

BASE METALS

Special Monthly
Report on

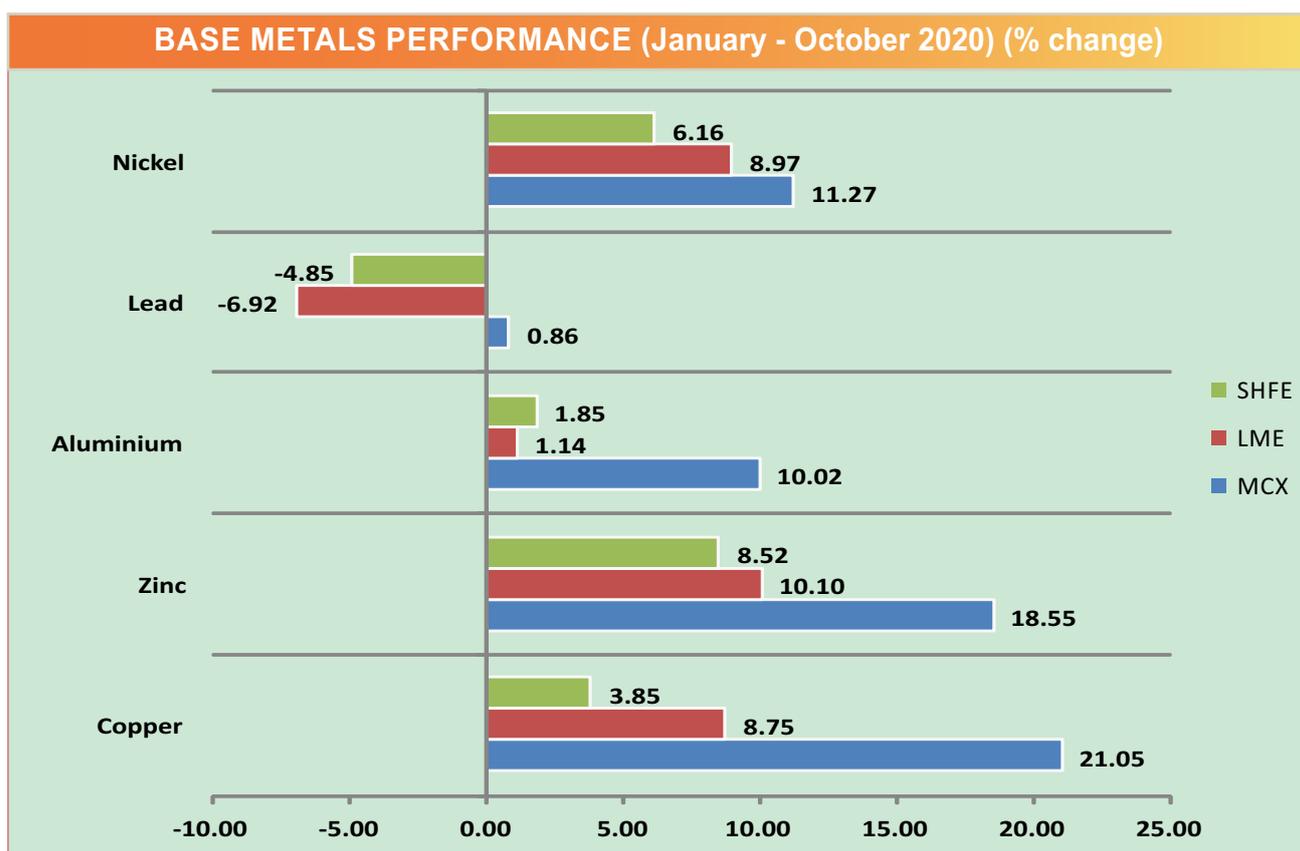
