

BASE METALS

Special Monthly
Report on

JULY 2020

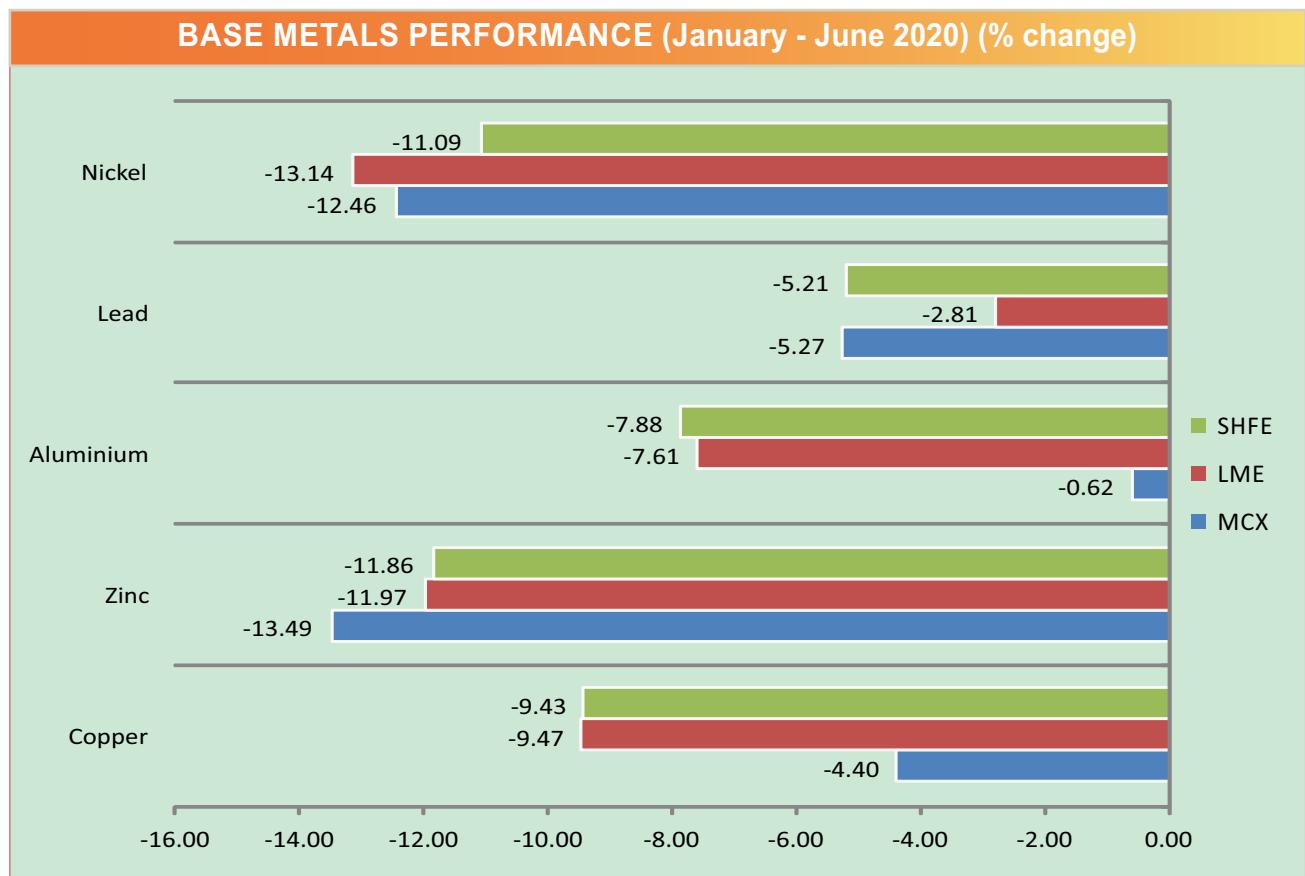
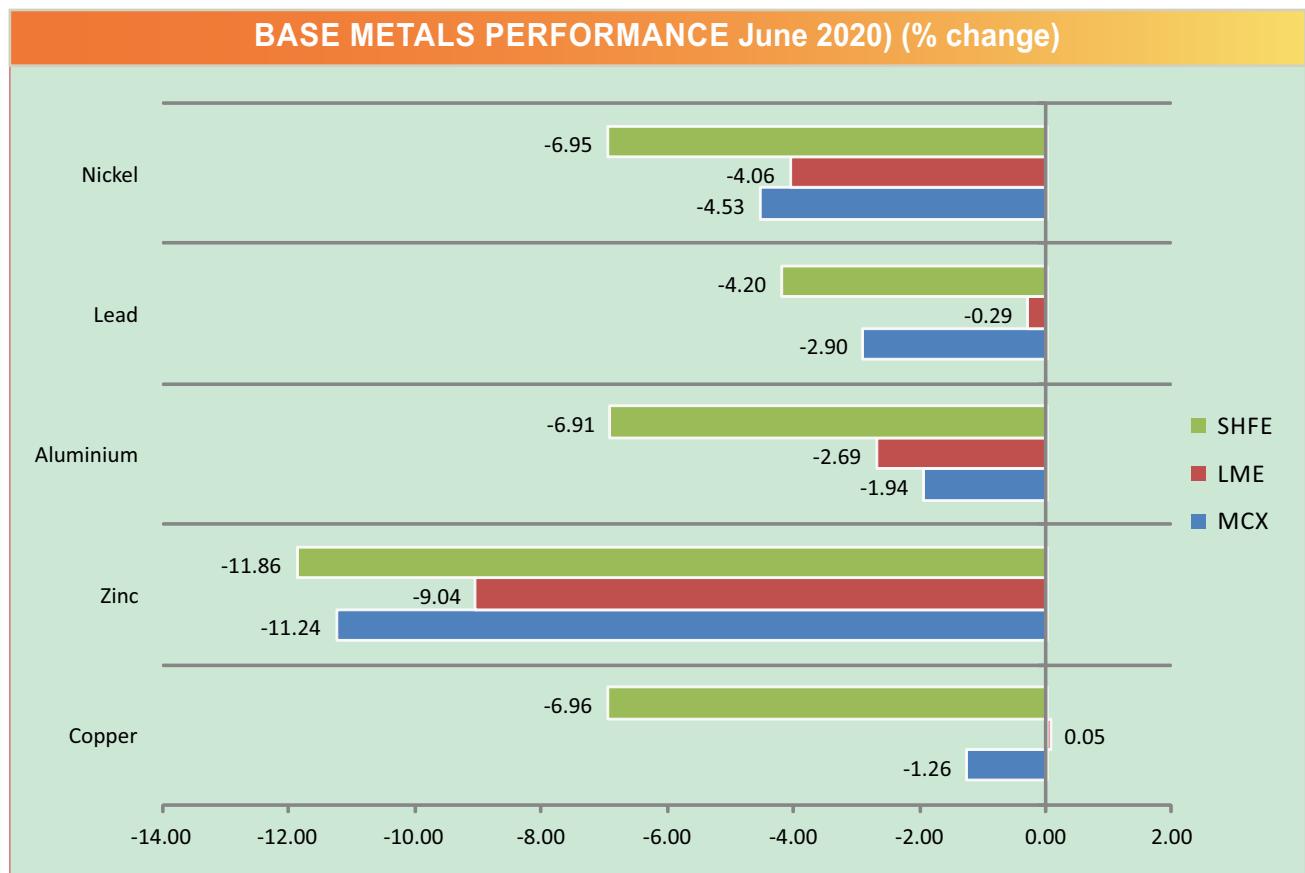


