Monday, August 18, 2025

Base metals witnessed a volatile but broadly supportive week, with prices responding to a mix of macroeconomic cues, shifting trade policy headlines, supply disruptions, and Chinese demand signals. Copper and zinc prices remained supported by tighter fundamentals and policy optimism, while aluminium traded under pressure toward the end of the week amid tariff developments and rising Chinese production.

The 90-day extension of the US-China trade truce provided a key boost to sentiment across base metals markets during the week. The decision offered negotiators more time to strike a longer-term agreement, easing immediate tariff concerns and stabilizing trade expectations between the world's two largest economies. The extension also coincided with the traditional autumn boom in US imports, particularly electronics and consumer goods, which are now likely to enter at cheaper tariff rates. This not only lifted near-term demand prospects but also gave markets confidence that trade tensions would not escalate further in the short run, supporting a more constructive outlook for industrial metals.

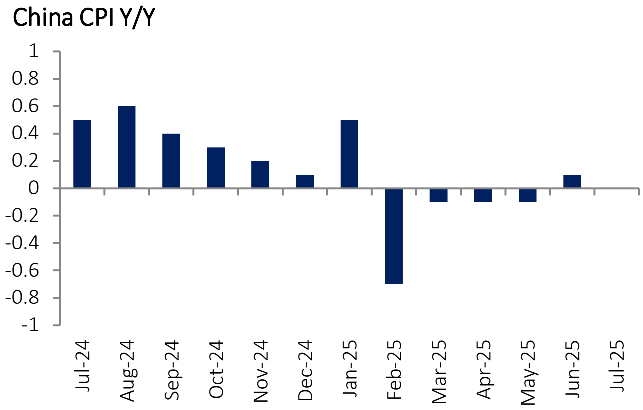
China's economic data showed slowing recovery and mounting deflationary pressure. Industrial output rose 5.7% YoY while retail sales cooled to 3.7%, pointing to subdued consumer demand. Fixed-asset investment for January–July increased only 1.6%, highlighting weak confidence in new projects. Consumer Price Index (CPI) was flat at 0% YoY, showing no headline inflation, though it gained 0.4% MoM and core CPI edged up 0.8%. Meanwhile, the Producer Price Index (PPI) slumped 3.6% YoY for the second time consecutively. Overall, the data point to a domestic economy hampered by weak demand and producer deflation, adding pressure on China to step up policy support.

Copper prices remained rangebound despite weaker US dollar and signs of resilient demand from China. Data showed China's copper

Commodity	Copper	Aluminum	Zinc
Open	889	253.45	268.7
Close	887.4	254.90	270.65
Change	-1.90	0.75	0.55
% Change	-0.21%	0.30%	0.20%
Open Int.	5092	3803	2930
Change	-1283	-285	-231
Pivot	887.2	254.5	270.1
Resistance	889.9	255.9	271.9
Support	884.7	253.5	268.9

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	155700	211296	475850	80425
Close	155800	211662	479550	76325
Change	100	366	3700	-4100
% Change	0.06%	0.17%	0.78%	-5.10%

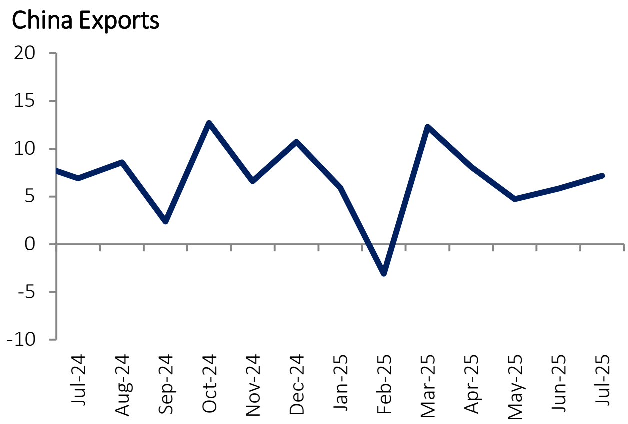
imports rose 3.4% MoM in July, with concentrate imports jumping 9% as smelters ramped up production. China's July exports also surprised to the upside, while inflation data indicated stability, with consumer prices flat year-on-year compared to expectations of a decline. These indicators reinforced optimism that China's demand for industrial metals may stay firm, even as broader economic growth slows.