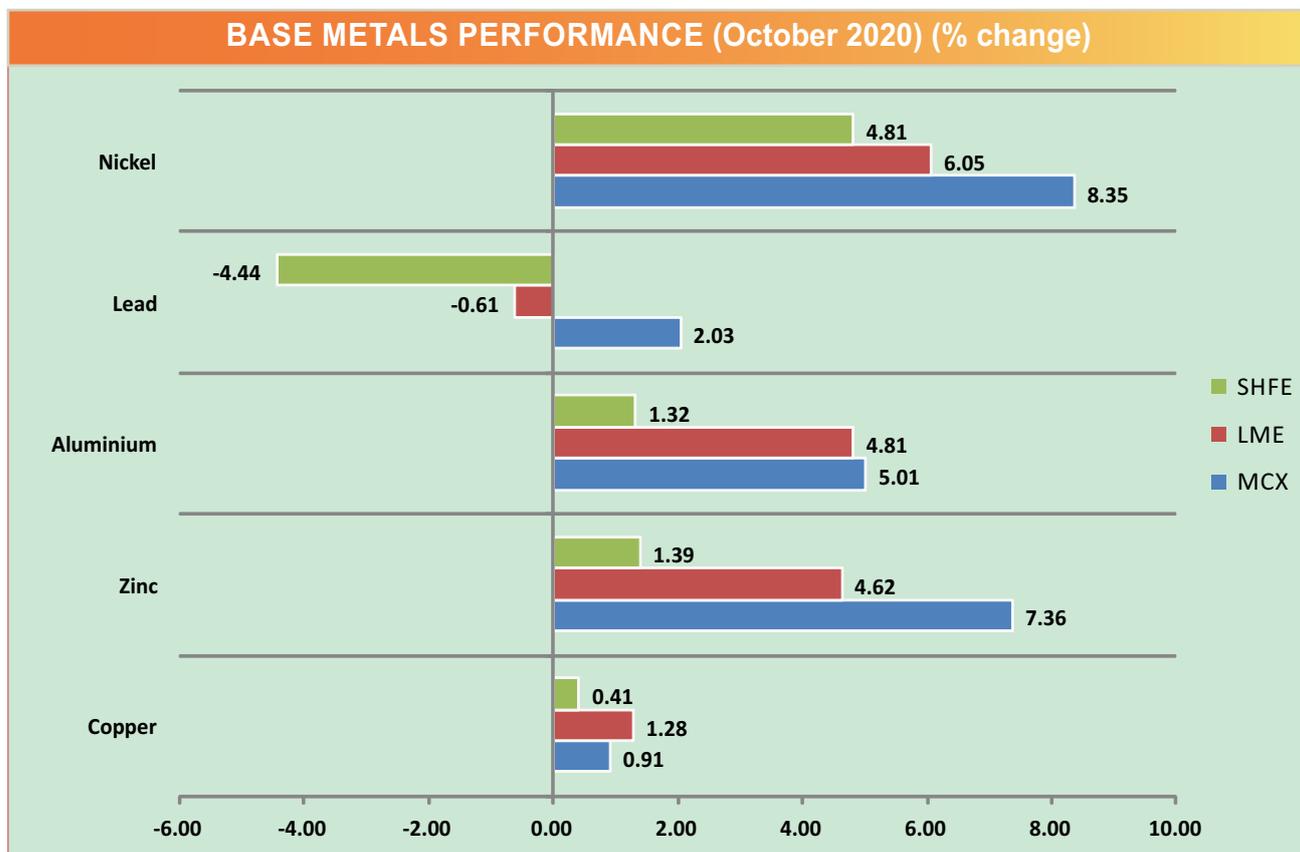
NOVEMBER 2020



