

**SPECIAL MONTHLY
REPORT ON**

**BASE
METALS**

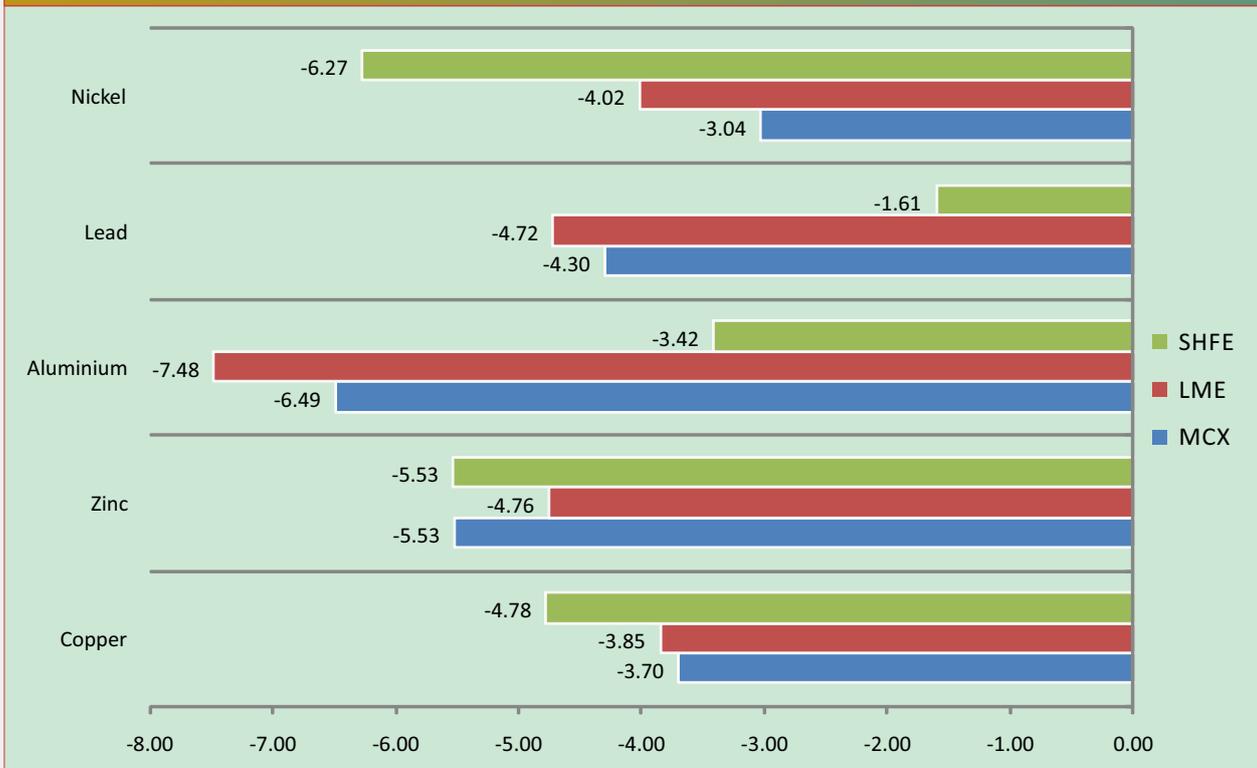
APRIL 2018



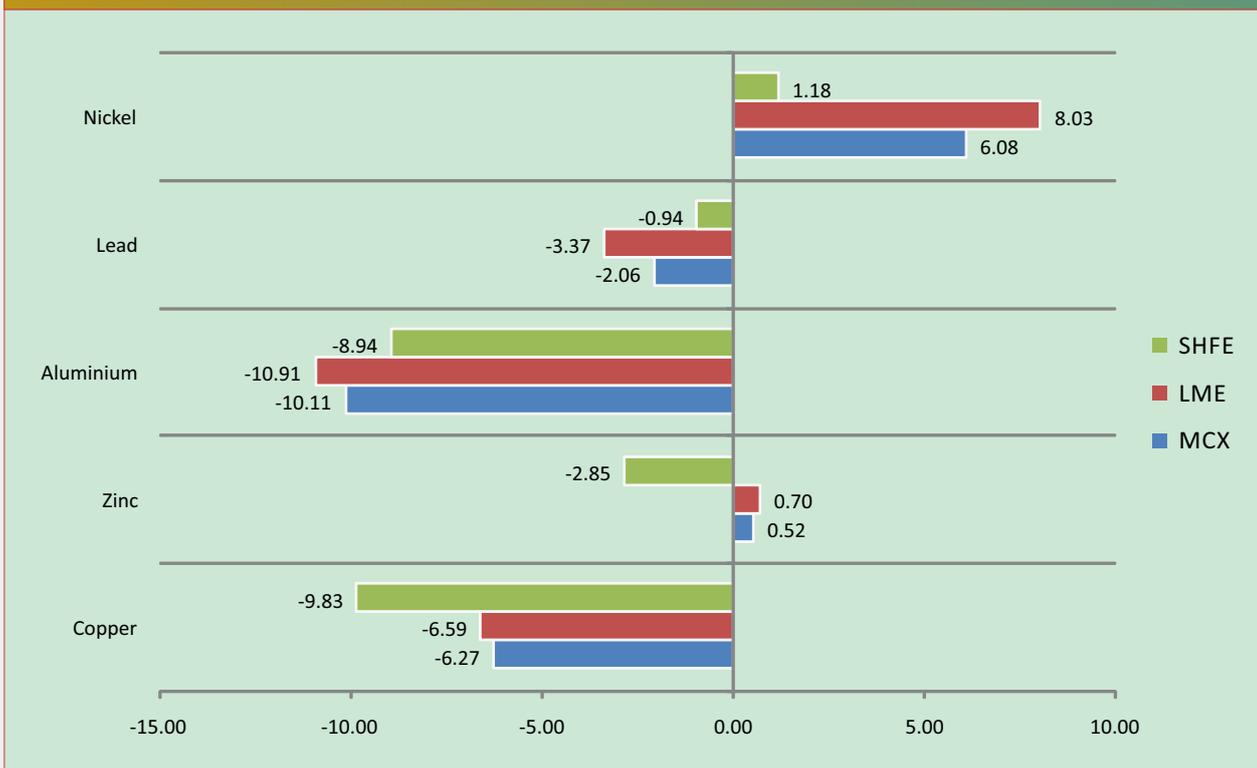
Moneywise. Be wise.

COPPER • NICKEL • LEAD • ZINC • ALIUMINUM

BASE METALS PERFORMANCE (March 2018) (% change)



BASE METALS PERFORMANCE (January - March 2018) (% change)



Nickel

Overview and outlook

Nickel ended the month in red tracking weakness in other base metals due to trade war fears.

Nickel moved in range of 830.40-908 in MCX. Nickel, prices may come under pressure tracking recent build up in stocks at LME along with demand worries especially from China. Nickel demand is likely to have a setback in near time as Asian battery makers are currently turning to early-stage cobalt projects in Australia and Canada to lock in supplies of the critical battery ingredient ahead of expected shortages as demand for electric vehicles increases.

Nickel prices can show positive gains on falling stockpiles in LME as it can move towards 930 in the month of April 2018.

Key news

Production in Glencore Koniombo nickel plant to start soon

Production at Glencore's Koniombo nickel plant in New Caledonia is expected to restart soon following a fire which had broken out at the facility. An investigation has been opened in New Caledonia into the cause of a fire at the Koniombo nickel plant.



Source Kitco metals

Lead

Overview and outlook

The battery metal Lead tumbled lower in the month of March as fear of trade war between US and China dampened the global sentiments. The escalating tensions between Beijing and Washington sent shivers through financial markets as investors foresaw dire consequences for the global economy if trade barriers start going up. Lead prices moved in range of 150.65-163.75 in the month of March.

