

Special Monthly Report on

# BASE METALS

FEBRUARY 2024



• ALUMINIUM • COPPER • LEAD • ZINC

In January, copper traded in tight range across the board due to an oversupplied spot market and fluctuating demand, particularly from the Chinese building and construction sector, which represents 30 percent of total demand for the red metal. Aluminum & Zinc prices registered more than 4% downside on LME because of a stronger U.S. dollar and on expectations of subdued demand and supply pressure. High interest rates, manufacturing recession in many Western economics and a stuttering Chinese growth engine are outweighing any bullish supply narrative. Only Lead posted the gain across the board. China's secondary or recycled lead production, accounting for half of total output, shrank to 342,000 tons in December, down 23% from the previous month, according to domestic pricing agency SMM. Nearby supply of LME lead is getting tighter, as implied by the discount of cash contract to the three-month contract falling to 88 cents a ton, from over \$40 hit last month.

Data showed that China missed forecasts for economic growth while sales in the debt-heavy property sector continued to decline. The International Monetary Fund and the World Bank project China's GDP growth to be around 4.5% in 2024, below its previous high levels. Investment in real estate has declined by 9.4% year-on-year, marking the sixth consecutive quarter of contraction. However the counter may get some support as China's consideration of a \$139 billion stimulus package reflects its commitment to supporting economic growth, but it raises questions about the sustainability of its debt-based approach.

### Base Metals Performance (Return in January 2024) (% Change)



Source: SMC Research & 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.
- The Chinese market, specifically the Shanghai Stock Exchange (SSE), reopened on Monday, February 19th, 2024 after the Lunar New Year holiday period.
- After holidays, there might be a surge in economic activity, leading to increased demand for materials like base metals. If the government announces additional stimulus packages, it could lead to higher demand for base metals.
- China's property crisis is seen as one of the biggest stumbling blocks to a sustainable economic recovery, with rising risks of default among private developers threatening to imperil the country's financial and economic stability.
- China is the critical factor for copper prices while addressing climate change by supporting alternative and renewable fuels and inhibiting fossil fuel production and consumption, which supports copper.
- Chilean state-run copper miner Codelco saw production fall 8.3% year-on-year in 2023 to 1.424 million metric tons, the Chilean Copper Commission (Cochilco) said.
- The volume of aluminium product exported by China to the European Union which was covered by the bloc's carbon border tariff fell 30% in 2023, the China Nonferrous Metals Industry Association (CNIA) said.
- China's imports of unwrought aluminium more than doubled year-on-year, reaching 1.54 million metric tons, in 2023 and were the second highest annual total since the start of the century. Japan's imports of primary aluminium fell by 26% to 1.03 million metric tons in 2023, marking the lowest figure since at least 1986. This decline is attributed to slow demand in the construction and manufacturing industries.
- Zinc and lead are seen as well supplied markets this year and the median forecast is for both to rack up significant supply surpluses of 300,000 and 71,820 tons respectively.

BASE METAL MONTHLY TECHNICAL REPORT

ALUMINIUM

ALUMINIUM MCX WEEKLY CHART



Aluminium Future at the MCX platform has settled higher at 200.50 on last week. Now the prices have been trading near the 18 days exponential moving averages of 201. 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 MCX WEEKLY CHART



Copper futures at the MCX platform has settled lower at 703.75 on the previous week from the previous closing price of 722.05. The prices have been traded below the weekly trend line support of 711. Technical indicators, including RSI and MACD, are also signalling a negative move. Now the immediate resistance is seen around 723. If the price will sustain above 723 levels, it can continue to move upside towards the next resistance of 738/760. If the price has failed to sustain above the resistance of 723, then we can see again the downside move towards 689/670. Overall, the commodity is expected to move lower from its resistance levels.

COPPER



LEAD



Lead future at the MCX platform has settled little lower at 175.25 on the previous week. At present prices are trading below the daily 18 EMA levels of 180. The Momentum Oscillator Stochastic (14,3,3) is now witnessing negative divergence and also providing bearish 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 174 then can see the downside move towards 168/160 respectively.

ZINC



Zinc future at the MCX platform has settled lower at 207.60 on the previous week. At present prices are trading below the daily 200 EMA levels 220.95 and below the weekly sloping trend line support levels of 210. As per the chart pattern double top pattern has observed in the previous month. So we can expect the good downside fall towards 195/180 if it sustains below 204 levels. Now the immediate resistance is seen around 219, If the price will sustain above the resistance levels of 219 then we can see further upside moves towards 230/245 levels respectively. But the view will be intact until the recent high, 219 is not interrupted.

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