

Special Monthly Report on

BASE METALS

SEPTEMBER 2022



• ALUMINIUM • COPPER • LEAD • ZINC



Moneywise. Be wise.

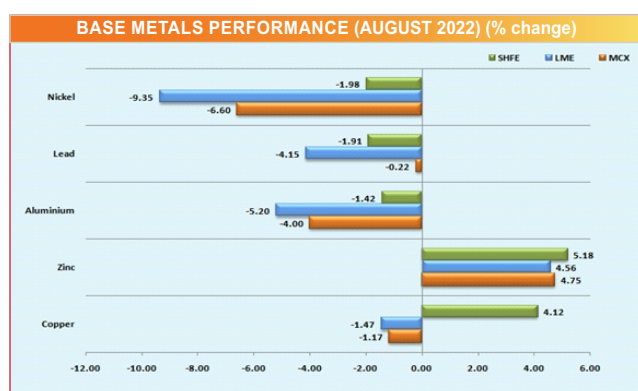
In August 2022, Industrial metals, except zinc, traded bearish on concerns about a potential recession. Copper extended its fifth straight monthly decline in LME & MCX and nickel extended its fourth straight monthly decline as fears of a world recession intensified by interest rate hikes to fight inflation stoked fears that demand will soften while zinc extended its second consecutive month gain due to smelter closures in Europe on high power prices. Sharply higher interest rates, red-hot inflation and a prolonged energy crisis are leading to conviction that the world economy is headed inexorably towards recession. Business activities in Europe suffered their biggest contraction in 18 months because of higher prices and falling demand. As per reports, Europe is facing fears of a recession due to extreme inflation. Economic growth in top metals consumer China slowed sharply in the second quarter, while widespread lockdowns to curb record COVID cases hit industrial activity and consumer spending.

Outlook

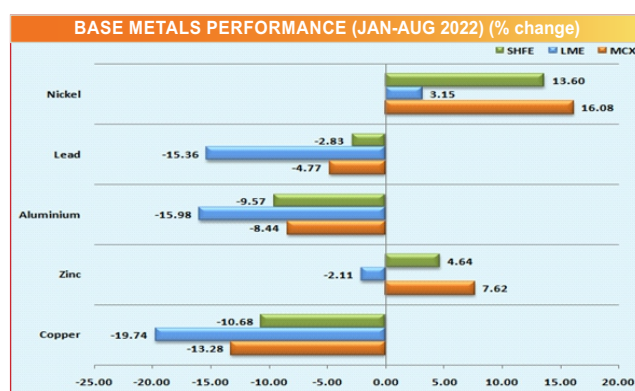
Base metals prices may trade in different direction on mixed fundamentals. Worries over global economic growth further clouded metals' demand, outweighing supply concerns spurred by production cuts in Europe. The EU is likely to place restrictions on gas consumption in heavy industry if shortages persist, and these demand concerns are outweighing supply-side issues. The ongoing economic catastrophe in Europe is particularly due to the high energy prices. Fuel prices in Europe are floating at record highs as an aftermath of Russia cutting oil and gas supplies to the region. Economic activities are fragile in many Asian countries as well. The zero Covid policy of China and cost pressure continued to hurt businesses, causing a slump in factory activity. On the plus side, China has announced billions of yuan worth of stimulus support for various sectors, including infrastructure and electric vehicles. Any turnaround in China's economy and a correction in the US dollar are likely to attract buyers for base metals as supply constraints due to limited capacity and high electricity cost may lift the prices higher.

Fundamentals

- The dollar continued to march higher after a report on the U.S. services industry in August reinforced the view that the economy was not in recession, while the euro and rate-sensitive Japanese yen continued to tumble.
- Peru, the world's second-largest copper producer, copper output in July fell 6.6% year-over-year to 195,234 tonnes after two of the country's largest mines underperformed.
- Copper inventories in China bonded warehouses fell to their lowest on record at 142,200 tonnes.
- Chinese copper giant Maicke Metals International Ltd has been seeking help from the government and financial institutions after liquidity issues forced it to delay some payments for imported copper, Bloomberg News reported.
- A private sector survey showed China's factory activity contracted for the first time in three months in August while nearly 70 Chinese cities reported declines in new home prices, the most since the start of the COVID-19 pandemic.
- Smelter closures in Europe could cut aluminium capacity by 750,000 tonnes and zinc output by 150,000 tonnes this winter. Extra cuts could worsen deficits that Macquarie estimates are around 800,000 tonnes in the 70 million tonne aluminium market and 200,000 tonnes in the 4 million tonne zinc market this year.
- France's Aluminium Dunkerque would cut production by one-fifth and Norsk Hydro said it would keep a small portion of its capacity in Norway offline after maintenance.
- ANZ research forecast a 750,000 tonnes market deficit of the metal primarily used to galvanize iron and steel in 2022 against energy-related supply tension and rising demand.



