

Special Monthly Report on

BASE METALS

APRIL 2021

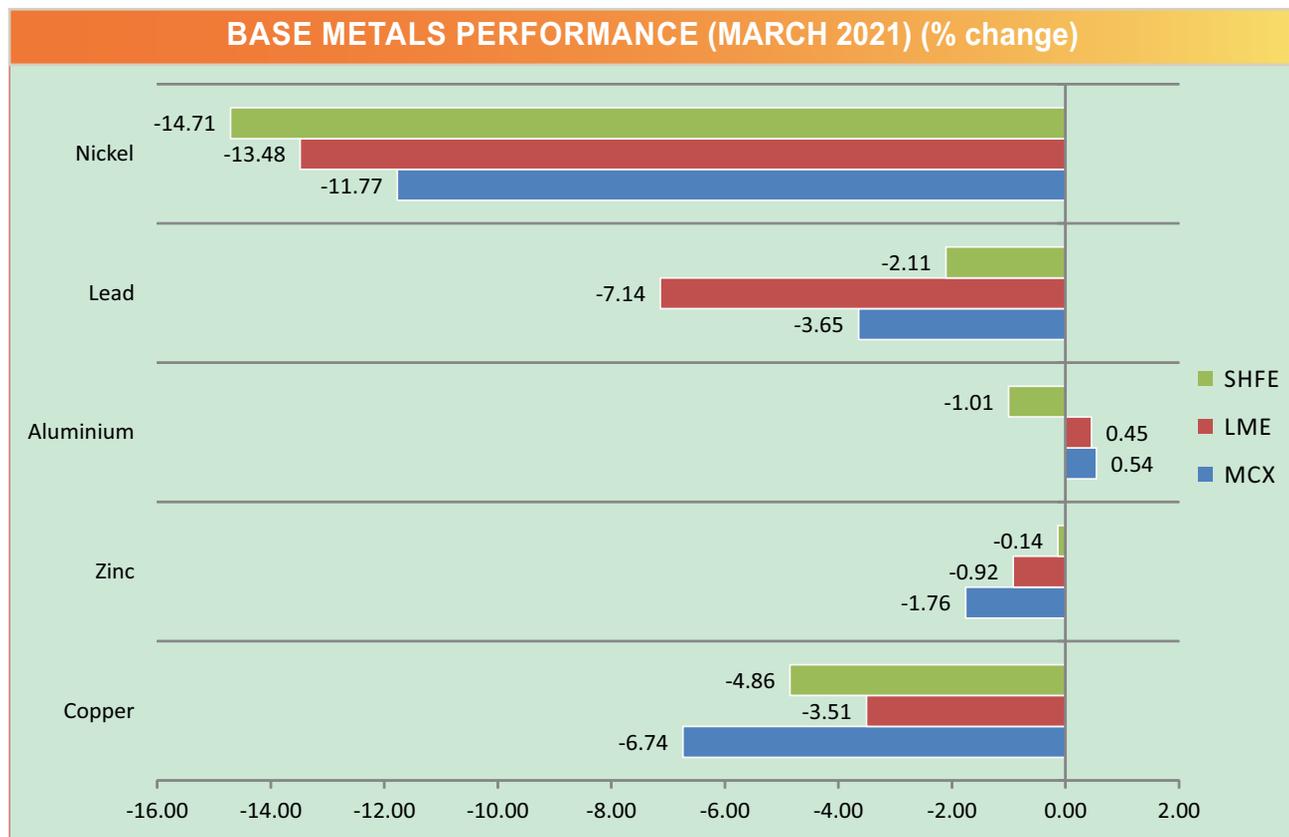


COPPER • NICKEL • LEAD • ZINC • ALIUMINUM

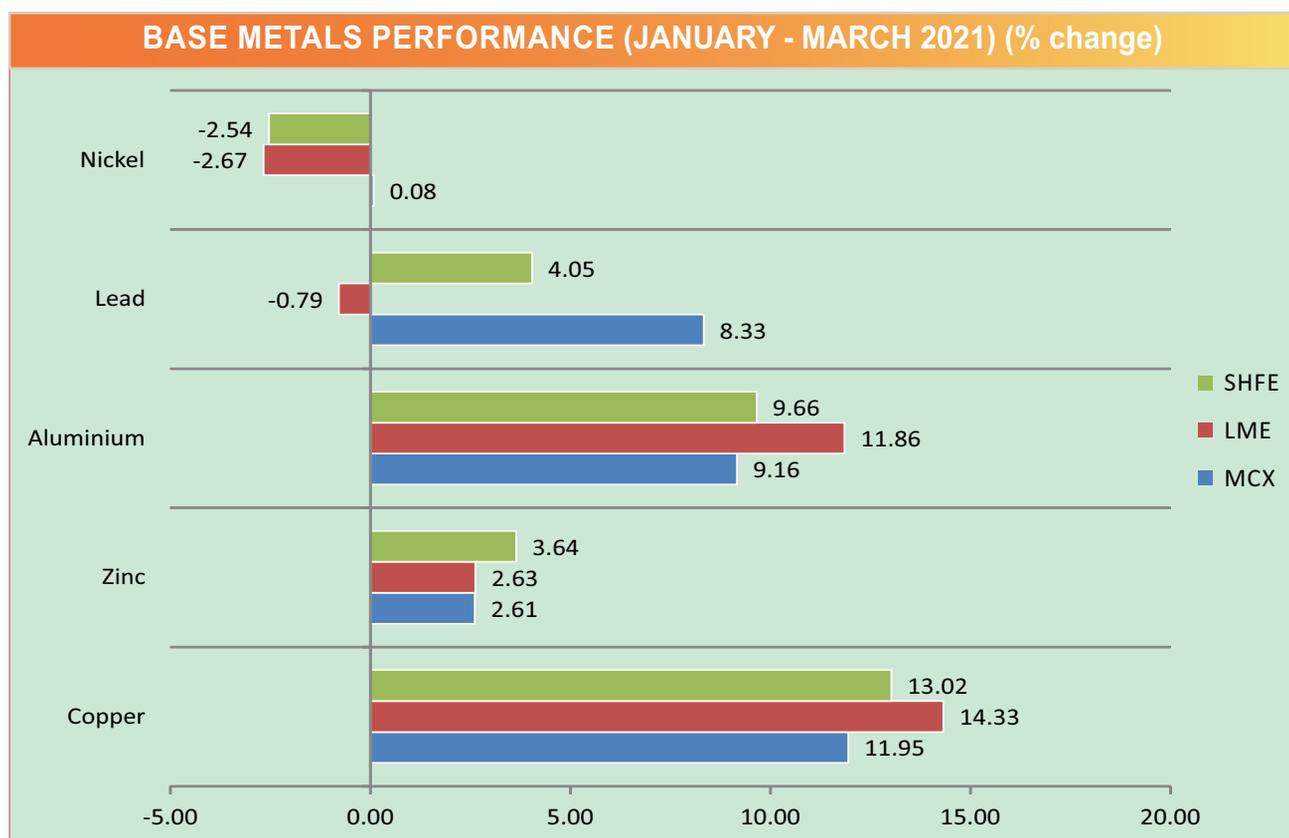


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In March 2021, base metals complex fell after strong buying in previous month with most of them including copper, zinc, lead and nickel lost on worry of demand due to resurgence of Covid-19 in many countries and rising warehouse stock across the Exchanges. China's manufacturing activity expanded at the quickest pace in three months in March as factories cranked up production.