Moneywise. Be wise.

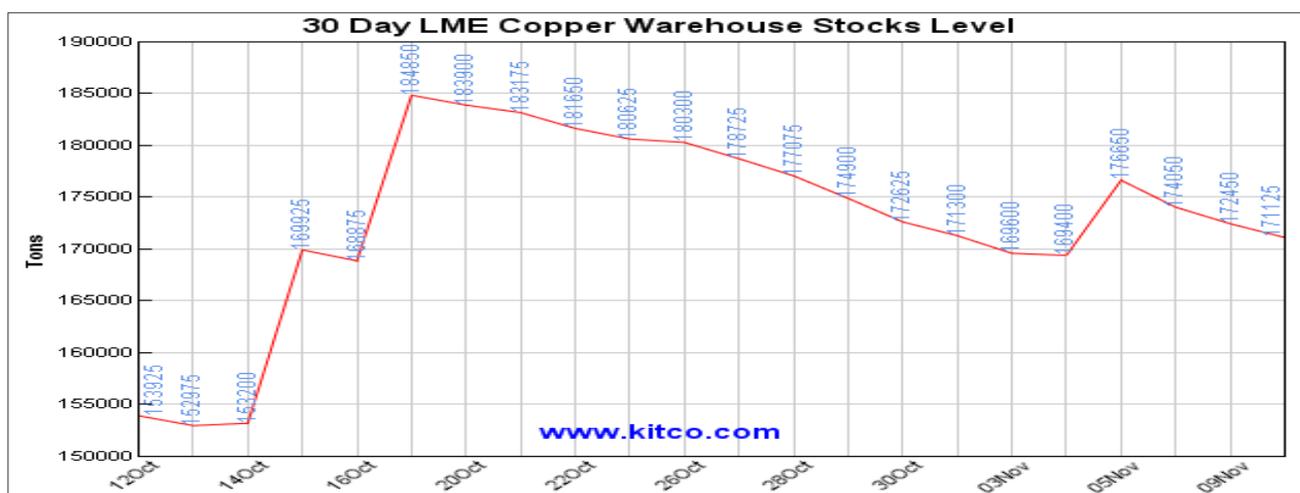
COPPER • NICKEL • LEAD • ZINC • ALIUMINUM

In October month we saw the buying opportunities emerged from lower levels in base metals as robust demand from top consumer China, expectations of stronger growth and demand in the rest of the world and a lower dollar helped to create buying momentum. However market reacted on news of reposition of lockdown in many countries after resurgence of Covid-19 in US and Europe, some slowdown in economic releases, doubt on further stimulus by US and many more.