The downfall being witnessed in lead prices due to fear of trade war between US and China after US adopted protectionist measures. **Lead can take support near 149-150 range and prices can witness recovery towards 163 levels.**

Key News

China demand for car batteries supports lead

China accounts for about 40 percent of global lead demand estimated at around 12 million tonnes this year. More than 80 percent of global lead consumption is for batteries mainly for autos. The biggest supply shortfall over coming months is seen in top consumer China due to an environmental crackdown on polluting industries.

Global battery market growth

Batteries are widely used for purposes such as energy storage, powering electronics, and as a source of power back-up in industries such as oil and gas, railways, mining, automotive, manufacturing, and healthcare, education, retail, and pharmaceuticals. The use of electric power in vehicles is increasing due to the production of new hybrid and electric vehicles from OEMs across the globe. Also, government initiatives (such as subsidies for electric vehicles in countries such as the US, Japan, and China) undertaken for encouraging eco-friendly transportation due to growing awareness about environmental protection among people is driving the demand for batteries in vehicles.



Source Kitco metals

Zinc

Overview and outlook

Zinc prices ended the month of March on negative note due trade war between China and US. Zinc moved in range of 207.40-226.85.

Recently zinc inventories in LME tracked warehouses fell 2,175 tonnes to 207,325 tonnes but on-warrant stocks surged 16 percent to 166,650 tonnes, their highest since mid March. In China, refined Zinc imports surged massive by 151% in month of February whereas exports flowing out of country also increased by 21%.