Source : Reuters

On the supply side, developments around Chile's Codelco dominated weak sentiment. The El Teniente mine remained partially shuttered after a deadly collapse that killed six workers. Initially, this fueled supply concerns, but news later in the week that Chile's labor inspectorate approved a partial reopening helped ease fears. Additionally, Codelco reported June output at 120,200 metric tons, up 17% YoY, highlighting its capacity to maintain supply despite disruptions. This muted some of copper's earlier gains, with traders booking profits after the news.

Zinc prices remained positive, supported by declining inventories at LME registered stocks, which dropped below 85,000 tons, a two-year low, underlining tightening availability. At the same time, poor weather in South China constrained supply flows, while several major producers scaled back output.



Source : Reuters

Export data from China further reinforced sentiment, with July shipments exceeding expectations. Additionally, global supply chains saw significant shifts: commodity trader Trafigura was reported moving large volumes of zinc out of LME warehouses in Singapore to the United States. These shipments are expected to meet Nyrstar's contractual obligations to US clients as its Clarksville smelter undergoes maintenance. This diversion of metal underscored the physical tightness in the US market, adding another layer of support to prices.

Overall, zinc benefited from both strong demand indicators and constrained supply, keeping the market underpinned despite broader economic uncertainties.

Aluminium markets experienced mixed signals through the week, swinging between optimism from Chinese policy support and pressure from trade and supply factors. Early in the week, prices rose on the back of China's reaffirmed commitment to flexible fiscal and monetary policies. The announcement of large-scale infrastructure projects, including a CNY 1.2 trillion hydroelectric dam, was particularly supportive for demand prospects.

In a recent development, US administration expanded its 50% tariff regime on steel and aluminium imports to include hundreds of derivative products, effective August 18. This escalation weighed on sentiment, especially for downstream demand prospects. Simultaneously, China reported aluminium production at 3.78 million tons in July, up 0.6% YoY, further amplifying supply-side pressure. As a result, prices on both the SHFE and LME slid, erasing some of the earlier gains.

Outlook:

Looking ahead, copper prices may remain sideways - tucked between weak economic data and hopes of Chinese stimulus, while zinc may continue to outperform amid historically low inventories and tight availability. Aluminium could stay under pressure unless Chinese demand recovers meaningfully, given rising production and the weight of new US tariffs.

Technical Outlook:

Copper:

In the last week, copper gave a flat close with prices trading in a short range. It is consistently trading below the upward sloping channel on sustainable basis. The 14- period Relative Strength Index (RSI) is currently trading at 46, positioned below the midpoint mark of 50, signalling market weakness. Prices are expected to remain in the sideways to lower range. Key immediate support can be identified at Rs. 865 mark whereas immediate resistance is observed at Rs. 900. There is a possibility for it to trade with a negative bias with any pullback likely to be viewed as a shorting opportunities.

Zinc:

In the last week, zinc gave a flat close. It has formed as spinning candle at crucial resistance level indicating a slight corrective move. The 14-period Relative Strength Index (RSI) is currently trading at 50 signalling a range bound movement. Immediate support can be identified at Rs. 258 mark whereas resistance is observed at Rs. 272. There is a possibility for it to trade in a broader consolidation range indicating congestion and any breach on the either side seems likely to decide the tone of market.

MCX Aluminium:

In the last week, aluminium prices closed on a flat note. The 14-period Relative Strength Index (RSI) currently dwelling around the midpoint 50 mark. We expect it to trade in a broader range indicating range bound move. The overall congestion zone seems to be 258 – 247. One can expect directional move on the break of the same.

Navneet Damani	Research-Head	navneetdamani@motilaloswal.com

For any details contact:

Commodities Advisory Desk - +91 22 3958 3600

commoditiesresearch@motilaloswal.com

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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