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Techno funda report in Zinc

Prices can move higher

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Bullish factors

➤ **Poor GDP data raises hope of stimulus from China**

China's headline GDP grew 6.8% in the fourth quarter. But in nominal terms, it grew just under 6%, the slowest since last century. With debt in the economy still growing at twice that rate, this implies that a huge amount of new lending is going nowhere but to pay off old loans, not to stimulate the economy. The poor GDP data raises the hope of further stimulus measure from China.

➤ **Property markets in China recovering**

Property markets in big cities of China are healing, which at least staves off the worst-case scenario for the banking system, heavily collateralized by property.

➤ **China Car sales jump in December**

Car sales were up 18% in December from a year earlier, a sign that consumers are optimistic enough to respond to a tax cut on purchases.

➤ **Zinc demand forecasted to increase in 2016**

International Lead Zinc Study Group has forecasted that global demand for refined zinc metal to increase by 3.3 percent to 14.37 million tonnes in 2016.

➤ **Mine supply cut can support Zinc**

Mine supply of zinc is also being affected due to the closure of MMG's huge Century zinc mine in Australia, which also accounts for about four percent of global supply, and Ireland's Lisheen, owned by India's Vedanta. Lisheen mine in Ireland, owned by Vedanta Resources shut down in November 2015. Together Lisheen and Century will remove about 675,000 tonnes of annual zinc production from the market. Any further mine cut news may stimulate buying in zinc.



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MCX Zinc (Feb) Chart



Recommendation:

Take fundamental buy position in Zinc (Feb) at current levels for the target 110 with stop loss of closing below 98

Note

- These long term fundamental calls are for duration of three to four weeks time frame and do not confuse these with intraday calls.
- It is assumed that investor takes position in two lots and square off position in one lot on partial profit booking and trail stop loss to buying/selling price for second lot.

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