

SPECIAL MONTHLY REPORT ON

BASE METALS

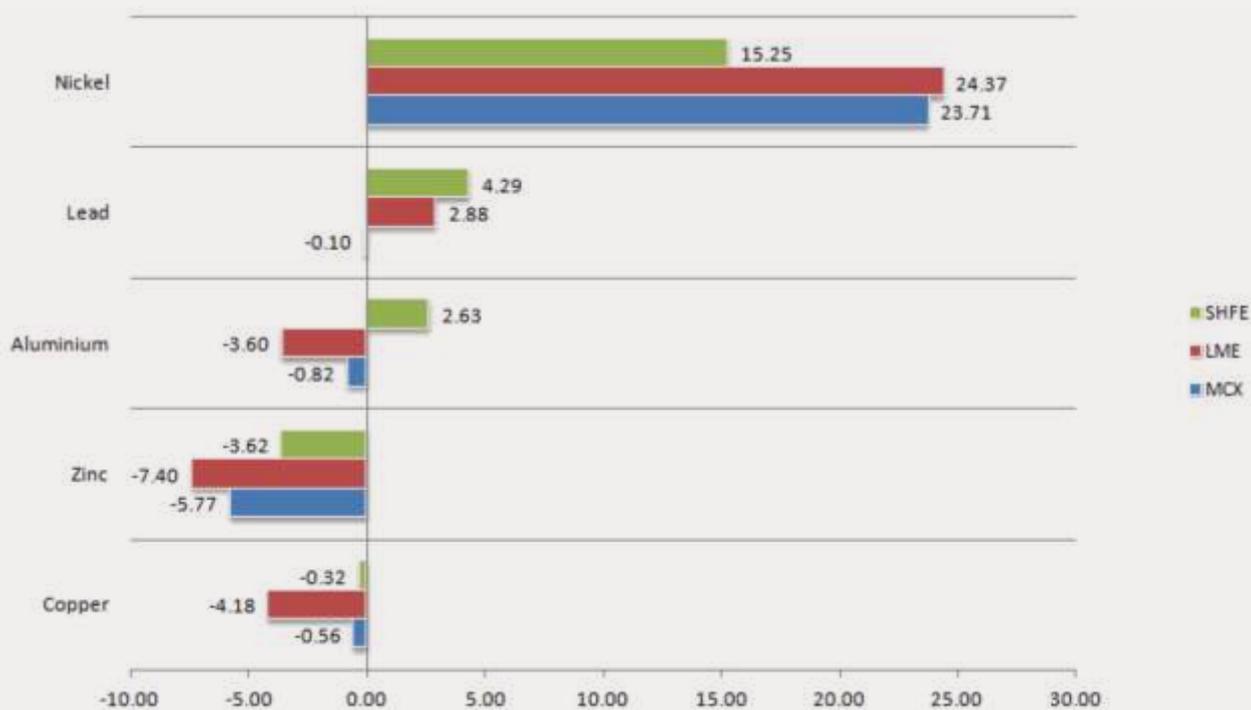
September 2019



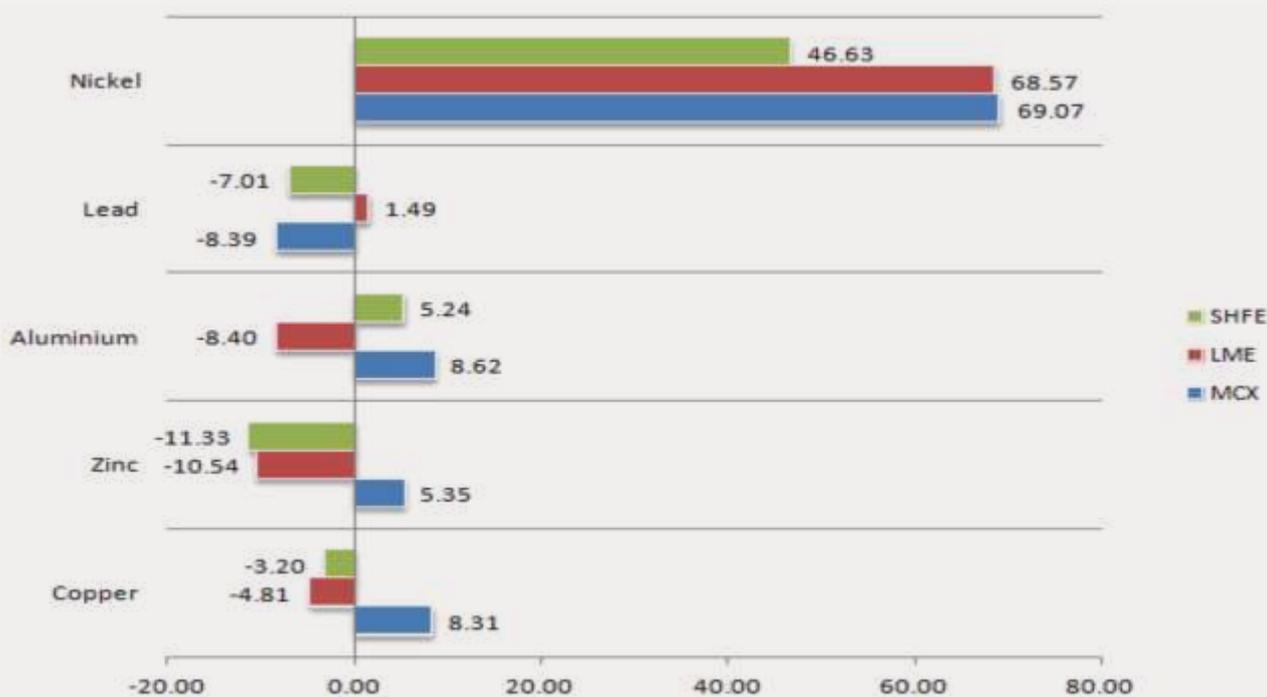
Moneywise. Be wise.

COPPER • NICKEL • LEAD • ZINC • ALIUMINUM

BASE METALS PERFORMANCE (August 2019) (% change)



BASE METALS PERFORMANCE (January - August 2019) (% change)



COPPER

Copper ended on negative note in the month of August as uncertainty regarding China US trade war and slowdown concerns in China kept the prices under pressure.

Copper traded in range of 432.30-451.30. Chile's Codelco, the world's top copper producer, had shut down its Ventanas smelter along Chile's central coast for maintenance until Sept. 3, impacted production. Copper, often used to gauge economic health, has been hit by the prospect of weaker global demand as the trade conflict between the world's two biggest economies entered the second year, despite fundamentals pointing to a larger shortage of the commodity. Jiangxi Copper Co produced 749,300 tonnes of refined copper cathode in January-June, up 3.5% from a year earlier, and 102,000 tonnes of copper concentrate during the period, up 0.2% year-on-year. Lack of any clear moves to resolve the protracted U.S.-China trade conflict can weigh on the demand outlook for the red metal.

The 24-million-tonne copper market is expected to see a deficit of 189,000 tonnes this year which will widen to 250,000 tonnes in 2020, according to the International Copper Study Group.

Smelters are charging miners less to refine concentrates into metal due to falling availability of mine supply, reflected in declining treatment and refining charges. Treatment charges in China, the world's top consumer of copper, are around \$60 a tonne, their lowest in since Nov 2012.

Key news

Codelco's Chuquicamata smelter restart delayed until end-October

The reactivation of a smelter belonging to Chile's state run Codelco, the world's top copper producer; will be further delayed until the end

of October this year after missing a previous target of April. The Chuquicamata smelter is one of the world's largest, producing 320,000 tonnes of metal in 2018, and was originally halted in December last year for changes to meet new emissions standards.

Refined Copper imports slide; concentrate boom

Refined copper imports fell by 12% to 1.60 million tonnes in January-June with net imports sliding harder by 16% thanks to slightly higher exports relative to 2018. China's net draw on units from the rest of the world dropped by 266,000 tonnes, which helps explain the 155,000-tonne rise in London Metal Exchange (LME) stocks over the same period. Anaemic demand is being compounded by another growth spurt in the country's domestic refining capacity. Increased competition for mined concentrates remains the driver of rising raw material imports.