Moneywise. Be wise.

COPPER • NICKEL • LEAD • ZINC • ALUMINUM

BASE METALS

July 2020



July 2020

COPPER

Key news

- Copper raced to the highest levels since January as speculators piled into the market, betting on further disruptions in top producer Chile and firm demand from the biggest consumer China. Some of the better-than-expected economic data also supported the prices.
- Copper on the London Metal Exchange has surged over 40% since touching a 45-month low in March, driven recently by fears that the COVID-19 pandemic will curb mine production in Chile.
- Workers at Antofagasta Minerals's Zaldivar copper mine in Chile voted in favour of strike action after rejecting a pay offer, the mine's union said on Friday, adding that a strike had been set for July 15, pending government mediation.
- Chile's copper industry had kept the contagion rate to just 2% with a strict testing regime and by keeping half of its more than 200,000-strong workforce at home.
- Leading copper miners in Chile, including state-owned Codelco, BHP Group Ltd and Anglo American Plc have maintained and even increased production until now. But as coronavirus cases have recently spiked, the miners have altered shift patterns, suspended upgrades and smelter operations in a bid to stop the spread.
- Manufacturing activity rebounded in the United States in June, while the factory sector in Germany, Europe's largest economy, contracted at a slower pace and top copper consumer China posted better-than-expected manufacturing data.
- China's official PMI picked up to a three-month high of 50.9 in June, while the private Caixin/Market PMI reached a six-month high of 51.2, both measures comfortably above the 50-level that separates growth from contraction.
- The Institute for Supply Management PMI for the United States returned to growth in June, reaching 52.6, and the Eurozone PMI got closer to growth, hitting 47.4 in June, up sharply from May's 39.4.



Source: Kitco metals

July 2020

TECHNICAL OUTLOOK

COPPER MCX CHART



Copper futures at the MCX platform has settled higher at 459.10 on the previous week. Since last couple of months prices are trading higher from 335.95 levels to 471.90. Now the price traded above the trend line of 459. Prices are trading above the 200 EMA daily support levels of 430. The immediate resistance 475.50 may act as a trend interrupting point. Overall the commodity is expected to move higher from its recent support level of 445.50. If it break and sustain above the immediate resistance line of 475.50 can see further upside move towards 490/510 level in coming weeks.