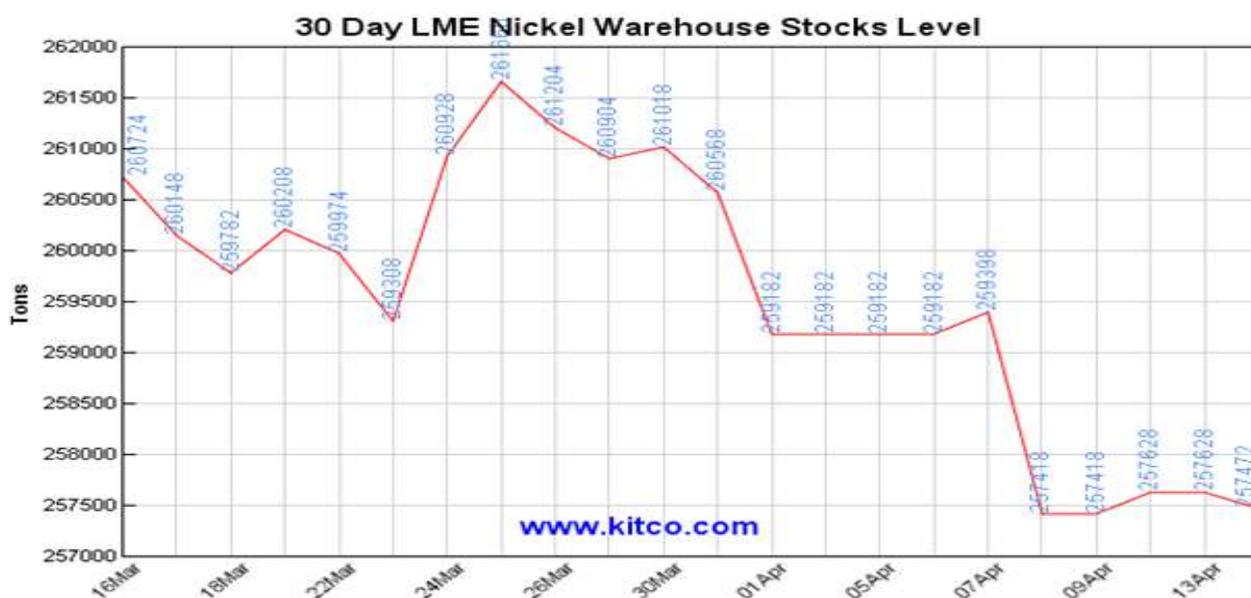


Source: SMC Research & Reuters



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- Nickel prices witnessed profit booking across the board & lost 12-15% after jump of more than 5% in previous month on all three major exchanges vis a vis, SHFE, LME and MCX after Tsingshan's announcement to produce a large amount of nickel matte for conversion into nickel sulfate for battery-making customers.
- Russian metals producer Nornickel said it will boost output of nickel products at its Harjavalta plant in Finland as it bets on the expanding market for battery materials needed for electric vehicles (EV).
- It plans to raise production of nickel products to 75,000 tonnes by 2023 and to more than 100,000 tonnes by 2026, including at least 40,000 tonnes of nickel sulphate solution. This solution would be enough to produce 1 million of electric vehicles, based on the current nickel per car usage.
- Estimates of nickel consumption by the global electric and hybrid vehicles sector vary from 400,000 tonnes to 700,000 tonnes a year by 2025, said Nornickel.
- Chinese battery material maker CNGR Advanced Material Co said it would set up a joint venture in Indonesia to produce nickel matte, used to make chemicals for electric car batteries, with a Singapore-based partner.



Source: Kitco metals

Technical - Weekly Chart of Nickel (MCX)



Source: SMC & Reuters

Nickel future at the MCX platform has settled higher at 1252.70 on the previous week. At present prices are trading above the weekly 50 EMA levels of 1240.24 and also above 200 EMA levels of 1179.27. The Momentum weekly Oscillator MACD is trading above the resistance line of 1220, witnessing bullish crossover. Buying can be seen again in the counter if it continues to trade above 1220 levels, which take the counter towards 1265/1300 respectively. If it break below the support line of 1200 levels and sustain can see further down side move towards 1180/1165 levels in short term basis. Overall the commodity is expected to move higher from its support level.

- We saw more than 3.5% downside in lead prices in MCX whereas it was more than 7 % lower in LME in last month. In SHFE it lost more than 2% only.
- China's March refined lead production was 383,000 tonnes, up 54,000 tonnes from February and up 14.7% year-on-year, said Antaika, which sees April output rising to 390,000 tonnes on higher recycled lead supply.
- The global lead-acid battery market size was valued at \$39.7 billion in 2018, and is projected to reach \$59.7 billion by 2026, growing at a CAGR of 5.24% from 2019 to 2026.



Source: Kitco metals

Technical - Weekly Chart of Lead (MCX)



Source: SMC & Reuters

Lead future at the MCX platform has settled little higher at 164.45 on the previous week. At present prices are trading above the daily 18 EMA levels of 162.85. 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 levels. **Now the crucial resistance is seen at 168, sustainable trade above this level will see the good upside move towards 173/177 in this month and if the prices has sustain below 162 levels then can see the downside/ correction move towards 160/157 respectively.**

- Aluminum prices also felt bearish pressure in last month on line of southward journey of rest of base metals as it lost 1% in SHFE but managed to close in green zone anyhow on MCX & LME due to falling inventories in LME and ShFE warehouses.
- Combined aluminium inventories in LME and ShFE warehouses have fallen 4.5% since a near-three-year high level hit on March 19, but current stockpiles of 2.23 million tonnes were still 43% higher than the beginning of the year China's aluminum prices will rise steadily and domestic smelters will continue to enjoy healthy profit margins in the first half of 2021 thanks to production curbs and destocking driven by economic recovery and strong demand.
- Traders said there were market talks that China's Xinjiang region will limit output of aluminium, an energy intensive industry, as the country strives to curb pollution.
- The European Union has set provisional tariffs on aluminium flat-rolled products from China after an initial investigation found they were being sold into the bloc at artificially low prices. The European Commission has set duties of between 19.3% and 46.7%.