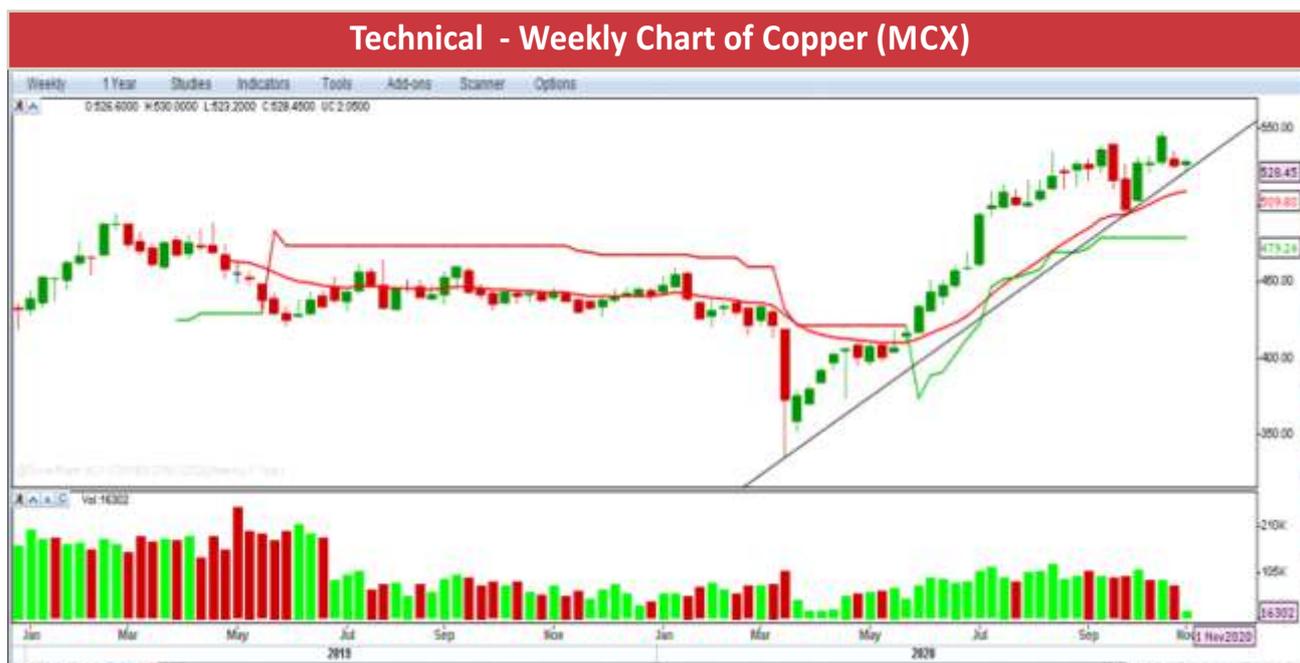


The most stable metal of this counter reached a 28-month high at \$6,901.50/mt on Oct. 22 in LME. The price has lost support since, potentially due to surging global coronavirus infections and stalled U.S. stimulus negotiations. However the LME price moved up 1.2% and gain 0.9% in MCX. Structural underinvestment, policy-driven demand and macro tailwinds from a weakening dollar and rising inflation risk may create a bullish outlook. It has been estimated that Biden win would increase U.S. copper demand by 2% over the next five years.

Chinese customs officials informally warned Chinese importers that Australian goods, including copper concentrate, will be targeted for extensive inspections until the diplomatic row between both countries is solved. China's copper imports rose year-on-year in October, official data showed, and set a new annual peak with two months to spare, underscoring the speed of the recovery from the coronavirus in the world's top consumer of the metal. Arrivals of unwrought copper and copper products stood at 618,108 tonnes last month, the General Administration of Customs said. That was down 14.4% from 722,450 tonnes in September, which was the second-highest monthly level on record, but up 43.4% from 431,000 tonnes a year earlier. Imports in January-October reached 5.61 million tonnes, up 41.4% year-on-year and beating the previous record for China's annual purchases of 5.297 million tonnes in 2018 with two months still to go. Imports have surged this year as China's rapid recovery from the coronavirus outbreak opened up an arbitrage between London and Shanghai copper prices that saw buyers snap up cheaper overseas metal.



Source: Kitco metals



Source: SMC & Reuters

Copper futures at the MCX platform has settled lower at 526.40 on the previous week. Since last couple of weeks prices are trading higher from 494.80 levels to 549.05 and the prices are already taken the correction from 549.05 to 494.80 which was the Fibonacci retracement of 23.6% exactly and now prices has been bounced from 494.80 to 528 and well sustained above the trend line resistance of 528 respectively. Now the immediate resistance is seen at 536 then 549. If the price will sustain above the immediate next resistance line of 536 it will continue to move upside towards the next resistance line of 549 and break above it will see further upside towards 555/560 very soon. If the price sustain below the support line of 523 can see the down side move towards 520/515 levels in this week.

We saw more than 4% fall in lead prices in SHFE whereas it was only 0.6% LME. It gave some arbitrage opportunities between the two. MCX saw a rise of 2%. Lead, the demand for which comes significantly from the automotive sector, has not been supported of late. Latest data from the International Lead and Zinc Study Group (ILZSG) shows that the total lead production declined 3.1% YoY to 6.5mt, while consumption fell 5.4% YoY to 6.4mt from Jan'20-Jul'20. In the coming month, we expect lead futures to trade bullish due to weaker Dollar Index and better economic data in the US and China. China and other Asian countries usage, which had been lagging in the previous months, are also forecasted to higher in the months ahead.



