

Special Monthly Report on

BASE METALS

MARCH 2022



• ALUMINIUM • COPPER • LEAD • NICKEL • ZINC



Moneywise. Be wise.

In February 2022, base metals traded with firm bias as nickel, aluminum, copper & zinc continued to hit multi-year highs but lead traded in range. Dwindling stocks of metals on multi years low and western sanctions against Russia over its invasion of Ukraine sparked concerns over the metal supply.

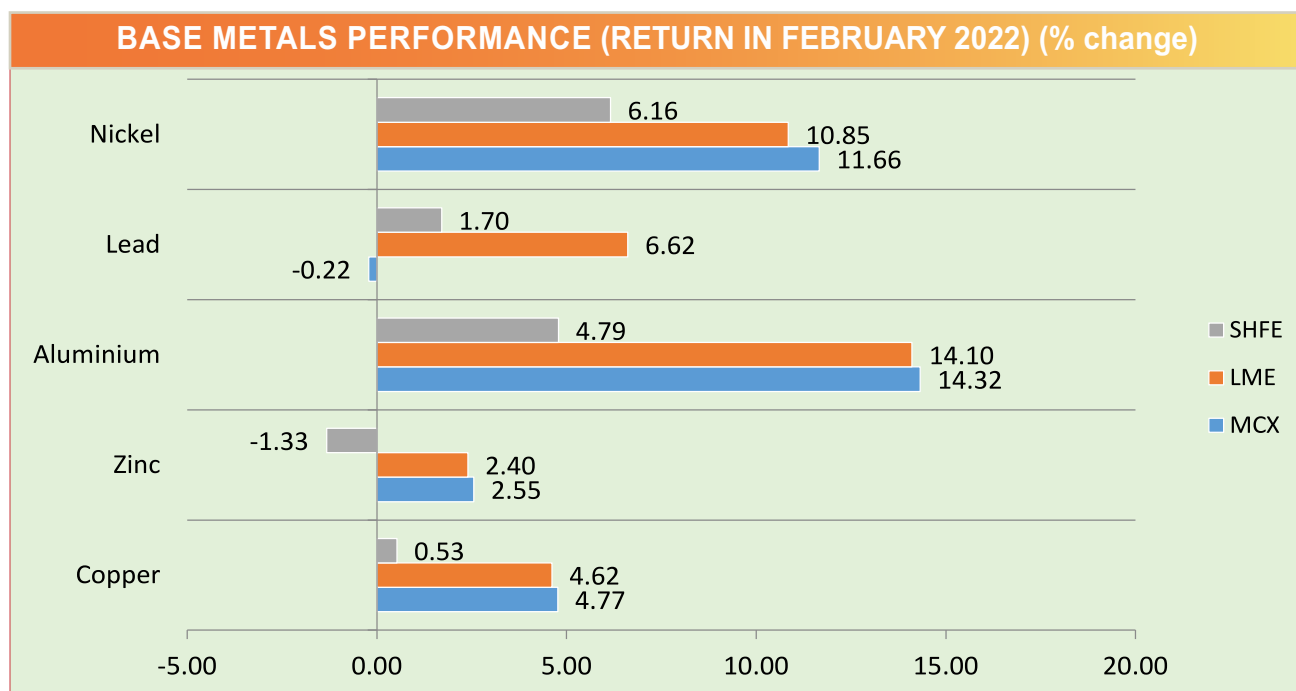
Outlook

Base metals prices may still go higher as supply fears grew in the wake of an escalating Russia-Ukraine conflict and mounting sanctions against Moscow that could further squeeze tight aluminum, copper and nickel markets. Russia produces about 6% of the world's aluminium, 7% of global nickel and accounts for about 3.5% of copper supplies. On the other side, base metals usage is surging, especially in developed countries, with increasing demand for electric vehicles, wind farms, solar panels, and power grids.