Output at Chile's Codelco copper miner fell 12.1% in H1 vs H1 2018 – Cochilco

Production at Chile's state-owned Codelco copper mining company fell 12.1% to 769,400 tonnes in the first half of 2019 compared with the same period last year. BHP Group's Escondida copper mine - the world's largest - also saw production fall 12% in the first half to 569,900 tonnes. And the Collahuasi copper mine in northern Chile, a joint venture between Anglo American Plc and Glencore Plc, produced 254,700 tonnes in the first six months of the year, 2.8 percent lower versus the first half of last year.

Protests halt top copper mines in Peru from shipping, cut off supplies

Anti-mining protests in Peru have held up about \$400 million in copper exports from some of the country's top mines and blocked supplies from reaching their operations for

nearly three weeks. Last year, the four mines - led by the country's top producer, Cerro Verde - churned out about 1.2 million tonnes, or about half of total copper output from Peru, the world's No. 2 supplier.

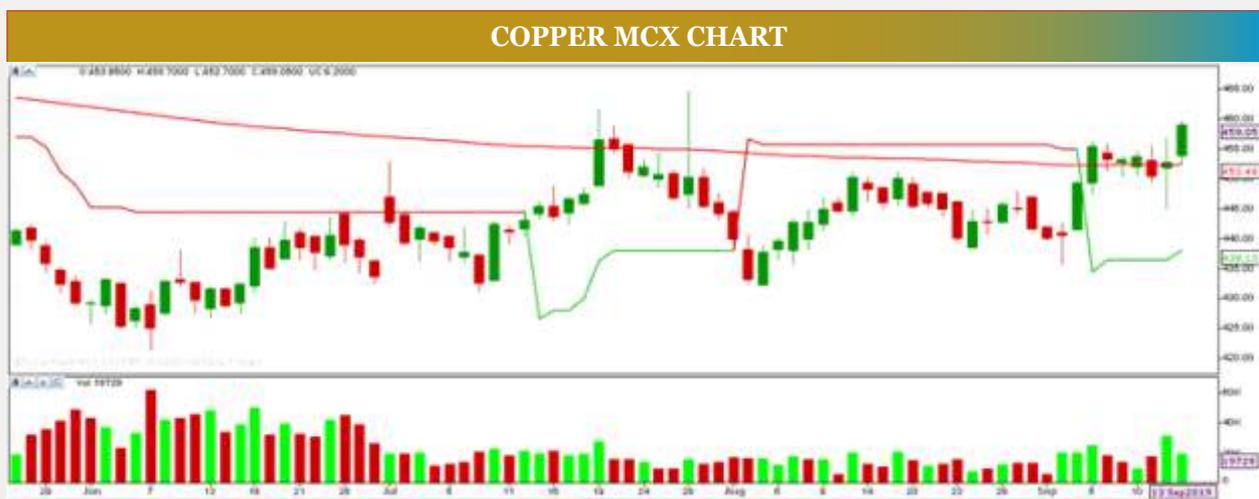
China issues import quotas for 87,680 Tonnes of copper scrap

China issued a third batch of quotas for imports of recently restricted type of scrap metals, including another 87,680 tonnes of high-grade copper scrap, as the world's top metals consumer continues to tightly control waste shipments.



Source: Kitco metals

TECHNICAL OUTLOOK



Copper futures at the MCX platform has settled higher at 456.20 on the previous week. Since last couple of weeks prices are trading higher from 421.50 levels to 459.70. Now the price traded above the trend line. Prices are trading above the 200EMA daily resistance levels of 452.48. The immediate support 445 may act as a trend interrupting point. Overall the commodity is expected to move positive from its support level.