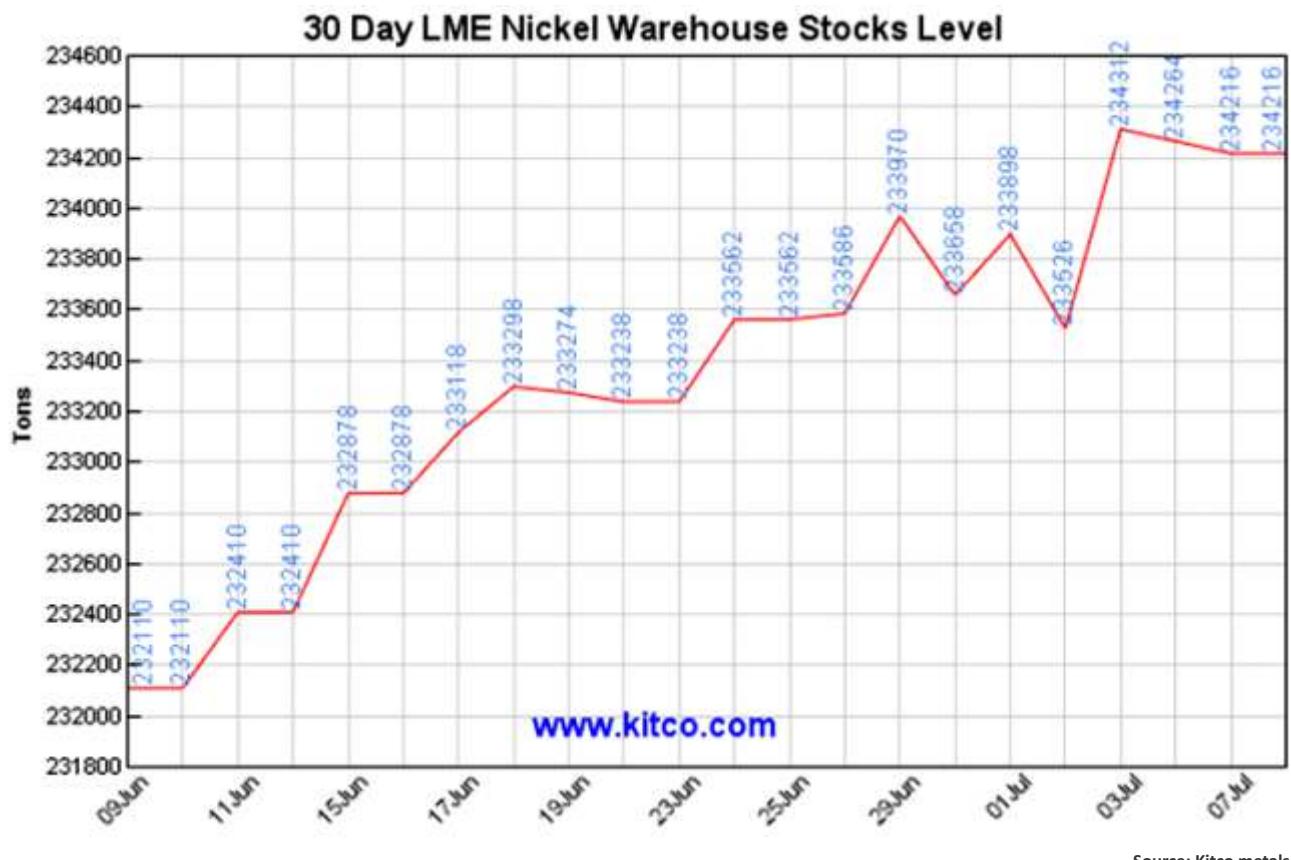
COPPER

July 2020

NICKEL

Key news

- Nickel prices are currently under a recovery mode over the supply woes coming from Brazil with the behemoth Brazilian miner- Vale downgrading its nickel production forecasts for the year.
- During the June quarter, the price of nickel over the London Metal Exchange was 6.6 per cent lower against the previous quarter to stand at USD 11,900 a tonne, which also remained 3.1 per cent down against the previous corresponding period.
- Brazilian miner- Vale trimmed its output guidance from 200,000 tonnes to about 180,000 tonnes for the year 2020, while mining activities in the Philippines was substantially halted in April.
- Vale SA (VALE3.SA) also said that its Canadian subsidiary had reached an agreement to sell a 20% stake in the nickel producer PT Vale Indonesia to state-controlled PT Indonesia Asahan
- The market is currently speculating over the supply woes, rooted over several restrictions imposed by various governments to contain the COVID-19 spread.
- However, many industry experts anticipate that the nickel market would witness a surplus in 2020 over a considerable decline in global consumption.
- The Department of Industry, Innovation and Science projects the nickel market to witness a surplus of 43,000 tonnes, leading to a decline in the average price at USD 12,600 a tonne in 2020.
- Over the long-run, the supply is estimated to squeeze, while the demand from stainless steel sector, especially from China, along with the demand from EV, is projected to support nickel over the long-run, leading to an average price of USD 15,100 a tonne by 2022.



Source: Kitco metals

July 2020

TECHNICAL OUTLOOK



Nickel future at the MCX platform has settled little higher at 976.70 on the previous week. At present prices are trading above the weekly 50EMA levels of 965 and also above 200 EMA levels of 945. The Momentum weekly Oscillator MACD is trading above the resistance line of 960, witnessing bullish crossover. Buying can be seen again in the counter if it continue to trade above 995 levels, which take the counter towards 1025/1050 in near-term. If it break below 960 levels and sustain can see further down side move towards 940/925 levels.