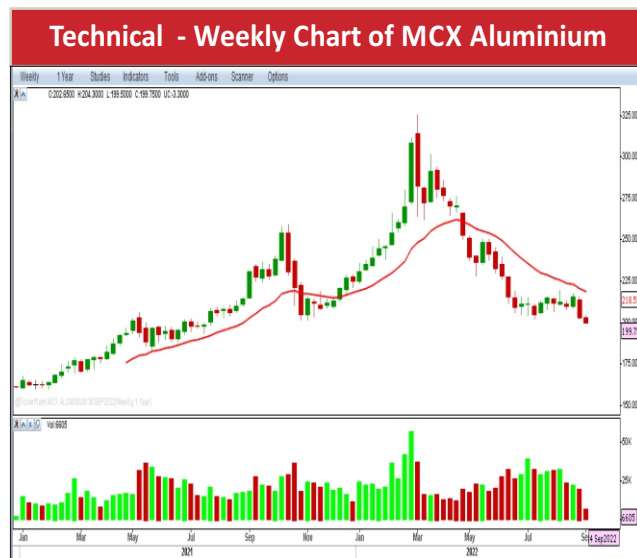
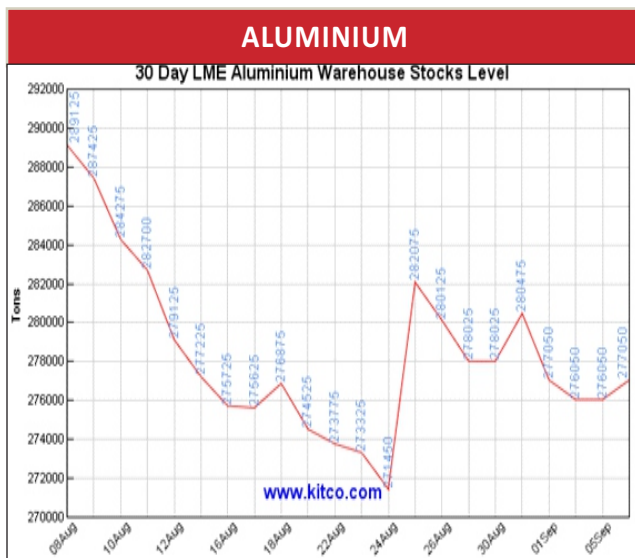
Source: SMC Research & Reuters



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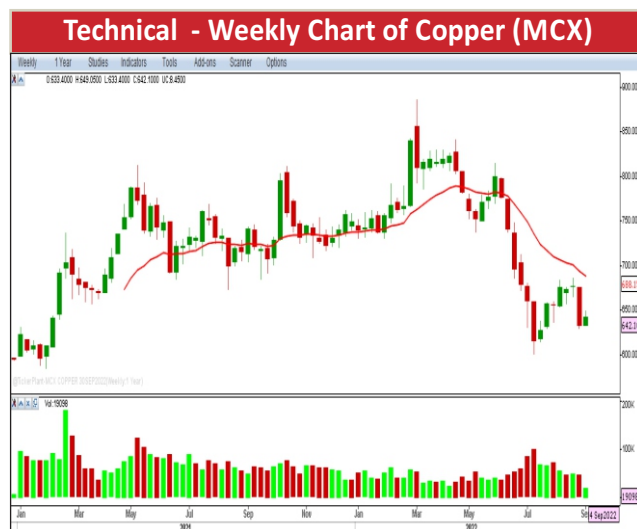
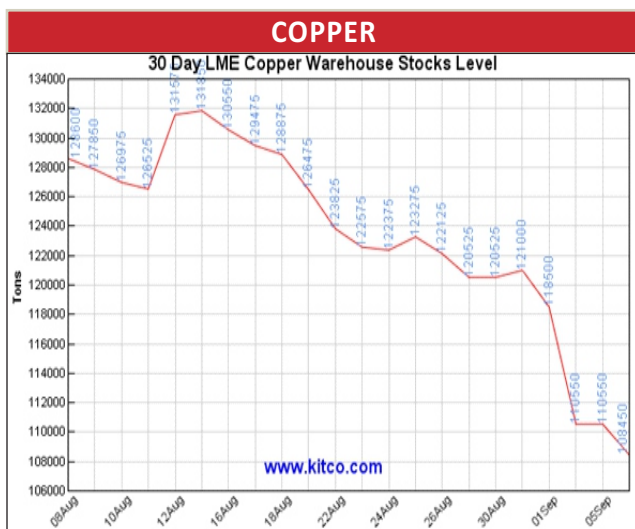
BASE METAL MONTHLY TECHNICAL REPORT