U.S. factory activity slowed in March amid shortages of skilled workers and rising capacity constraints, but growth in mfg. sector remains underpinned by strong domestic and global economies.

In near term Zinc prices can take support near 204-208 range and can recover towards 220 in MCX.

According to CRU group “The first six months of the year are expected to remain in a sizeable deficit as a tight concentrate market constrains smelter utilisation. Over the medium term, zinc will see supply outpace growth in smelter capacity, supporting a lagging rebound in treatment charges and smelter investment”.

Key news

ILZSG estimates of Zinc

Initial data compiled by the ILZSG for the year 2017 show that global market for refined zinc metal recorded a deficit of 495kt. Inventories held in LME, Shanghai Futures Exchange and Chinese State Reserve Bureau (SRB) warehouses together with those reported by producers, consumers and merchants decreased by 350kt to total 1025kt.

Zinc mine output in India increased by a significant 33.7% in 2017. A rise in Peru was influenced by higher output at the Antamina mine, and in Eritrea by a rise at the Bisha mine which is now producing at close to full capacity. Zinc concentrates supply was also higher in Europe, Canada, Mexico and Turkey. As a consequence, and despite a further significant reduction in Australia, overall world production increased by 3.6% compared to 2016.

World output of refined zinc metal in 2017 was at a

similar level to that in 2016, with a major 30.4% increase in India being balanced by a significant fall in Canada and reductions in China, Japan, the Republic of Korea, and Peru. In Europe, increases in Belgium, France and the Russian Federation were offset by decreases in Finland and the Netherlands.

A rise in global refined zinc metal usage of 2.6% was primarily driven by increases in Australia, Brazil, China, Japan and Taiwan (China). In Europe, demand was 0.5% lower, influenced by reductions in France, Germany and Italy. Usage in the United States rose by a modest 0.6%.

Chinese imports of zinc contained in zinc concentrates in 2017 amounted to 1029kt, an increase of 25.9% compared to 2016. Net imports of refined zinc metal rose sharply during the last two months of 2017, impacting the annual total, which grew by 64% to total 661kt

Lead and zinc Spread



Source: Reuters

Analysis: Lead and Zinc spread can move in range of -51 to -60 in April 2018.



Source Kitco metals

Aluminum

Overview and outlook

Aluminum ended last month on weaker path as it moved in range of 129.70-141.25. International Aluminum Institute reported that global primary aluminum output excluding China dipped to 2.009 million tonnes in February from a revised 2.221 million tonnes in January.

According to the Chinese custom trade data, “China's aluminum imports slid 47 percent in February”

Aluminium prices can move higher as sanctions by the United States on aluminium giant Rusal could hamper trade in some 7% of the world's annual supply of the metal. Overall prices can test 155 in MCX.

Key News

US sanctions on Rusal to support Aluminium

Aluminum got support recently on concerns those sanctions by the United States on aluminum giant Rusal could hamper trade in some seven percent of the world's annual supply of the metal. Rusal's annual alumina production of 11.5 million tonnes was also about 7 percent of the global total, while it produced about 4 percent of the world's bauxite. The United States last week imposed sanctions against Russian businessmen, companies and government officials, striking at associates of President Vladimir Putin in one of Washington's most aggressive moves to punish Moscow for a range of activities.

Demand and supply dynamics

Alcoa expects global aluminum demand to grow between 4.25% and 5.25% in 2018. The company expects global aluminum markets to move into a deficit this year. Meanwhile, despite China curtailing its aluminum smelting capacity, the country's aluminum exports have refused to die down. In the first two months of 2018, China exported 812,000 metric tons of aluminum, which is almost 25% higher than the corresponding period last year. China's aluminum inventory has also risen, continuing with the trend seen last year. Higher Chinese aluminum exports put pressure on aluminum prices.



Source Kitco metals

SMC Research also available on Reuters

E-mail: researchfeedback@smcindiaonline.com



Corporate Office:

11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:

Lotus Corporate Park, A Wing 401 / 402 , 4th Floor,
Graham Firth Steel Compound, Off Western
Express Highway, Jay Coach Signal, Goreagon
(East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-67341697

Kolkata Office:

18, Rabindra Sarani, Poddar Court, Gate No-4,
5th Floor, Kolkata-700001
Tel.: 033 6612 7000/033 4058 7000
Fax: 033 6612 7004/033 4058 7004

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd.) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities/commodities market.

The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the subject commodity.

DISCLAIMER: This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s) in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions.

Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance if this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the commodity thereof, mentioned here in or (b) be engaged in any other transaction involving such commodities and earn brokerage or other compensation or act as a market maker in the commodities discussed herein(c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions. All disputes shall be subject to the exclusive jurisdiction of Delhi High court. All disputes shall be subject to the exclusive jurisdiction of Delhi High court.