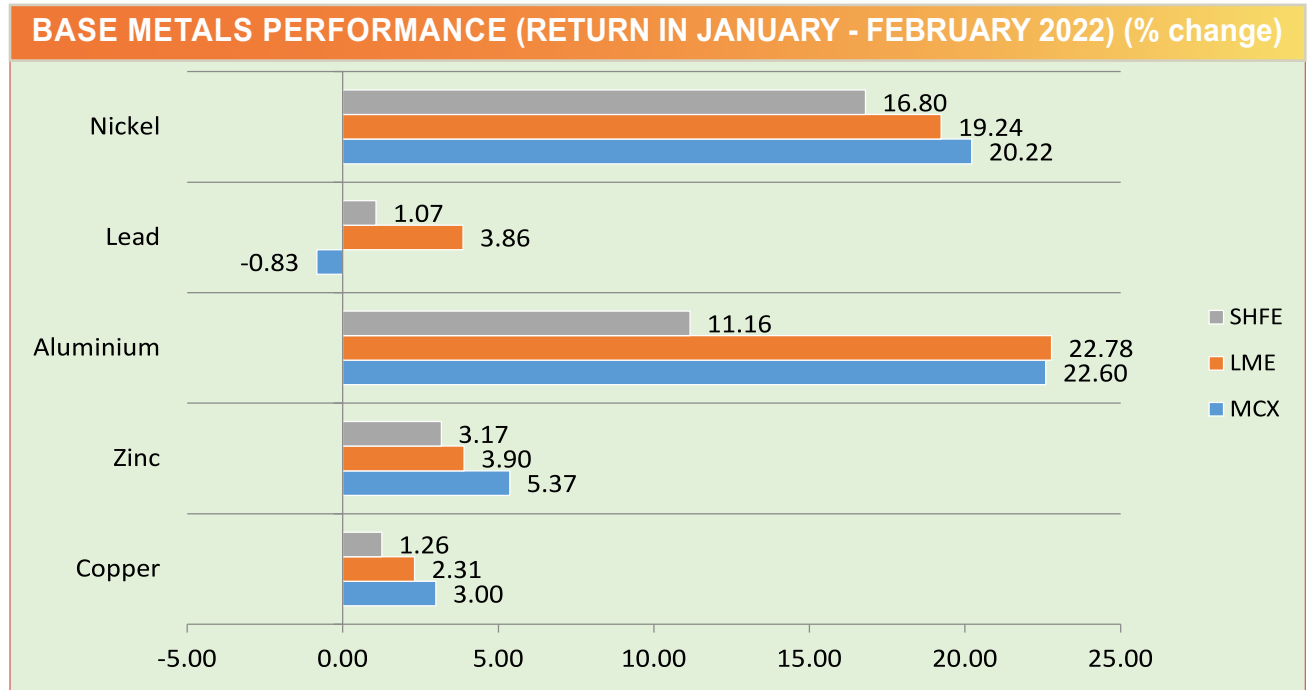
However, escalation of the military conflict and rising inflation due to soaring crude and other commodities prices would put not only Europe's economic recovery but also global recovery at risk. Besides potential for higher interest rates and lower consumer spending in a high-cost energy environment, demand for metals may come under pressure. So cautious trade advised as sharp profit booking may emerged if the current conflict or tension ease or after capturing Ukraine, Russia announce ceasefire.

Fundamentals

- The London Metal Exchange (LME) raised its margin requirements for aluminium and nickel contracts effective at close of business on March 8 after a rally fuelled by the escalating Russia-Ukraine conflict.
- Top metals consumer, China's state planner will closely monitor the supply and prices of some raw materials and strengthen the management of commodity reserves to ensure supply chain security.
- China's unwrought copper imports rose 9.6% during the first two months of 2022 compared with the same period a year earlier, customs data showed.
- China's exports of unwrought aluminium and aluminium products rose 22% on an annual basis to 1.03 million tonnes in the January-February period.
- The quarterly negotiations for Japan's aluminium premiums for April-June are expected to take longer than usual due to uncertainty over supply from Russia, five sources involved in pricing talks said.
- The world's three biggest container lines, Swiss-headquartered MSC, Denmark's Maersk and France's CMA CGM suspended cargo shipments to and from Russia in response to Western sanctions on Moscow following its invasion of Ukraine.
- Mounting sanctions on Russia for invading Ukraine led to an international energy crunch, which, in turn, could spark additional supply disruptions of energy-intensive zinc if European smelters decide electricity prices are too high to keep smelters running.



Source: SMC Research & Reuters



Source: SMC Research & Reuters

BASE METAL MONTHLY TECHNICAL REPORT

Technical - Weekly Chart of MCXMETLDEX (MCX)



MCXMETLDEX future at MCX settled higher at 21554 last week. Currently, we observe immediate resistance at around 23000 in weekly closing basis. If the price sustained above the resistance of 23000, then it can move higher towards 24500/26000 in this month and if the price breaks below the support level of 22000 then again can move lower towards 20000/17500. Overall, the trend is positive and expected to move higher from its support levels.

Aluminium:



Technical - Weekly Chart of Aluminium (MCX)



Aluminium Future settled higher at 308.35 last week, from the previous closing price of 270.10. From last couple of months, prices have been trading higher and bounced from its support level of 201 to 325.40. Currently, prices are trading above the 18 days moving average of 276.36. The short-term immediate resistance is around 325.40. If it sustains above it, then we may see prices move higher towards 350/375 and if it breaks the support of 258, then it will see the downside move towards 235/220 respectively. Overall, the commodity is expected to move higher from its support levels. Thus, we recommend buying on dips in the current month.

