

Special Monthly Report on

# BASE METALS

MARCH 2024



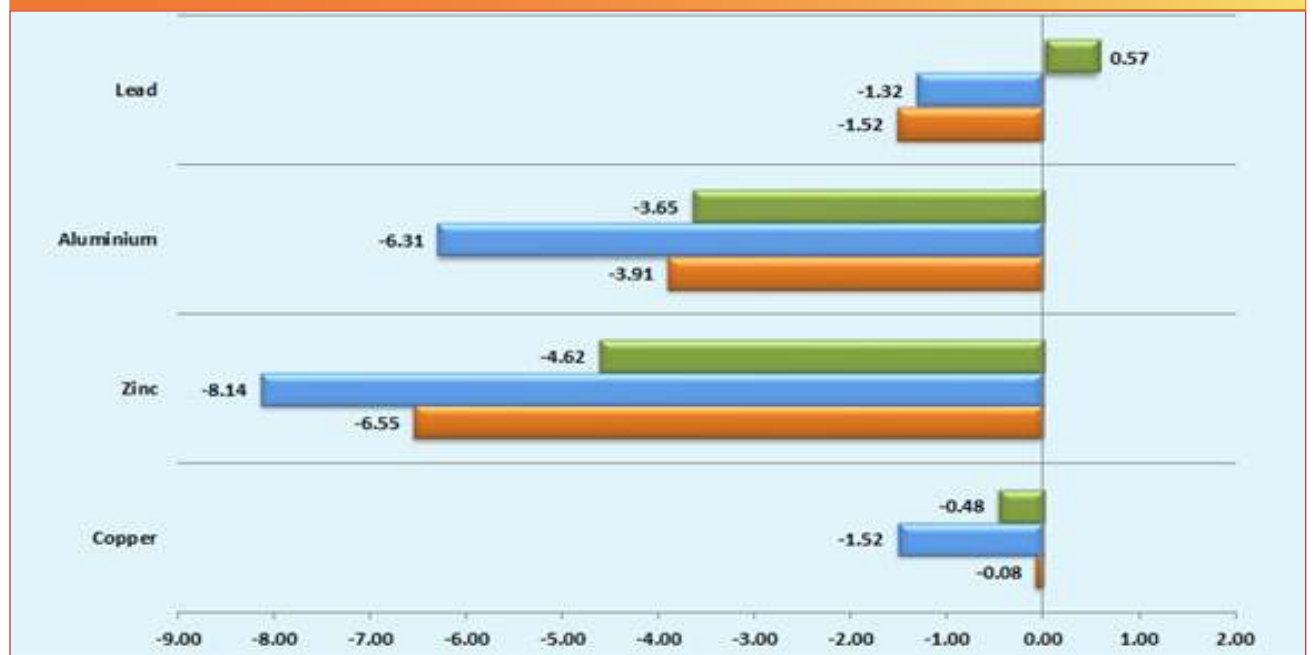
• ALUMINIUM • COPPER • LEAD • ZINC

In February, base metals prices declined across the board amid a disappointing recovery in China, with a property downturn and weak manufacturing continuing to weigh on prices. Further, China's central bank held key policy rates on medium term loans steady and the market focused on the country's ailing property market, but falling inventories capped losses. China's new home prices extended declines in January, data showed, despite Beijing's support to restore confidence in the debt-ridden property sector. China announced its biggest reduction in the benchmark mortgage rate in mid-February, as authorities sought to prop up the struggling property market and broader economy. The global refined copper market showed a 20,000-metric-ton surplus in December, compared with a 123,000-metric-ton deficit in the prior month, the International Copper Study Group said in its latest monthly bulletin. Lead & Zinc prices registered 2-6% downside on different exchanges because of a stronger U.S. dollar and on expectations of subdued demand and supply pressure.

China's manufacturing activity in February contracted for a fifth straight month, an official factory survey showed recently, raising pressure on Beijing policymakers to roll out further stimulus measures as factory owners struggle for orders. A lack of policy support from top consumer China at its key parliament meeting left traders disappointed. China's 5% growth target for 2024, as widely expected, failed to cheer up investors.

