manager's Index (PMI) dropping to 50.1 in January, below market expectations of 50.5. This marked the fourth consecutive month that the PMI remained above the 50-point threshold, which separates expansion from contraction. However, it declined compared to 50.5 in December, 51.5 in November, and 50.3 in October, reflecting a deceleration in factory output amid trade uncertainties. Chinese markets remained closed for the Lunar New Year holiday until February 4, but fears surrounding trade policies continued to influence base metal prices.

In January, China's consumer inflation increased to its highest level in five months, but producer price deflation persisted, reflecting uneven consumer spending and lackluster industry activity. The consumer price index grew 0.5% last month from the previous year, faster than the 0.1% gain in December, according to data from the National Bureau of Statistics released over the weekend, exceeding the 0.4% rise forecast. Core inflation, which excludes volatile food and fuel prices, accelerated to 0.6% in January from 0.4% the previous month.

Looking ahead, investors closely monitoring upcoming trade negotiations and potential policy shifts. The base metals market experienced a turbulent week, primarily due to trade policy developments and fluctuating Chinese economic data. While concerns over global economic growth persist, underlying demand for copper remains strong, supported by increased Chinese imports and stable supply from major producers. Looking forward, the resolution of trade disputes and any additional economic stimulus from China will be important to watch.



Technical Outlook: -

Copper

Over the past week, MCX copper prices have appreciated by 4.73%, equating to an increase of ₹39.15. The copper has broken out from a symmetrical triangle pattern and is exhibiting a series of higher highs and higher lows, signaling a bullish trend. Ichimoku cloud analysis further confirms bullish momentum, with prices trading above both the conversion and base lines. Additionally, the Relative Strength Index (RSI) is positioned above its midpoint, indicating strength in the market and potential for continued buying interest. Key support levels are identified at ₹853 and ₹840, while resistance levels are projected at ₹878 and ₹890. If the current momentum persists, the uptrend is likely to continue.

Zinc

Over the past week, MCX zinc prices advanced by approximately ₹8.45, or 3.22%. On the daily chart, prices have been trading within a downward-sloping channel and are currently hovering near the midline of this channel. The Ichimoku Cloud indicator reinforces a positive outlook, with prices trading above the conversion line. Additionally, the 14-period Relative Strength Index (RSI) is holding above the 50 level, indicating sustained bullish momentum in the near term. A "buy-on-dips" strategy aligns with this setup, with upside targets set at ₹276 and ₹280. The bullish structure remains intact unless a decisive daily close below ₹260 occurs, which would signal a potential shift in market sentiment.

Aluminium

Over the past week, MCX Aluminium prices advanced by ₹7.65, marking a 3.06% increase. On the daily chart, the price action has retested the breakout from a cup and handle pattern, forming a robust bullish candle and surpassing the previous swing high. The Ichimoku Cloud analysis indicates a bullish outlook, with prices trading above both the conversion and base lines. Furthermore, the 14-period Relative Strength Index (RSI) remains above 60, signifying sustained bullish momentum in the near term. Immediate resistance is identified at ₹260; a breakout above this level could lead to further gains towards the ₹266-₹270 range. Key support levels are situated at ₹253 and ₹249. A decisive daily close below ₹249 may indicate a potential shift in market sentiment towards weakness.





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