On LME copper has formed double bottom pattern. The support for the counter holds at 5519.25 & resistance holds at 6217.45. Break above 6217.45 could test upside all the way to 6648.80, whereas if prices break below 5519.25 then bears take control from bulls and price could test 5116.20. Current structure & technical indicator indicates high volatility in the counter in the coming few sessions. The bias for market is expected to bullish momentum in the counter, where it can take support at 5519.25; and could face resistance at 621.45 & 6648 respectively.

Nickel

Overview and outlook

Nickel counter ended with strong upside path in the month of August as it Indonesian ore ban concerns kept the sentiment upbeat. Nickel moved in range of 995.00-1177.00 in MCX. The global nickel market deficit narrowed to 45,100 tonnes in the first six months of this year, compared to a deficit of 85,200 tonnes in the same period of 2018, data from the International Nickel Study Group showed.

Shanghai nickel prices hit a record high, as a waste spill at a nickel plant in Papua New Guinea sparked fear of some supply shortage. The premium for cash nickel over the three-month contract on the London Metal Exchange (LME) has spiked to a 10-year high of \$99 a tonne, signalling tight nearby supply. Nickel inventories in LME-approved warehouses have been increasing slightly in August, but are hovering around a six-year low level, while ShFE nickel stocks rose to their highest since June 2018 last week.

LME nickel prices have surged about 50% so far this year, also supported by hopes that electric vehicle (EV) makers will need more nickel for their batteries. Consecutive years of supply deficit have also underpinned prices.

Key news

Nickel ore and Nickel pig iron imports boom

Refined nickel imports hit a 10-month high of 21,500 tonnes in June. More than half was Russian material, reinforcing the perception there has been a renewed flow of Russian full-plate cathode from LME warehouses to China to satisfy short positions on the Shanghai Futures Exchange. Overall, though, first-half imports extended last year's slide, falling by 18%, or 21,500 tonnes, from the same period of 2018. Ever more nickel units for the stainless steel sector are being generated in the form of nickel pig iron (NPI), both in China itself and in Indonesia. China's NPI producers have stepped up their purchases of nickel ore to the tune of 14% in the first half of the year with the Philippines and Indonesia remaining the two largest suppliers. More Indonesian material is making its way

to China in the form of NPI thanks to the ongoing build-out of processing capacity in Indonesia. This material confusingly shows up as ferro-nickel in the customs reports but the give-away is its lower value.

Indonesia sees surge in nickel-related exports after ore export ban

In a move that threatens to cut global supply, the world's top nickel miner said this week it would stop nickel ore exports from Jan. 1, 2020, two years earlier than initially indicated, to promote more domestic processing.

Nickel battery demand supportive for prices

Nickel's medium term outlook is bright, driven by an expected boom in electric vehicle sales and a move towards nickel-rich batteries that can store more energy, giving a longer drive between charges. Demand for nickel from the battery supply chain is expected to double to 400,000 tonnes by 2025 from 200,000 tonnes this year, according to Wood Mackenzie, which is around 8 percent of the current global nickel market. Increasing usage of Nickel

Rapidly rising use of nickel in the batteries that power electric vehicles over coming years means higher prices are needed to incentivise the development of new projects to boost supplies of the metal. Demand for nickel is expected to soar as governments, companies and individual consumers aim to cut the noxious fumes emitted by fossil-fuelled vehicles.



Source: Kitco metals

TECHNICAL OUTLOOK



Nickel future at the MCX platform has settled higher at 1262 on the previous week. At present prices are trading above the weekly 50EMA levels of 1124 and also above 200 EMA levels 961. The Momentum weekly Oscillator MACD is trading the resistance line of 1200, witnessing bullish crossover. Buying can be seen in the counter if it continue to trade above 1200 levels, which take the counter towards 1280/1340 in near-term. If it break below 1124 levels and sustain can see further down side move up to 1080/1030 levels.



Nickel weekly charts on LME have formed doji star (evening star) formation which indicates the selling in the counter. The Last few sessions ended up bullish momentum & current price action suggests that if prices break below 17360 levels then it confirms the selling and takes the bearish rally towards 15400 & 14025 with the resistance of 18842.50. Another scenario indicates that if prices failed to break 17360, then the bulls turn on and we may witness a bullish rally towards 21550. High volatility is expected in the counter as defined by technical indicators.