ALUMINIUM



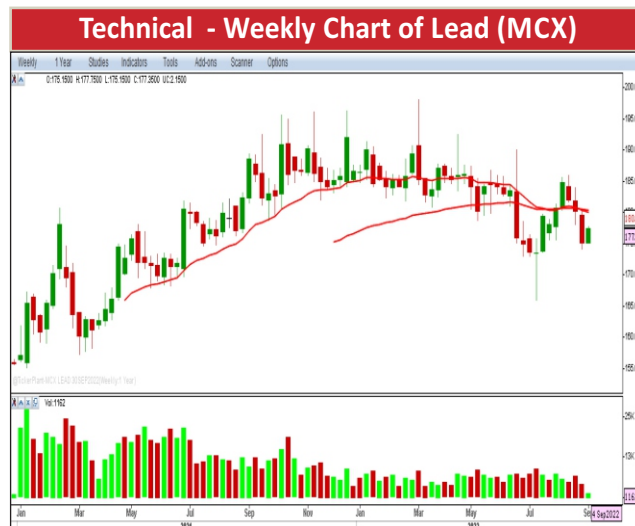
Aluminium Future at the MCX platform has settled lower at 203.05 on last week, from the previous closing price of 215.40. From last couple of months, prices have been consecutively traded lower and slipped from the resistance level of 325.50 TO 202.25. Now the prices have been trading below the 18 days moving averages of 208.88. The short term immediate resistance is seen around 208, sustainable trade above 208 can see the upside move towards 230/245 and if it breaks the support line of 198, then it can see the downside move towards 190/175 respectively. Overall the commodity is expected to move lower from its resistance levels. Thus we recommend selling at its higher levels in the current month.

COPPER



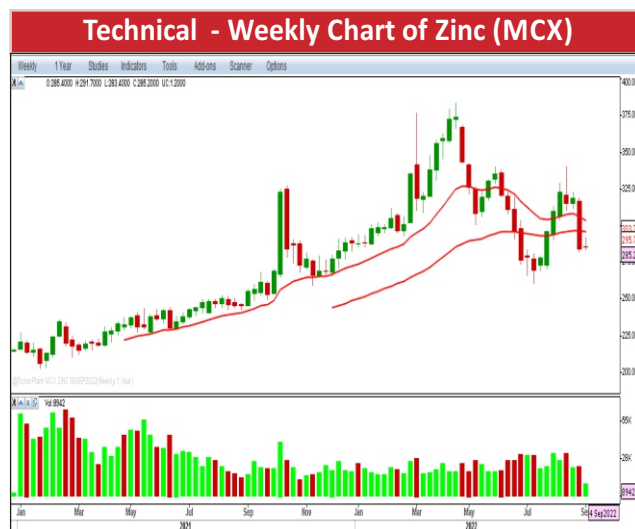
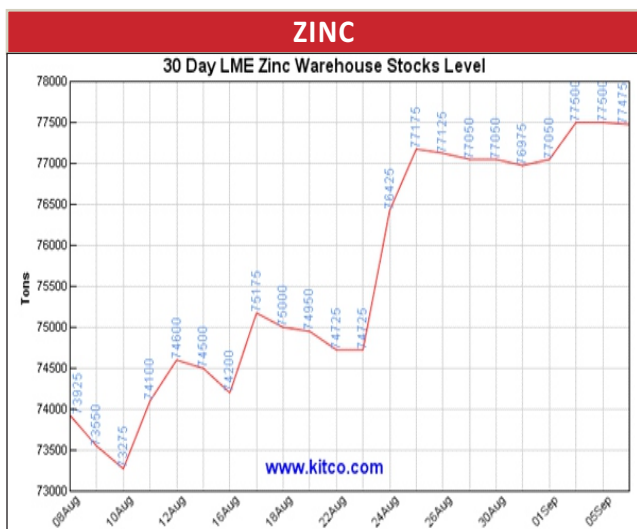
Copper futures at the MCX platform has settled lower at 633.65 on the previous week from the previous closing price of 677.40. The prices have been well sustained below the weekly trend line support of 670. Now the immediate resistance is seen around 686. If the price will sustains above 686 levels, it can continue to move upside towards 710/735. If the price has failed to sustains above the resistance of 686, then we can see again the down side move towards 620/600. Overall the commodity is expected to move lower from its resistance levels.

LEAD



Lead future at the MCX platform has settled little lower at 174.20 on the previous week. At present prices are trading below the daily 18 EMA levels of 178.85. The Momentum Oscillator Stochastic (14,3,3) is now witnessing negative divergence and also providing bearish trend for short to medium term basis. The 50 days EMA is also sustained on the lower side at 179.64 which indicates selling in short term basis. Now the crucial resistance is seen at 181, sustainable trade above this level will see the good upside move towards 188/195 in this month and if the prices sustain below the support level of 174 levels then can see the downside move towards 168/162 respectively.

ZINC



Zinc future at the MCX platform has settled lower at 284.00 on the previous week. At present prices are trading below the daily 200 EMA levels 300.97 and below the weekly sloping trend line support levels of 297. Now the immediate support is seen around 281.50, if the price will sustain below the support levels of 281.50 then we can see further downside move towards 265/250 and if it trades above the immediate resistance of 305 levels and sustain can see the upside move towards 320/335 respectively. But the view will be intact until the recent high 305 is not interrupted.

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