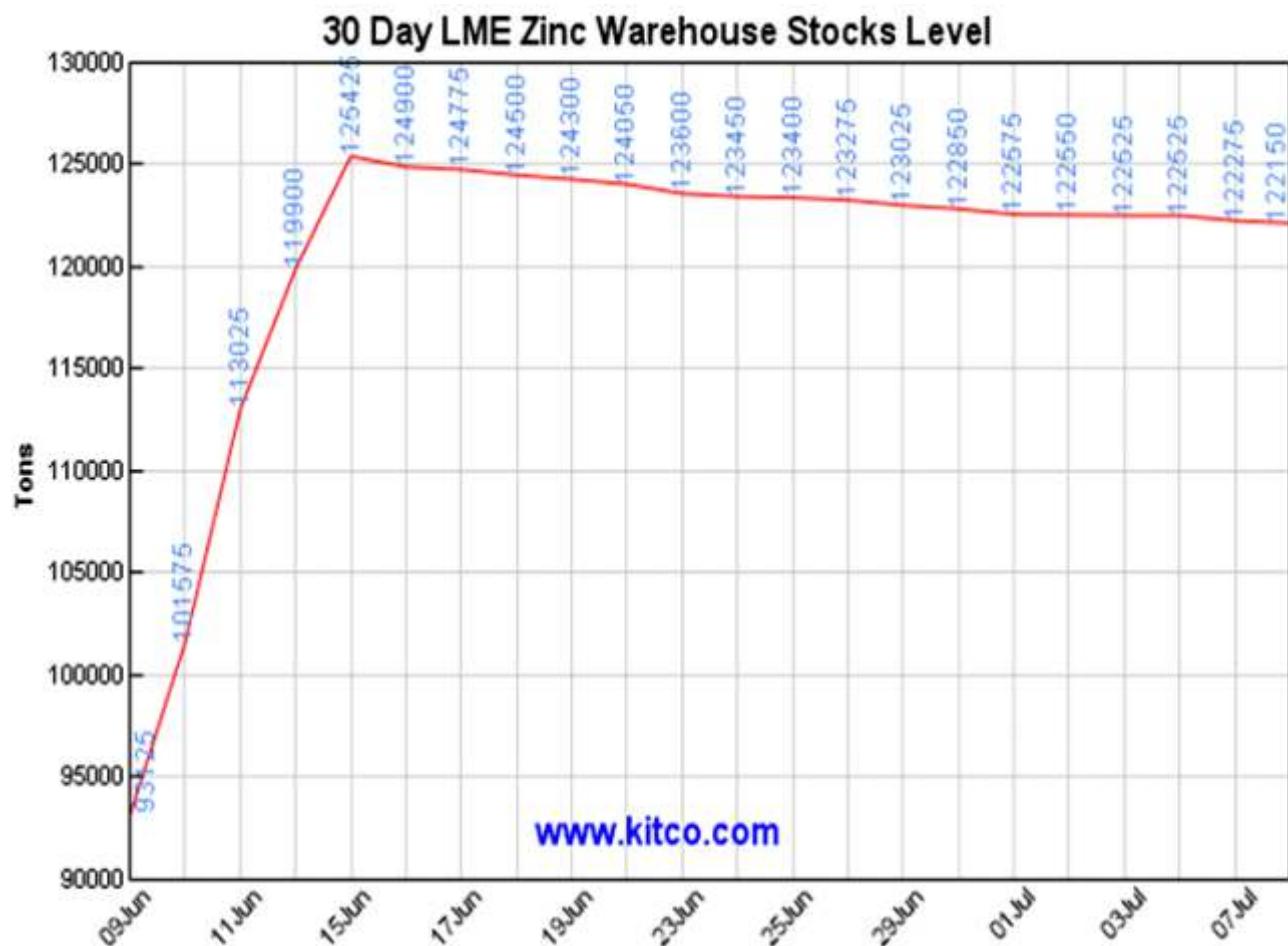
NICKEL

July 2020

ZINC

Key news

- Chinese output in June fell to the lowest since February and Tech Resources reported shipment delays from its Red Dog operation in Alaska, one of the world's biggest zinc mines.
- So far Covid-19 related disruptions have helped to erase more than half of expected Zinc mine supply growth in 2020. Mine supply losses (including price related) have so far hit 0.65 million tonnes mainly from Peru, Mexico and Bolivia. Yet Australia, the largest zinc producer and the top supplier to China has remained unaffected.
- Production losses have also been seen in refined zinc. So far the losses totalled to just above 100kt from multiple regions around the world, including China, Namibia (Skopian), Mexico (Torreon), India (Hindustan) and Peru's Cajamaquilla has been running at reduced capacities.
- Red Dog, one of the world's largest zinc mines, produces zinc concentrates that are shipped to Trail in British Columbia and to customers in Asia and Europe. Output reached 553,000 tons of metal in concentrates last year, according to its website. Shipping is forecast to be delayed with only one barge operational in 7 days and repairs for the other barge will take about 4 weeks, affecting deliveries to customers, it said. Red Dog still expects to ship all of its output during this season.



Source: Kitco metals

July 2020

TECHNICAL OUTLOOK

ZINC MCX CHART



Zinc future at the MCX platform has settled higher at 165.70 on the previous week. From last couple of weeks, prices are trading higher from 131.95 to 166.30. At present prices are trading above the daily 200EMA levels 158 and as well as above the weekly rising trend line resistance levels of 160. The short to medium term trend is bullish only and if it trade above 166.50 can see further upside again up to 180/195. But the view will be intact until the recent low 155 is not interrupted.