Lead

Overview and outlook

Lead prices traded on mixed path in the month of Aug as supply shortage supported the prices while US China trade concerns kept the upside capped. Lead prices traded in range of 150-157 in the August month in MCX.

According to data from the International Lead and Zinc Study Group, global refined lead market deficit increased to 65,000 tonnes in Jan-Jun, compared with 37,000 tonnes in the year-ago period. Lead mine production reached 2.30 million tonnes up from 2.28 million tonnes last year paced by increases in Europe, India and Peru. Lead metal production reached 5.74 million tons, up from 5.64 million tons last year, with the increase paced by China, India and the Republic of Korea. Global weaker PMIs are pointing to slowing industrial activity, which in turn is weighing on industrial metal prices.

Key News

Port Pirie smelter problems

The Port Pirie smelter, which last year produced 160,000 tonnes of lead, originally went down on May 28 with the company declaring force majeure on deliveries to customers. Nyrstar stated on July 19 it had commenced the restart of operations and confirmed on July 31 the smelter was fully back up and running. It pegged the hit on production at around 30,000 tonnes. So Lead's supply-demand dynamics, in other words, are particularly fluid right now, which makes the amount of metal lost at Port Pirie particularly significant. Another 30,000 tonne hit would have a sizeable bearing on global production outside of China.

Falling global auto sales impacting Lead prices

More than 80% of lead usage comes from batteries and the biggest component is automotive batteries. That includes even new electric vehicles, which have a small lead battery to control operating systems, while lithium-ion batteries are used to actually propel the vehicle. Global automotive sales are falling just about everywhere but they are sliding particularly hard in

China, the world's largest market, and India, the market with the greatest growth potential.

ILZSG estimates

Provisional data reported to the ILZSG indicate that world refined lead metal demand exceeded supply by 65kt during the first half of 2019. Over the same period total reported stock levels decreased by 24kt.

Growth of 0.9% in global lead mine production was primarily a consequence of rises in Europe, India and Peru. However, these were partially balanced by a reduction in China.

A 1.8% increase in global lead metal production was mainly a result of higher output in China, India and the Republic of Korea. Production also grew in Italy, Mexico and the United States. In Argentina, where operations at Glencore's Palpala primary smelter were suspended at the end of 2018, Kazakhstan and Japan, output was lower than in the same period of 2018.

Refined global lead metal usage rose by 2.3%, primarily influenced by rises in China and India. In Europe and the Republic of Korea, usage was at a similar level to the first half of 2018. However, in Japan and the United States demand decreased by 2.7% and 5.6% respectively.

Chinese imports of lead contained in lead concentrates increased by 44.1% to 421kt. Net imports of refined lead metal totalled 86kt compared to net exports of 3kt over the same period of 2018.



Source: Kitco metals

TECHNICAL OUTLOOK



Lead future at the MCX platform has settled higher at 155.40 on the previous week. At present prices are trading above the weekly 50EMA levels of 145.00. The Momentum Oscillator Stochastic (14,3,3) is now witnessing positive divergence and also providing bullish crossover for short term basis. The lower side of 200EMA levels supports is at 148 which will be act the crucial support in coming weeks. Overall the commodity is expected to move higher from its support level of 148.



Lead weekly charts on LME has formed V- Bottom pattern. A V bottom often occurs in a bearish trend and announces a trend reversal. The last few sessions are ended up in bullish trend along with correction. Based on current price action, the market is expected to continue on bullish momentum. Presently the counter is kissing the resistance line of 2121.10. If prices break & hold above 2121.10 then it can extent rallies towards 2337.64 & 2560.60. On the contrary, another scenario indicates that if price failed to break above the key 2121.10 then a corrective rally could test all the way to 1910 in the shorter horizon. Buy on dips suggested for the counter.