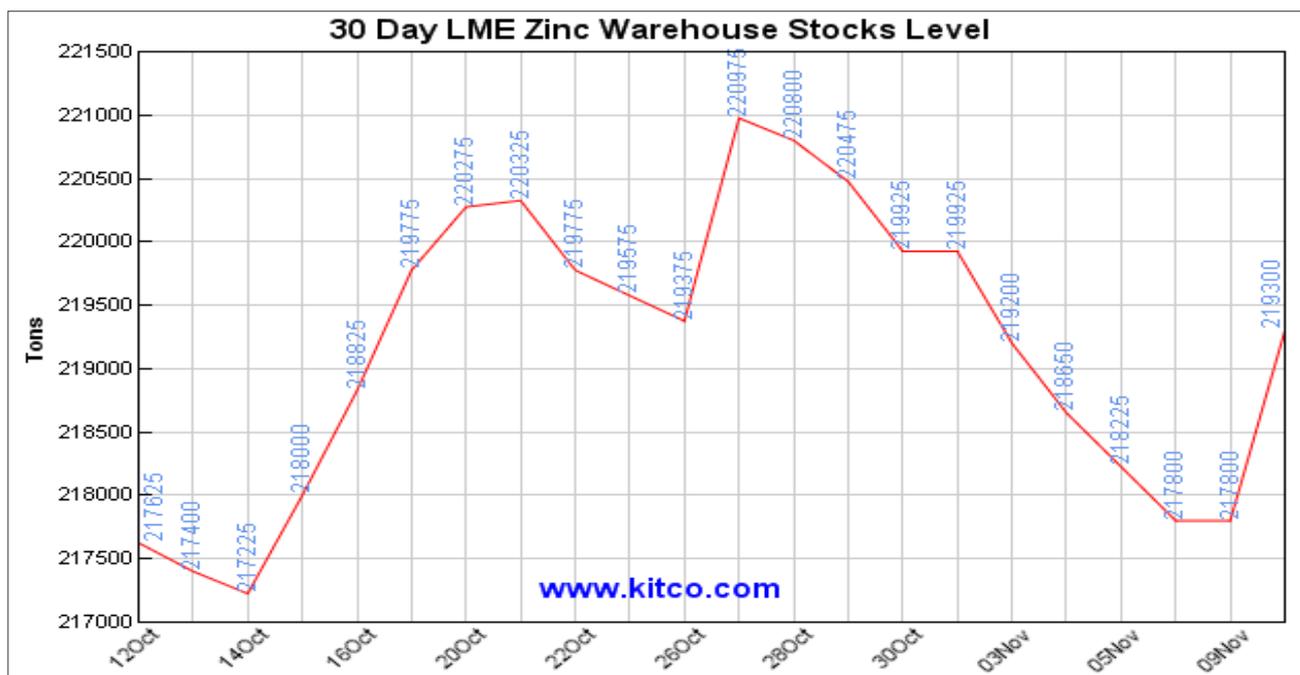
Source: Kitco metals



Source: SMC & Reuters

Lead future at the MCX platform has settled flat at 149.60 on the previous week. At present prices are trading above the daily 18 EMA levels of 147.57. The Momentum Oscillator Stochastic (14,3,3) is now witnessing positive divergence and also providing bullish trend for short to medium term basis. The 50 days EMA sustained on the higher side which is indicate buying in short term basis. So overall the commodity is expected to move higher from its support level of 146. Now the crucial resistance is seen at 151, sustainable trade above this level will see the good upside move towards 155/160 in this month and if the prices has sustain below 146 levels then will see again the downside move towards 143/141 respectively.

