



Monday, June 23, 2025

Base metal prices experienced heightened volatility influenced by a blend of geopolitical tensions, macroeconomic developments, and supply-side dynamics. The price of copper fluctuated in response to intensifying Middle East conflict, mixed economic signals from China, and investor anticipation ahead of monetary policy. Aluminium prices also saw revived upside momentum, supported by declining inventories and growing Chinese appetite for Russian aluminium imports. On the other hand, a slight recovery in dollar index capped any further gains.

### Geopolitical Tensions & Market Sentiment

Copper prices began the week on a weak note, primarily due to the rapid escalation of geopolitical risks in the Middle East. A significant trigger was Israel’s preemptive strike on Iran's nuclear infrastructure, followed swiftly by retaliatory drone attacks from Tehran. This confrontation intensified fears of a prolonged regional conflict, prompting a risk-off sentiment in global markets. Investor confidence weakened as the potential for disruption to energy supplies and trade routes raised broader concerns about inflation and global economic stability.

Compounding the geopolitical anxiety were statements from US President Donald Trump, who reiterated threats of unilateral tariffs aimed at pressuring trade partners. This move further clouded the global demand outlook, particularly for industrial metals like copper, which are highly sensitive to global trade dynamics. Over the weekend, US airstrikes on three Iranian nuclear facilities marked a major escalation as the US joined Israel in its ongoing conflict with Iran.

Commodity	Copper	Aluminum	Zinc
Open	876	244.95	253.35
Close	880.4	246.50	253.30
Change	4.50	4.40	2.20
% Change	0.51%	1.82%	0.88%
Open Int.	2406	1972	1363
Change	-2903	-1641	-1033
Pivot	878.8	245.7	252.9
Resistance	885.4	247.8	254.1
Support	873.8	244.4	252.1

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	107325	202950	351200	130225
Close	99200	205140	342850	126225
Change	-8125	2190	-8350	-4000
% Change	-7.57%	1.08%	-2.38%	-3.07%

## China's Mixed Economic Indicators

China presented a mixed economic picture during the week. On the one hand, retail sales in May rose by 6.4% YoY, outperforming market expectations of 5% growth and exceeding April's 5.1% increase. This suggests that consumer spending remained resilient despite broader economic concerns. However, industrial output growth slowed to 5.8% in May from 6.1% in April, indicating a potential cooling in manufacturing activity—a key driver of copper demand.

Additionally, fixed-asset investment increased by 3.7% YoY through May, falling short of the projected 3.9% and down from the 4% growth seen in the first four months of the year. These figures contributed to a subdued outlook for China's industrial sector, reinforcing worries about weakening domestic demand. The trend of Chinese smelters focusing more on exports also hinted at oversupply and sluggish consumption within domestic markets.

## Central Bank Decisions

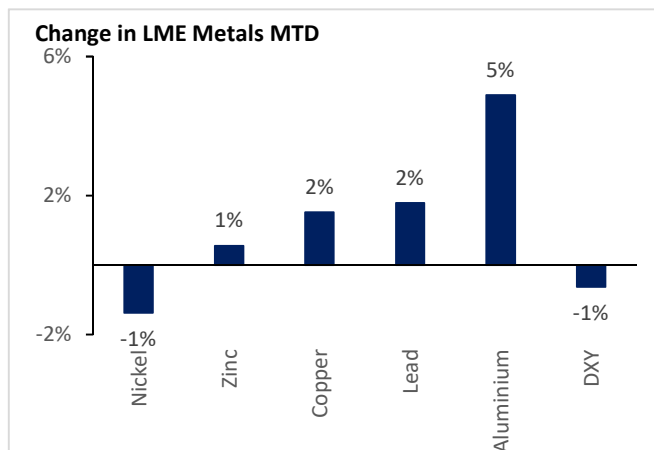
Markets remained fixated on central bank decisions, especially the US Federal Reserve's monetary policy stance. As anticipated, the Fed held interest rates steady, reflecting its cautious approach amid ongoing inflationary pressures linked in part to the rise in energy prices due to Middle East tensions. Although borrowing costs remained unchanged, forward guidance suggesting a potential easing in 2025 helped anchor market expectations, even as the US dollar index rose against major currencies, putting additional pressure on base metal prices.

People's Bank of China maintained its key lending rates at record lows during the June fixing. This followed a previous rate cut aimed at softening the blow from US tariffs and included recent deposit rate reductions by major Chinese banks. These measures reflect Beijing's ongoing efforts to support economic growth amid external pressures.