Source: Kitco metals

Technical - Weekly Chart of Aluminum (MCX)



Source: SMC & Reuters

Aluminium Future at the MCX platform has settled higher at 182.25 on last week, from the previous closing price of 178.15. From last couple of months, prices have been traded higher and bounced from its support level of 160. Now the prices have trading above the 18 days moving averages of 181.62. The short to medium term channel resistance of 182 is already breached and now well sustained above the 18 days moving averages of 181.62. **Now the next immediate resistance is seen at 191, sustainable trade above it will see the good move towards 196/200 and if it breaks the immediate support line of 181 then it will see the downside move towards 176/172 respectively.** Overall the commodity is expected to move higher from its support level. Thus we recommend buy on dips in the current month.

- In March, zinc prices closed in red zone as rising inventory in exchanges weigh on the price.
- Teck Resources and its smelter customers Glencore and Korea Zinc nearly halved treatment and refining charges (TC/RCs) in a deal for 2021 to \$159 per tonne due to tight mine supply, Fastmarkets reported.
- According to the International Lead and Zinc Study Group (ILZSG), the global zinc metal production for January 21 has fallen to 1,190.2 thousand tonnes, higher compared to 1,212.6 tonnes in the preceding month. Zinc usage has been reported to be lower at 1,178.5 tonnes for January 21 compared with 1,181.1 thousand tonnes reported during December 20.
- Falling production is likely to add worries to the prices, however, the demand/usage of metals and ores is also forecasted to remain strong especially in China and other Asian countries with positive economic reports in India.



Source: Kitco metals

Technical - Weekly Chart of Zinc (MCX)



Source: SMC & Reuters

Zinc future at the MCX platform has settled higher at 227.70 on the previous week. At present prices are trading above the daily 200EMA levels 204.80 and above the weekly rising trend line resistance levels of 211. **The long term trend is bullish only and we have already seen the correction on last month from 236 to 210.15, now if the price will sustain below 218 levels will see the downside move towards 212/207 and if it trade above 231 levels and sustain will see further upside move towards 238/245 respectively. But the view will be intact until the recent low 218 is not interrupted.**

- Copper is often used as a gauge of global economic health. Copper prices lost 6.75% in MCX and 3.5% in LME, first monthly decline in a year, due to firm U.S. dollar, demand concern due to new wave of coronavirus infections in Europe and rise in inventories in the London Metal Exchange.
- Copper stockpiles in LME-approved warehouses hit their highest since Nov. 5 at 172,025 tonnes.
- China's March copper imports rose 25% from a year earlier, customs data showed on Tuesday, amid increasing demand for the metal. Arrivals of unwrought copper and products totalled 552,317 tonnes last month, the General Administration of Customs said, up from 441,926 tonnes in March 2020, and up 34.7% from a 13-month low of 410,040 tonnes in February. China's manufacturing expanded at a faster-than-expected pace in March, while activity in the construction sector also increased amid warmer temperatures. Copper imports in the first quarter totalled 1.44 million tonnes, up 11.9% year-on-year, and the highest first-quarter amount since at least 2008, according to Reuters data.
- A supply squeeze in concentrates partially outweighed signs of weaker than expected demand for refined copper in China, the world's biggest consumer, as it enters a traditionally strong demand season in the second quarter.
- Treatment charges—to turn copper concentrate into metal— have crashed because of disruptions to mine supply globally. Smelters have had to accept lower treatment charges to ensure they have enough feedstock to keep their operations going.
- Chile, the world's largest copper ore exporter, announced plans to shut its borders for 30 days due to a raging COVID-19 pandemic, causing uncertainty over global copper supplies.



Source: Kitco metals

Technical - Weekly Chart of Copper (MCX)



Copper futures at the MCX platform has settled higher at 689.85 on the previous week from the previous closing price of 669.40. The prices have been well sustained above the trend line resistance of 645. **Now the immediate resistance is seen at 719. If the price will sustain above the immediate next resistance line of 719 it will continue to move upside towards 750 and break above it will see further upside towards 765/780 very soon. If the price sustain below the 1st support line of 685 can see the down side move towards 670/655 levels in the near term basis.** Overall the commodity is expected to move higher from its support level.

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