In zinc, SHFE and LME, the two major exchanges noticed around 1.3% and 4.6% respectively whereas MCX saw more than 7% upside. With some expectation of improvement in construction activities may continue to lend support to zinc prices. Expectations of a surge in government's construction and infrastructure spending boosted the demand outlook for steel as well as zinc (used in galvanizing steel). Some smelters are worried about the ore supply in Q4 recently. Year-to-date zinc imports by China are down 25% on last year at 358,000 tonnes and lead totals only 21,000 tonnes, down 76% on 2019. Analysts agree that zinc supply has been hit hard by lockdowns in South American but China's smelters seem to have weathered the storm. Imports of zinc concentrates rose 32% in the first nine months of 2020. Lead imports, meanwhile, fell 20%, but from a high base - imports last year were the highest since 2015.



Source: Kitco metals

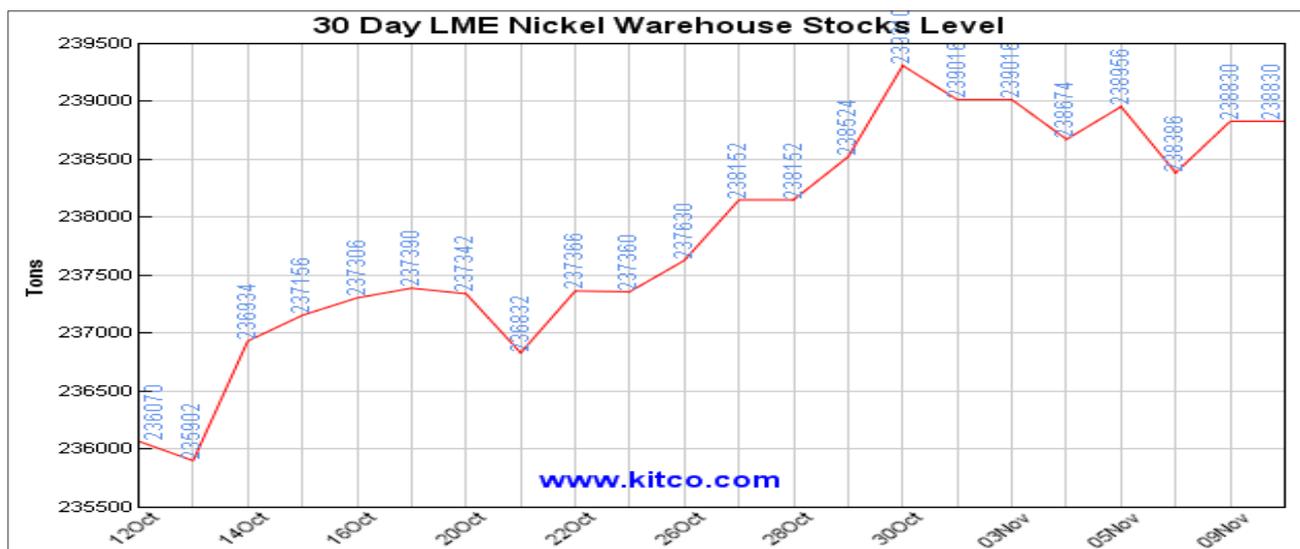


Source: SMC & Reuters

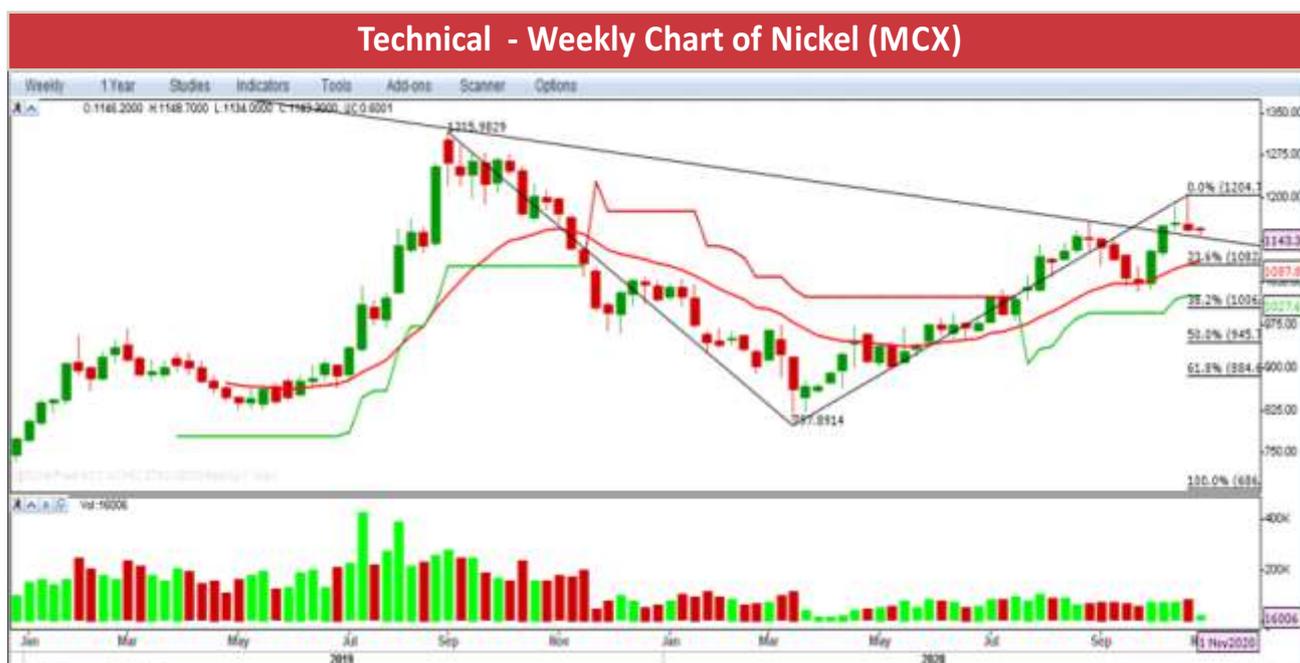
Zinc future at the MCX platform has settled little lower at 201.80 on the previous week. From last couple of weeks, prices are trading higher from its low of 181.20 to 209.05. At present prices are trading above the daily 200EMA levels 191 and above the weekly rising trend line resistance levels of 200. The long term trend is bullish only and we have already seen the correction last week from 209.05 to 199.70, if it sustain below 199.70 levels will see the downside move towards 195/190 and if it trade above 209 can see further upside move again up to 215/220. But the view will be intact until the recent low 199.70 is not interrupted.