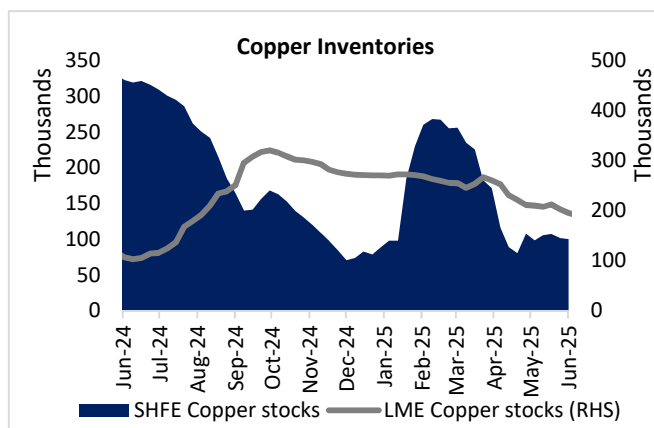
## Supply Side Support

While demand-side concerns weighed heavily on copper prices, supply-side constraints offered some support. Inventories in LME warehouses continued to shrink, with total stockpiles dropping to lowest level since May 2024 and down ~60% since March.

Aluminum markets, meanwhile, saw upward momentum as traders assessed manufacturing demand prospects and evaluated supply risks, particularly relating to bauxite from Guinea. Tensions between the Guinean government and Emirates Global Aluminum raised questions about the continuity of mining licenses, threatening supply chains and supporting prices.



Source: Reuters



Source: Reuters

Russian aluminium remains in demand, particularly in China. While Western countries have largely avoided Russian aluminium since the war in Ukraine began in 2022, China has become a major buyer. In 2021, China imported 291,000 tons of Russian primary aluminium. That number rose to 1.13 million tons by 2024. From January to April 2025 alone, imports increased another 48% YoY to 741,000 tons. This shift shows that while the West is distancing itself from Russian supply, China is absorbing the surplus. As a result, Russian producers continue to operate and sell their aluminium—just outside the reach of Western financial and exchange systems like the LME.

The Strait of Hormuz is a strategically critical maritime chokepoint located between the Persian Gulf and the Gulf of Oman. While it is best known for being the main route for the transport of crude oil and liquefied natural gas (LNG), the movement of bauxite and alumina through the Strait is also relevant to the global aluminum supply chain, though to a lesser extent.

Although the Strait of Hormuz is not a major export route for global bauxite, alumina and aluminum might transit through the Strait under certain conditions:

- UAE and Bahrain: These Gulf states have aluminum smelters (like Emirates Global Aluminium and Aluminium Bahrain) that import bauxite and export alumina/aluminum. These products transit through the Strait of Hormuz
- Imports: Bauxite imported from countries like Guinea or Australia to Gulf smelters would typically be shipped through the Strait of Hormuz
- Exports: Finished alumina or aluminum ingots are exported to global markets via the same route
- The closure or disruption of the Strait (due to geopolitical tensions, particularly involving Iran) could impact the aluminum supply chain, especially from Gulf countries
- While oil and gas are the most vulnerable commodities in this context, aluminum exports and bauxite imports are also at risk if the Strait is blocked

## Outlook

Market participants remained cautious, closely monitoring the Israel-Iran conflict. Going forward, prices are likely to remain sensitive to macroeconomic signals, developments in global trade policy, and evolving geopolitical risks. Copper and aluminium prices may see upward momentum supported by supply side tightening along with pressure on shipping and freight cost changes due to the ongoing Iran-Israel war posing stress on major shipping routes. Although, a slight recovery in dollar index may keep gains capped and investors remain on edge for further clarity.

## Copper:

Over the past week, MCX Copper posted a mildly positive performance, rising by 0.65%. Despite the ongoing consolidation, the price action maintains a bullish structure, marked by a series of higher highs and higher lows. Technical indicators further reinforce the positive outlook—prices are trading above the Ichimoku Cloud's Tenkan-sen (conversion line) and Kijun-sen (base line), indicating sustained upward momentum. Additionally, the Relative Strength Index (RSI) remains above the 50 level, suggesting consistent buying interest. Key support levels are located at ₹878 and ₹872, while resistance is seen at ₹900 and ₹915. As long as the current momentum holds, the bullish bias is likely to persist.

## Zinc:

Over the past week, MCX Zinc GAINED by approximately ₹3.10, or 1.20%. On the daily chart, the price remains in a consolidation zone, fluctuating around the 21-day Exponential Moving Average (EMA). The 14-period Relative Strength Index (RSI) has turned down from the 50 mark, suggesting emerging selling pressure. The immediate trading range is established between ₹247 and ₹258. A breakout from this range could determine the next directional move. A close below ₹247 may lead to further weakness towards ₹243, whereas a breakout above ₹258 could pave the way for an advance towards ₹263.

## Aluminium:

Over the past week, MCX Aluminium ended on a strong note, rising by ₹4.45 or 1.83%. On the daily chart, the metal has broken out of a downward-sloping trend line and is now forming a pattern of higher highs and higher lows—signaling a strengthening bullish trend. Prices are trading above the 21-day Exponential Moving Average (EMA), reinforcing the positive bias. In the current setup, a "buy-on-dips" approach remains favorable. Immediate resistance levels are seen at ₹255 and ₹260. The bullish outlook is expected to hold as long as the price sustains above ₹242; a close below this level may indicate a potential shift in trend.

MCX COPPER DAILY CHART



MCX ZINC DAILY CHART



MCX ALUMINIUM DAILY CHART



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