Zinc

Overview and outlook

Zinc prices ended the month of August in red as decline in demand from stainless steel sector and US China trade war kept the prices under pressure. Overall zinc traded in range of 179-192.25. The global zinc market swung into a 10,900 tonne surplus in June from a revised deficit of 38,200 tonnes in May, data from the International Lead and Zinc Study Group (ILZSG) showed.

Key News

ILZSG estimates

According to preliminary data recently compiled by the ILZSG, the global market for refined zinc metal was in deficit by 134kt over the first half of 2019 with total reported inventories increasing by 34kt.

Despite reductions in China, Finland, India, Ireland, Mexico, Peru, Turkey and the United States, World zinc mine production rose by 1.9%. This was primarily a consequence of a substantial increase in Australia, together with rises in Namibia, South Africa and Sweden. Higher refined zinc metal production in China, Mexico and Peru was more than balanced by decreases in Canada, India and the Russian Federation, resulting in an overall decline globally of 0.4%.

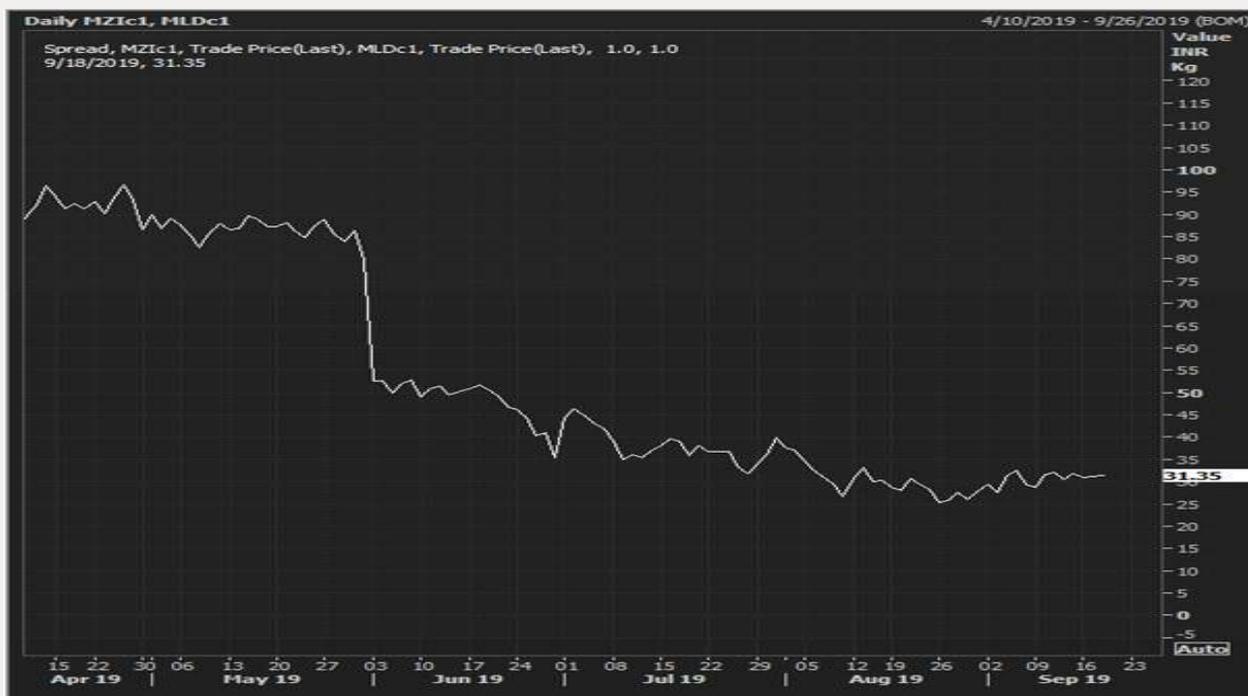
A modest 0.2% increase in global usage of refined zinc metal was mainly a consequence of rises in the Republic of Korea, South Africa and the United States that more than offset reductions in Europe, Japan and Turkey. Apparent usage in China remained stable.

Chinese imports of zinc contained in zinc concentrates fell by 9.1% to 644kt. Net imports of refined zinc metal totalled 322kt, an increase of 25% compared to the first half of 2018.