We saw major reaction in nickel among all base metals and all three major exchanges vis a vis, SHFE, LME and MCX saw a jump of more than 5% after fall of more than 6% in September. The continuing lockdown in some parts of the world, coupled with supply-side restraints, besides the uncertainties related to the US election have impacted the base metals complex this year, and nickel is no exception. Indonesia, the largest miner and exporter of nickel, had banned exports of the metal in January, hoping for a price rise in the wake of limited supplies to the China's booming stainless steel sector. While the ban did result in a short-term jump in prices, it has been fluctuating in the global markets ever since. But even under these conditions, the grayish metal has delivered an 11 per cent return this year so far (till October) and market watchers place their bets on the booming EV market to put back the spark to this metal. China's refined nickel imports have totalled only 98,000 tonnes so far in 2020, down 40% year on year and the lowest level since 2008.

Major mining companies – Nickel Asia and Global Ferronickel Holdings – suspended some of their operations in response to Covid-19. Brazil's Vale has cut its 2020 guidance by up to 20,000 tonnes, citing 'limited ability to keep current maintenance shutdown schedules'. Glencore's Raglan mine restarted in April but two of its employees tested positive for Covid-19 recently, while Sumitomo Corp's Madagascar plant and Australian producer Panoramic Resources remain out of action.



