Monday, July 20, 2026

Base metal markets traded on a mixed but largely constructive note during the week, with tightening physical supply conditions and escalating geopolitical tensions offsetting concerns over slowing global economic growth. Copper remained the strongest performer, supported by persistent inventory drawdowns and supply-side risks, while aluminium witnessed heightened volatility as improving production prospects competed with ongoing concerns over Middle East logistics. Nickel also advanced on fears of sulphur shortages, whereas zinc fundamentals continued to improve despite the market remaining in a modest surplus.

Commodity	Copper	Aluminum	Zinc
Open	1304.1	343.65	376.35
Close	1302.35	342.95	373.15
Change	8.75	4.50	-3.20
% Change	0.68%	1.33%	-0.85%
Open Int.	11959	3215	2530
Change	-396	-697	-236
Pivot	1299.3	342.8	373.8
Resistance	1307.6	344.6	375.7
Support	1294.0	341.2	371.3

Copper prices remained well supported throughout the week as tightening physical market conditions continued to outweigh concerns over weaker macroeconomic data. Exchange inventories outside the United States declined sharply, reflecting strong physical demand and continued movement of metal into the U.S. ahead of a potential decision on refined copper import tariffs. LME copper inventories fell below 300,000 tonnes to their lowest level since March, while more than 56% of available stocks were cancelled for delivery, indicating sustained withdrawals from exchange warehouses. Inventories on the Shanghai Futures Exchange also declined by over 20% during the week to their lowest level since August 2025, further reinforcing the tightening global supply picture.

The redirection of copper into the United States remained one of the key drivers of the market. Since the U.S. administration initiated its investigation into copper imports, traders have increasingly shifted metal towards COMEX warehouses in anticipation of potential tariffs. As a result, COMEX inventories have climbed to record highs, while inventories across Europe and Asia have continued to decline. This divergence has tightened physical availability outside the U.S., providing a firm floor to copper prices despite broader macroeconomic uncertainty.

Supply-side risks also intensified as geopolitical tensions in the Middle East escalated. Renewed military exchanges between the United States and Iran raised concerns over potential disruptions to sulphur exports through the Strait of Hormuz. Sulphur is an essential raw material for producing sulphuric acid, which is widely used in copper leaching operations, particularly in Chile, as well as in Indonesia's nickel industry. Any prolonged disruption to sulphur shipments could increase production costs, tighten refined metal supply and support prices across several base metals.

Copper fundamentals were further strengthened by weaker mine production. Rio Tinto reported a 7% decline in second-quarter copper output and warned that a furnace outage at its Kennecott operation would reduce production during the second half of the year. Antofagasta also reported a 9.5% decline in first-half copper production, adding to concerns over concentrate availability. On the demand side, China's economic indicators presented a mixed picture. Although second-quarter GDP growth slowed to a three-and-a-half-year low, stronger-than-expected industrial production and the strongest export growth in four months suggested that manufacturing activity remains relatively resilient, limiting downside pressure on copper prices.

Aluminium prices remained volatile as improving supply prospects were offset by continued geopolitical uncertainty. Sentiment weakened after Emirates Global Aluminium restarted its Al Taweelah alumina refinery following a three-and-a-half-month outage, with production expected to reach half of capacity within days and return to full output by year-end. Indonesia's expanding aluminium smelting capacity and the commencement of exports from newly commissioned facilities also improved expectations for global supply growth. However, ongoing tensions in the Middle East and uncertainty over shipping through the Strait of Hormuz continued to pose risks to exports from the Gulf region.

Elsewhere, nickel prices climbed to a more than three-week high as fears over sulphur shortages intensified. Indonesia, the world's largest nickel producer, relies heavily on sulphur imports from the Middle East for high-pressure acid leach (HPAL) operations. Concerns that shipping disruptions through the Strait of Hormuz could tighten sulphur availability and increase production costs supported nickel prices during the week.

Zinc fundamentals also continued to improve. The International Lead and Zinc Study Group (ILZSG) reported that the global zinc market surplus narrowed sharply in May compared with the previous month, indicating a gradual tightening in market balances despite the surplus remaining positive on a year-to-date basis. Continued supply constraints outside China also provided additional support to sentiment.

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	305200	274704	286225	114275
Close	295275	273222	279775	109150
Change	-9925	-1482	-6450	-5125
% Change	-3.25%	-0.54%	-2.25%	-4.48%

Source: Reuters

SHFE Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	100271	98099	481685	152228
Close	79909	99316	476284	151801
Change	-20362	1217	-5401	-427
% Change	-20.31%	1.24%	-1.12%	-0.28%

Source: Reuters

LME Cash-3M Spread Weekly Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	-65.95	-195.96	7.63	13.97
Close	-24.62	-194.09	8.5	18.31
Change	41.33	1.87	0.87	4.34
% Change	-62.67%	-0.95%	11.40%	31.07%

Source: Reuters

Overall, the base metals complex remained underpinned by tightening physical markets, declining exchange inventories and rising geopolitical risks. At the same time, mixed macroeconomic indicators, uncertainty surrounding U.S. copper tariff policy and evolving Federal Reserve expectations are likely to keep market volatility elevated. Copper is expected to remain constrained within a broad trading range as supportive physical fundamentals are balanced by macro and policy uncertainty.

Technical Outlook

MCX Copper continues to consolidate within a symmetrical triangle, indicating price compression ahead of a potential breakout. Copper is holding above mid Bollinger band (20-day SMA), suggesting improving near-term momentum while the broader trend remains constructive. Volumes have remained relatively subdued during the consolidation phase, in line with a typical volatility squeeze. On the upside, ₹1,320g is the immediate resistance, followed by ₹1,340 and ₹1,380. On the downside, ₹1,290 followed by, ₹1,280- any break below ₹1,270 could lead to further sell off. The near-term outlook remains range-bound, with a sustained breakout above ₹1,320/kg likely to trigger stronger buying momentum and extend the uptrend.

MCX Zinc remains well supported within a rising channel, indicating broader uptrend is intact despite recent sideways movement. Prices are consolidating near 38.2% Fibonacci retracement, while Bollinger Bands have narrowed, pointing to declining volatility and possibility of a stronger directional move. Immediate resistance is seen at ₹347, followed by ₹353 and ₹358, whereas ₹338 followed by ₹333 are expected to provide support. The near-term bias remains range-bound, with a decisive close above ₹347 likely to trigger fresh buying interest and strengthen the bullish outlook.

The immediate resistance is placed at ₹350, followed by ₹360. Unless prices reclaim and sustain above this resistance zone, the recovery is likely to remain limited. On the downside, ₹330 is the key support. A decisive break below this level could extend the decline towards the next major support at ₹320. Overall, the short-term outlook remains negative while prices trade below ₹350–₹360. Any recovery towards this resistance zone may face selling pressure, whereas a sustained move above ₹360 would be required to improve the broader trend outlook.

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