ZINC

July 2020

LEAD

Key news

- Demand for lead-acid batteries from hospitals and food producers seeking more backup power during the coronavirus pandemic is helping battery and lead producers weather a collapse in orders from the auto sector.
- International Lead and Zinc Study Group (ILZSG) estimates that lead demand plunged by 7.3% in the first four months of the year.
- Mined lead output fell by 5% in January-April, according to the ILZSG, as mines in key producer countries such as Peru curtailed operations under national quarantine measures. Refined lead production dropped by a sharper 6.8%. Increase in PMI numbers of US and China is boosting up the prices.
- Low inventory has seen the LME curve tighten. Supply tightness is even more apparent on the Shanghai Futures Exchange (ShFE), where the contract curve is in backwardation through the end of 2020.



Source: Kitco metals

July 2020

TECHNICAL OUTLOOK

LEAD MCX CHART



Lead future at the MCX platform has settled little lower at 143.15 on the previous week. From last couple of week's prices has been traded in a range of 138-147. At present prices are trading above the daily 50EMA levels of 142. The Momentum Oscillator Stochastic (14,3,3) is now witnessing positive divergence and also providing bullish trend for short to medium term basis. The lower side 200EMA levels supports of 140 is already breached but not sustained at lower level and price again bounced from its support level of 140. The 50 days EMA sustained on the higher side which indicate buying in short term basis. So overall the commodity is expected to move higher from its support level of 140.

ZINC

July 2020

ALUMINUM

ALUMINUM

Key news

- Aluminium was the star performer of the first half of the year in terms of trading activity.
- Volumes on the Shanghai contract rose by 28% year-on-year after two consecutive years of decline.
- LME turnover, meanwhile, rose by 12% in January-June, the strongest growth among the LME base metal contracts and exceeded only by the much smaller steel rebar contract.
- LME aluminium stocks have surged by 68% from a mid-March low of 967,325 tonnes to 1,625,550. There is a broad analysts consensus that more is probably accumulating in the off-market shadows.
- All that aluminium needs to be hedged with the stocks financiers back in business thanks to a healthy contango across the LME aluminium curve and super-low interest rates.
- Surplus metal is good for LME volumes, if not necessarily for the price of aluminium.
- Meanwhile, aluminium's fractured physical trading landscape has boosted the CME's premium contracts.
- The United States imposed a 10% tariff on imports in 2018 with exemptions granted to only a handful of countries, including Canada, the largest supplier to the U.S market.
- Now it is thinking about re-imposing tariffs on its neighbour, sparking a rally in the premium for Midwest US delivery.
- The CME's Midwest contract saw turnover almost double in the first half of 2020 to the equivalent of 1.65 million tonnes, reflecting this new political uncertainty.
- The CME's European contracts also experienced an explosion in trading activity. First-half volumes on the duty-paid premium contract were up by 175% and those on the duty-unpaid contract by 177% relative to 2019.
- Aluminium premium trading appears to have established its home on the CME. The LME's belated catch-up products saw some early interest after launch in March last year but its U.S. premium contract hasn't traded since February.
- Aluminum Corp of China Ltd, known as Chalco, with an annual capacity of 18.86 million tonnes, said that it would implement "flexible production", a phrase used to refer to output cuts, at three alumina production lines accounting for about 10% of its total capacity.
- Rio Tinto said that it will close its aluminium smelter operation in New Zealand due to high costs and a challenging market.



Source Kitco metals

July 2020

TECHNICAL OUTLOOK

ALUMINIUM MCX CHART



Aluminium Future at the MCX platform has settled flat at 136.60 on last week, from the previous closing price of 136.95. From last couple of weeks prices have been traded higher and now the prices have trading above the 14 days moving averages of 135. The medium term channel resistance of 133 is already breached on previous month and also sustained above the 14 days moving averages of 135. Now the next immediate resistance is seen at 139.20, sustainable trade above 139.20 can expect to move towards 145/150. Overall the commodity is expected to move higher from its support level. Thus we recommend buying on dips in this month.

July 2020

For any queries, Contact:

Commodity Research Desk

Tel: +91-11-30111000, Ext: 683,684,625,630

SMC Research also available on Reuters

E-mail: smc.care@smcindiaonline.com



Moneywise. Be wise.

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/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.