New Century expects to increase production from Australian zinc mine

New Century Resources has improved metal production rates and decreased operating costs at the Century operation by incorporating a full cleaner circuit at its zinc processing facility in Australia. From May to August, the Century mine increased average daily zinc metal production by over 30% and reduced costs by 24%. New Century said the upgraded cleaner circuit has also resulted in enhanced zinc concentrate product quality, with operations now regularly achieving average zinc grades of 49% to 50% zinc.

Zinc Lead Spread



Source: Reuters

Analysis: Zinc and Lead spread can move in range of 36-54 in the month of July 2019.



Source: Kitco metals

TECHNICAL OUTLOOK



Zinc future at the MCX platform has settled little higher at 184.80 on the previous week. From last couple of weeks, prices are trading lower from 233.40 to 180.60. At present prices are trading below the daily 200EMA levels 195.00 and as well as below the weekly rising trend line resistance levels 190. The intermediate trend is bullish but in short term basis below 180 can see further down side up to 175/165. But the view will be intact until the recent low 180 is not interrupted.



Zinc daily charts on LME has formed bullish engulfing pattern. Based on the current chart pattern, the market is expected to reverse and take on bullish momentum, once the same break above a key resistance holding at 2410. If prices hold above the key resistance then bullish rally may extend towards 2670-2815. Another scenario indicates that if prices hold below key support of 2200 then it may test 2010. Higher volatility is expected in the counter as defined by technical indicators. The counter may take support near 2200 and could face resistance at 2410.

Aluminum

Overview and outlook

Aluminum prices ended on negative note as it moved in range of 139.85-145.25 in the month of June. The U.S. Commerce Department has agreed to Tesla Inc's request to waive 10% tariffs on imported aluminium from Japan used in the manufacture of battery cells at Tesla's Nevada Gigafactory.

According to the International Aluminium Institute "Global aluminium production flatlined in the first quarter of this year" China global production rose by a marginal 0.3 percent year-on-year as China remained the world's dominant player with a 57 percent share of world production.

Key News

Tariff relief but no price relief for U.S

The United States in May removed tariffs on imports of steel and aluminium from Canada and Mexico. A

stroke of the presidential pen has liberated the largest supplier of aluminium to the U.S. market from the 10% duty that was imposed in the middle of last year. Canada accounted for 51% of total U.S. imports of primary aluminium in 2018. Australia and Argentina were exempted from tariffs from the start and together with Mexico they accounted for another 8% of the country's imports.

Producers seek Q3 aluminium premium of \$115-\$120/T from Japan buyers

Top aluminium producers have offered Japanese buyers premiums of \$115-\$120 a tonne for July-September primary metal shipments, up 10%-14% from the current quarter, amid tighter supply. Japan is Asia's biggest importer of the metal. The premiums it agrees to pay each quarter for primary metal shipments over the London Metal Exchange (LME) cash price set the benchmark for the region. For the April-June quarter, Japanese buyers agreed to a premium of \$105 per tonne, up as much as 27% from the prior quarter, marking the first increase in three quarters.



Source: Kiteo metals

TECHNICAL OUTLOOK



Aluminium Future at the MCX platform has settled little higher at 139.80 on last week, from the previous closing price of 137.80. Now the prices have trading near the 18 days moving averages of 140. On the downside, the channel support is identified in the range of 139. From a longer term prospective, break below the above support zone shall invite a change in trend but the same is likely to face strong support near 139. Thus, any change to the medium term trend has to break below 139 for confirmation in the coming months otherwise the price will move higher.



Aluminium weekly charts on LME prices have formed dead cross formation. Based on current price action it may continue to trade in a bearish momentum & approach all the way to 1650. Alternatively, if the key support, 1700 holds strong then the market might retest 1853.94 & 1930 and turn bulls once again. The immediate support for counter holds at 1700 whereas resistance holds at 1853.94 & 1930. Low volatility is expected in the counter as defined by technical indicators.

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



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

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