

Special Monthly Report on

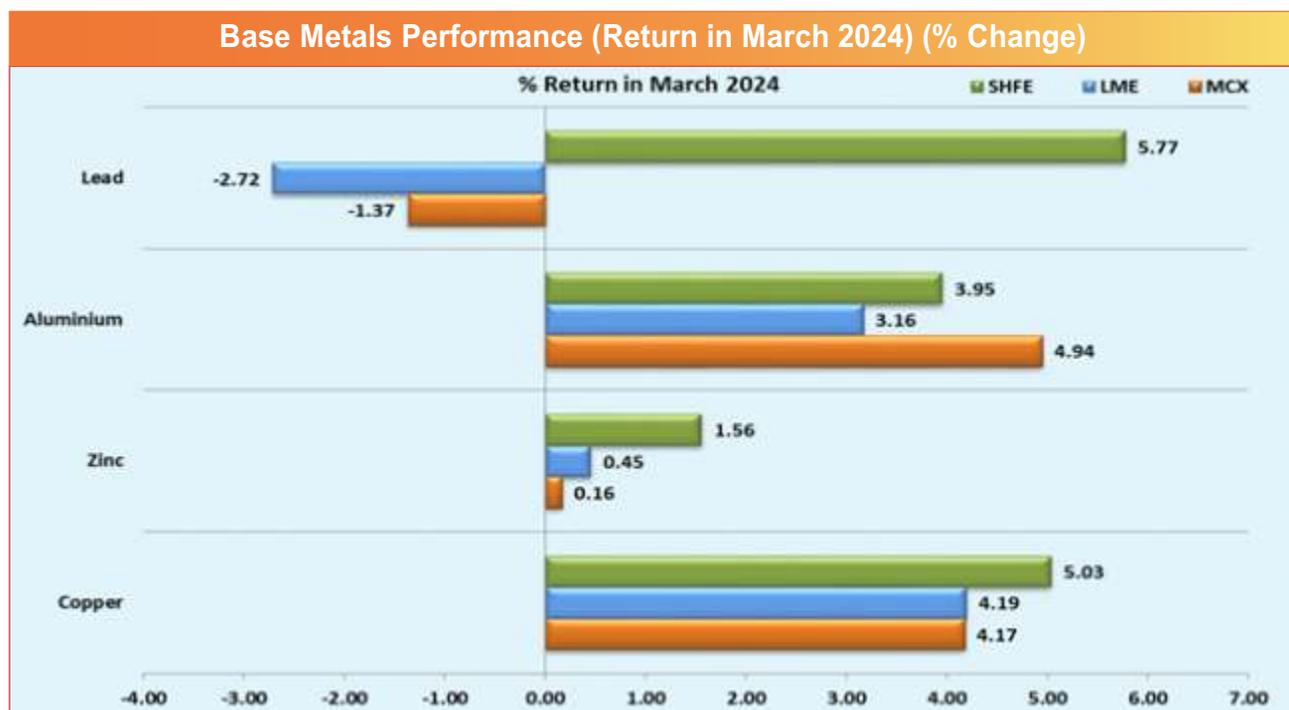
BASE METALS

APRIL 2024

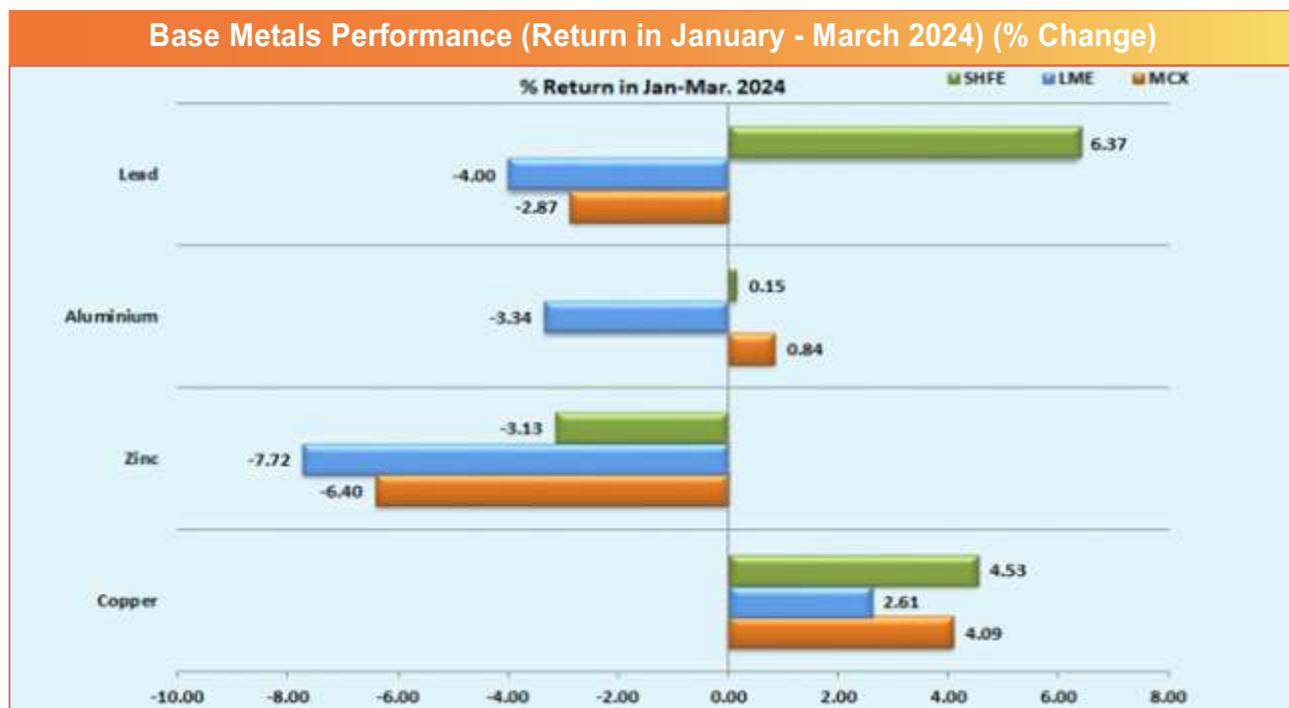


• ALUMINIUM • COPPER • LEAD • ZINC

In March, base metals prices climbed due to tight supply and positive industrial data posted by China bolstered demand outlook from the world's top metal consumer. Copper, aluminium & zinc closed the month with gain across the board but lead traded almost 6% on only SHFE to a four-month high on prospects of tighter supply. Since mid-March, large domestic lead smelters have been undergoing maintenance, which is expected to affect about 20,000 tons of production in April, according to analysts. Base metals also boosted by signs of stabilization in the China's broader economy after profits at industrial companies improved in the first two months. Meanwhile, China's central bank set the yuan at a much stronger fixing than markets had expected, which could support the purchasing power of Chinese metals buyers. However, the property crisis in China has weighed on demand for industrial metals. Copper prices in London touched an 11-month peak after Chinese smelters agreed to trim production in the face of weak profits and losses. Copper closed the quarter in positive territory. The zinc price got support due to supply concerns stemming from disruptions in major zinc mines globally. The suspension of operations at Glencore Plc's McArthur River zinc and lead mine in Australia due to heavy rainfall further strained the supply of zinc concentrates, crucial for refined zinc production. Rising demand from green sector offers aluminum to move higher. However, growing inventory levels in both China and LME-registered warehouses have raised concerns about demand.



Source: SMC Research & Reuters



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Outlook

- Base metals prices may trade in different direction on mixed fundamentals as the recent data suggest that China's economy is gaining some momentum after struggling for growth in 2023. However, the property sector remains a concern, with sales by floor area sliding 20.5% in the January-February period from a year earlier, only slightly better than the 23.0% fall recorded for December.
- The return of China's key manufacturing index to positive territory for the first time in six months has sparked optimism that commodity demand from the world's biggest buyer of natural resources is poised to accelerate. This follows the fastest industrial output in two years for January and February, and an increase in exports for the two-month period.
- Chinese copper smelters are working on a joint plan to cut output to cope with the raw material shortage.
- Refined copper output is expected to lower from March to April because of higher-than-usual maintenance amid raw material supply tightness. That, coupled with a seasonal pickup in copper demand, will support prices