Source: Kitco metals



Source: SMC & Reuters

Nickel future at the MCX platform is trading above the weekly 50 EMA levels of 1021.70 and also above 200 EMA levels of 1020. The Momentum weekly Oscillator MACD is trading above the resistance line of 1150, witnessing bullish crossover. Buying can be seen again in the counter if it continues to trade above 1150 levels, which take the counter towards 1180/1200 again. If it break below the support line of 1030 levels and sustain can see further down side move towards 1010/985 levels respectively. Overall the commodity is expected to move higher from its support level.

Aluminum prices jumped around 5% in the month of October. Aluminum trade became more political recently and trade policies have made it trickier.

Imports of standard P1020 aluminium to the United States from Canada continued to decline in September, while as demand for value-added products (VAP) has revived, US Census Bureau data shows. According to the data, imports of unalloyed, P1020 primary aluminium from Canada totalled 66,100 tonnes in September, down by 52.5% year-on-year and 48.7% compared with August.

China's exports of unwrought aluminium and aluminium products came in at 418,893.7 tonnes in October, down 1.8% from in September and down 2.% from a year earlier. China, the world's top aluminium maker, was a net importer of the metal in July and August for the first time in more than a decade but reverted to net exporter status in September as overseas shipments started to recover from the pandemic. Cumulative primary aluminium imports of 766,000 tonnes over January-September have not quite reached the peaks of 2009, when they hit 1.5 million tonnes. But imports of alloy aluminium have been stronger at 932,000 tonnes, compared with 243,000 tonnes in the 2009 calendar year. Higher demand for alloy is probably also down to China's reduced scrap intake, aluminium volumes tumbling another 49% so far in 2020.

Inventories in China have turned largely flat after a significant drawdown during the second quarter. Current inventories are 25% lower than the same period last year and are well below the five-year average. Stocks of aluminium in warehouses monitored by the Shanghai Futures Exchange have reached 247,965 tonnes, compared with numbers above 530,000 tonnes in March.



Source: Kitco metals

Technical - Weekly Chart of Aluminum (MCX)



Source: SMC & Reuters

Aluminium Future at the MCX platform has settled little lower at 152.95 on last week, from the previous closing price of 153.35. From last couple of weeks prices have been traded higher and now the prices have trading above the 18 days moving averages of 145.12. The short term channel resistance of 152 is already breached on previous month and now well sustained above the 18 days moving averages of 145.12. Now the next immediate resistance is seen at 155, sustainable trade above 155 will see the good move towards 158/161 and if it breaks the immediate support line of 149 will see the downside move towards 146/143 respectively. Overall the commodity is expected to move higher from its support level of 149. Thus we recommend buy on dips in this month.

ALUMINIUM

% Return Year till date

Outlook for November: We may see buying opportunities may emerge in the 4th quarter of 2020 from lower levels. The dollar hit a 10-week low as investors heralded President-elect Biden's win by buying trade-exposed currencies on expectations that a calmer White House could boost world commerce and that monetary policy will remain easy. Stronger manufacturing activity and new orders in the world outside China, as seen in surveys of purchasing managers, are soon expected to feed through to higher demand for industrial metals. China's vast manufacturing industry has been recovering as the country's coronavirus outbreak appears largely under control. Chinese official manufacturing PMI for October was 51.4—the eighth consecutive month of expansion. Vehicle sales in China rose 12.5% in October from the same month a year earlier, the seventh straight monthly rise as the world's biggest vehicle market continued to lead the global auto industry recovery from lows hit during the COVID-19 pandemic. Sales reached 2.57 million vehicles last month, data from the China Association of Automobile Manufacturers (CAAM) showed. This is only expected to increase throughout November. Besides government stimulus policies, the expansion of new electric vehicle charging points might increase buying interest. The revival story of the biggest metal consumer, China, from the pandemic lows was supported by the enormous stimulus infusion primarily focused towards infrastructural development. News of possible breakthrough for covid-19 vaccine by Pfizer and BioNTech with 90% efficacy in preventing Covid-19 has boosted the market sentiment. Election of Biden means some major policies changes which may keep this counter in range for few months.

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