**Base Metals Performance (Return in February 2024) (% Change)**


Source: SMC Research &amp; Reuters

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


Source: SMC Research &amp; Reuters

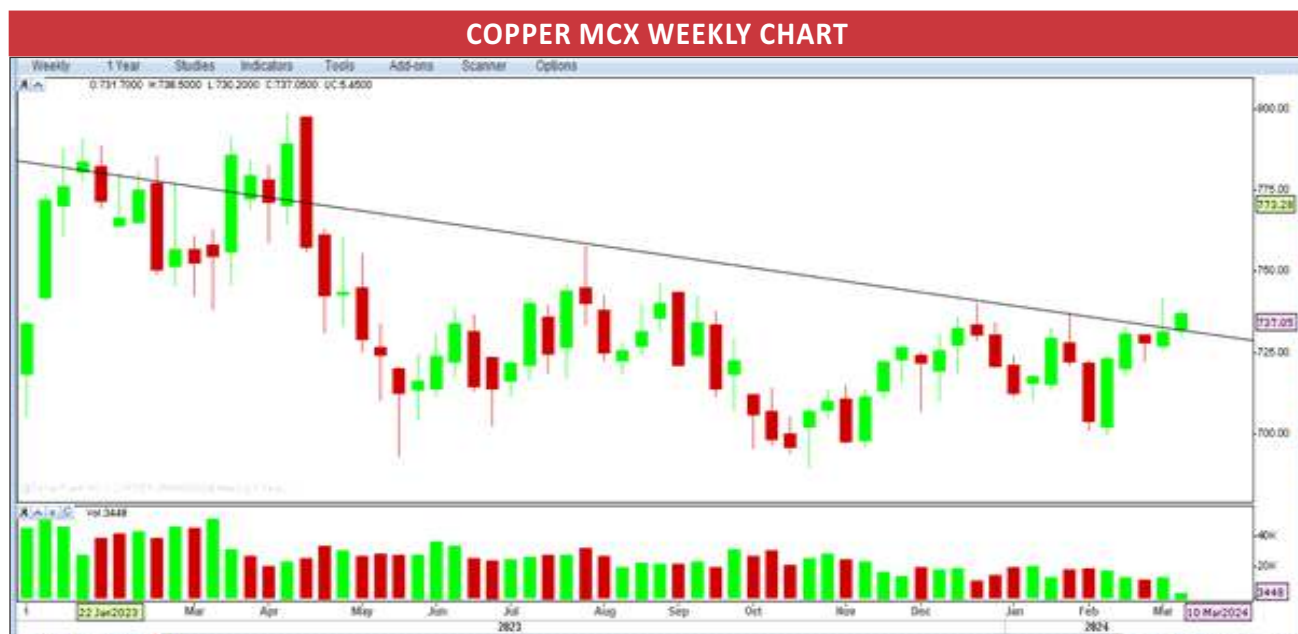
## Outlook

- Base metals prices may trade in different direction on mixed fundamentals of tepid demand in top consumer China & rising inflation globally while hopes of more stimuli to bolster economic growth in China may provide some support. Prices are expected to stay volatile in this months impacted by dollar moves and investor sentiment towards China's manufacturing and construction sectors.
- A property crisis, deepening deflation, a stock market rout and mounting local government debt woes have pressured China's leaders and all eyes are on plans to support economic activity.
- Peru's copper production should reach 3 million metric tons this year after hitting 2.76 million tons in 2023, energy and mining minister Romulo Mucho said.
- China Nonferrous Metal Mining Corp's opens new tab Chambishi Copper Smelter in Zambia has cut one-fifth of its production due to power shortages in the country, two sources with knowledge of the matter told Reuters. The plant, which produces about 250,000 metric tons of copper per year, is one of the biggest processing facilities in Africa's second-largest copper producer.
- Top consumer China imported 902,000 tons of unwrought copper in the first two months of this year, up 2.6% from a year ago, according to the General Administration of Customs.
- Codelco, the world's top copper producer, saw its production sink nearly 16% year on year to 107,000 metric tons, Cochilco said.
- Global primary aluminium output in January rose 2.4% year-on-year to 6.039 million tons, according to data from the International Aluminium Institute.
- Global aluminium producers have offered Japanese buyers premiums of \$145-\$155 per metric ton for April-June primary metal shipments, up 61%-72% from the current quarter.
- The European Union has been discussing the possible ban of Russian aluminium for months. If the EU decides to stop buying aluminium from Russia with new sanctions, it could cause a shortage and push aluminium prices up.
- The zinc price may continue higher due to 20% production cut at Young Poong Corp's Seokpo smelter in South Korea.

## BASE METAL MONTHLY TECHNICAL REPORT



Aluminium Future at the MCX platform has settled higher at 202.55 on last week. Now the prices have been trading above the 18 days exponential moving averages of 202. 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 206.50, sustainable trade above 206.50 can see the upside move towards 218/230 and if it breaks the immediate support line of 195, then it can see further downside move towards 185/170 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 futures at the MCX platform has settled higher at 731.60 on the previous week from the previous closing price of 722.40. The prices have been trading above the weekly trend line support of 715. Technical indicators, including RSI and MACD, are also signalling a positive move. Now the immediate resistance is seen around 742. If the price will sustain above 742 levels, it can continue to move upside towards the next resistance of 755/780. If the price has failed to sustain above the resistance of 742, then we can see again the downside move towards 715/700. Overall, the commodity is expected to move higher from its support levels.



Lead future at the MCX platform has settled higher at 180.55 on the previous week. At present prices are trading above the daily 18 EMA levels of 180. 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 182, sustainable trade above this level will see the good upside move towards 190/198 in this month and if the prices has sustain below the support level of 177 then can see the downside move towards 168/160 respectively.



Zinc future at the MCX platform has settled higher at 221.05 on the previous week. At present prices are trading above the daily 200 EMA levels 221 and above the weekly rising trend line resistance levels of 220. As per the chart pattern bullish hammer pattern has observed in the previous month. So we can expect the good upside move towards 235/250 if it sustains above the recent resistance of 226 levels. Now the immediate support is seen around 212.50, if it sustains below this levels then can see the downside move towards the next support level of 200/185 respectively. But the view will be intact until the recent high, 226 is not interrupted.

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