

Special Monthly Report on

BASE METALS

MAY 2024



• ALUMINIUM • COPPER • LEAD • ZINC

In April, base metals prices posted gain across the board as the rally was associated with supply uncertainties and a notable increase in global demand. The Western ban on Russian metals, hopes of US rate cuts, and diversification of holdings of central banks also uplifted the sentiments. Copper prices traded at two-year highs on futures platforms like LME and MCX while climbed at lifetime high on SHFE. A resurgence of manufacturing activity in the world's largest economies like the US and China is attributed to a surge in demand for industrial metals. The demand is also expected to rise dramatically from Europe and the US, due to these countries potentially seeing an upswing in economic and industrial recovery. In addition, there are concerns over supply bottlenecks. Recently, the US and UK implemented new sanctions on Russian metals including copper, aluminium, and nickel. After the new sanctions on Russian metals, the London Metal Exchange and the Chicago Mercantile Exchange announced that they would no longer trade new aluminium, copper, and nickel produced by Russia. This created concerns over supply, adding additional pressure to global commodity markets. The resumption of production post-Chinese New Year holidays and smelters returning to normal operations contributed to this uptick. The escalating hostilities in the Middle East could also stoke volatility in metal prices. Zinc was star performer with more than 18% gain in LME & MCX as China's refined zinc production witnessed a remarkable increase, contributing to worries about potential supply shortages in the market.

Base Metals Performance (Return in April 2024) (% Change)



Source: SMC Research & Reuters

Base Metals Performance (Return in January - April 2024) (% Change)



Source: SMC Research & Reuters

Outlook

- Base metals prices may trade in different direction on mixed fundamentals as the recent data suggest recently that growth slowed in China's manufacturing and services sectors in April, suggesting a loss of momentum for the world's second-biggest economy. However China's ruling Communist Party also vowed to examine measures to tackle the nation's excess housing inventory, signaling stepped-up help for a protracted property crisis.
- Despite the Chinese real estate sector showing no sign of bottoming out, steady demand from the power, electric vehicles and home appliances sectors contributed to a generally good end-user copper demand
- Flourishing activity in the electric vehicle, power infrastructure, AI and automation sectors will lead to at least 10 million metric tons of additional copper consumption over the next decade, commodity trader Trafigura told Reuters. Technological developments such as artificial intelligence and automation, and the energy transition, which includes electric vehicles and renewable energy, have already driven up demand prospects for copper cable used to conduct electricity.
- But the growing concern that Chinese copper supplies are increasing due to weakening demand as economic activity remains soft. The International Copper Study Group said the global copper market faces a surplus of 162,000 this year.
- China's copper producers are planning to export up to 100,000 tons of the metal, sources told Reuters.
- Copper prices have been supported by a potential cut of smelters' output due to limited mine supply. However, data has not reflected any large cut and smelters with long-term raw material supply contracts are less likely to do so soon.
- The global refined zinc market will see a surplus of 56,000 metric tons in 2024 compared with a previous forecast of 367,000 tons. In the lead market, global supply of refined metal will exceed demand by 40,000 tons in 2024.
- Global zinc consumption is forecasted to increase by 2.6% in 2024, albeit overshadowed by sluggish growth in the world economy. However, the resumption of Glencore's Nordenham smelter in Germany and the completion of Norway's Odda mine expansion are poised to bolster global zinc production. Nyrstar's Budel smelting operations in the Netherlands, with a capacity of 315,000 metric tons per year, are set to resume production during the week of May 13.
- Sweden's Boliden will also restart production at its Tara zinc mine in Ireland in the third quarter.
- Despite the global regulatory environment, China exhibited robust demand for aluminium, with imports of unwrought aluminium and products surging by 89.8% in March, reaching 380,000 metric tons.

BASE METAL MONTHLY TECHNICAL REPORT

ALUMINIUM MCX WEEKLY CHART



Aluminium Future at the MCX platform has settled little lower at 233.30 on last week. Now the prices have been trading above the 18 days exponential moving averages of 211. MACD (moving average convergence divergence) histogram prints in the green with an upward sloping trajectory which points to higher prices for Aluminium. The short term immediate resistance is seen around 244.50, sustainable trade above this level can see the upside move towards 265/280 and if it breaks the immediate support line of 225, then it can see further downside move towards 215/200 respectively. Overall, the commodity is expected to move higher from its support levels. Thus, we recommend buying at its lower levels in the current month.

COPPER



Copper futures at the MCX platform has settled little lower at 855.30 on the previous week from the previous closing price of 857.95. The prices have been trading above the weekly trend line resistance of 846. Technical indicators, including RSI and MACD, are also signalling a positive move. Now the immediate resistance is seen around 876.50. If the price will sustains above this level, then can continue to move upside towards the next levels of 896/915. If the price has failed to sustain above the resistance of 876.50, then we can see again the downside move towards 845/830. Overall, the commodity is expected to move higher from its support levels.

LEAD



Lead future at the MCX platform has settled same levels at 178.40 on the previous week. At present prices are trading above the daily 18 EMA levels of 189. The Momentum Oscillator Stochastic (14,3,3) is now witnessing positive divergence and also providing bullish trend for short to medium term basis. In the meantime divergence between prices and the Relative strength index (RSI) kept the upside limited in MCX Lead prices. Now the crucial resistance is seen at 193.50, sustainable trade above this level will see the good upside move towards 200/210 in this month and if the prices has sustain below the support level of 188 then can see the downside move towards 180/165 respectively.



Zinc future at the MCX platform has settled higher at 257.80 on the previous week. At present prices are trading above the daily 200 EMA levels of 235 and above the weekly rising trend line resistance levels of 240. As per the chart pattern hammer pattern has observed in the previous month. So we can expect positive move for current month. Now the immediate resistance is seen around 262, if it sustains above this levels then can see the upside move towards the next level of 285/300 respectively. But the view will be intact until the recent low, 250 is not interrupted.

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