Copper:



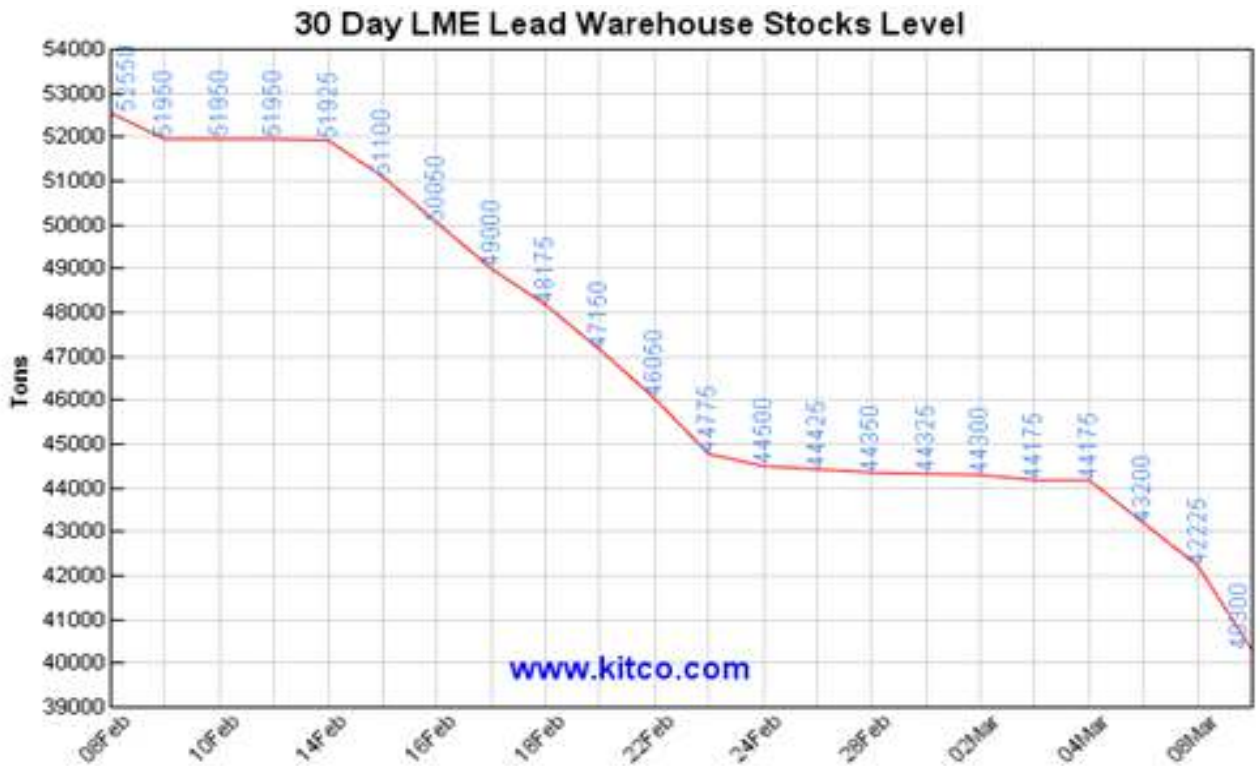
Technical - Weekly Chart of Copper (MCX)



Copper futures on MCX settled higher at 840.30 on the previous week from the previous closing price of 766.70. The prices are currently above the trend line resistance of 811. Now the immediate resistance is around 786. If the price sustain above 886, it will continue to move upside towards 920/950. If the price sustains below the 1st support line of 766, then we see the down side move towards 735/700 levels in the near term basis. Overall, the commodity expected to move higher from its support levels.

COPPER

Lead:



Source: Kitco metals



Source: SMC & Reuters

Lead future on the MCX settled lower at 189.30 last week. Currently, the prices are trading near the daily 18 EMA levels of 186.65. The Momentum Oscillator Stochastic (14,3,3) is showing negative divergence and also providing bearish trend for short to medium term basis. The 50 days EMA slightly sustained on the higher side at 186.24, which indicates buying in short term basis. Now the crucial resistance is seen at 198, sustains above this level may see a good upside move towards 205/215 in months' time however if the prices break below the support level of 178 then can see the downside/correction towards 173/168 .

Nickel:



Source: Kitco metals

Technical - Weekly Chart of Nickel (MCX)



Source: SMC & Reuters

Nickel future at the MCX platform has settled higher at 2229.33 on the previous week. At present prices are trading above the weekly 50 EMA levels of 1953.25 and above 200 EMA levels of 1605.75. The Momentum weekly Oscillator MACD is trading above the resistance line of 2800, witnessing bullish crossover. Buying may be seen again in the counter if it continues to trade above 2800 levels, which take the counter towards 3600/4200 respectively. If it break below the support line of 2800 levels and sustain can see further down side move towards 2400/2000 levels in short term basis. Overall, the commodity is expected to move higher from its support level.

Zinc:



Source: Kitco metals



MCX Zinc future settled flat at 335.30 compared to previous week. At present prices are trading above its daily 200 EMA levels 272.33 and above the weekly rising trend line resistance levels of 304. The long-term trend is bullish, as we have already seen the correction this month. The price sustained above the resistance line of 300 after the recent correction. If the price break below 285 levels may see the downside move towards 272/260 and if it sustains above 330 levels we will witness further upside move towards 355/370. However, the positive view will be intact until the recent low 285 is not breached.

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