- Japanese copper smelter Sumitomo Metal Mining Co Ltd said it planned to produce 454,000 metric tons of refined copper in the 2024/25 financial year that started this month, up 19.8% from a year earlier.
- Nexa Resources' recent announcement that it would suspend production at its Morro Agudo lead mine in Brazil from May 1 also added to supply concerns.
- Canadian miner Teck Resources has agreed to pay Korea Zinc \$165 per metric ton, a three-year low, to turn its zinc concentrate into refined metal, according to sources.
- Montefusco cited market concerns about the pace of aluminum smelters in draught-hit Yunnan province restoring 500,000 metric tons of annual production, as dry weather continues to restrict hydropower supply.
- Some Japanese aluminium buyers have agreed to pay a global producer a premium of \$148 per ton over the benchmark price for shipments in April to June, up 64% from the prior quarter, sources said.

BASE METAL MONTHLY TECHNICAL REPORT



Aluminium Future at the MCX platform has settled higher at 208.70 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 214, sustainable trade above 214 can see the upside move towards 222/235 and if it breaks the immediate support line of 205, then it can see further downside move towards 190/175 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 764.20 on the previous week from the previous closing price of 759. The prices have been trading above the weekly trend line support of 745. Technical indicators, including RSI and MACD, are also signalling a positive move. Now the immediate resistance is seen around 775. If the price will sustain above 775 levels, it can continue to move upside towards the next resistance of 800/835. If the price has failed to sustain above the resistance of 775, then we can see again the downside move towards 745/715. Overall, the commodity is expected to move higher from its support levels.



Lead future at the MCX platform has settled little higher at 178.40 on the previous week. At present prices are trading near the daily 18 EMA levels of 179. 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 183, 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 165/157 respectively.



Zinc future at the MCX platform has settled lower at 216.95 on the previous week. At present prices are trading below the daily 200 EMA levels 220 and near the weekly rising trend line resistance levels of 216. As per the chart pattern inverted hammer pattern has observed in the previous month. So we can expect sideways to negative move for current month. Now the immediate support is seen around 213.50, 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, 227.50 is not interrupted.

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