

SPECIAL MONTHLY REPORT ON

BASE METALS

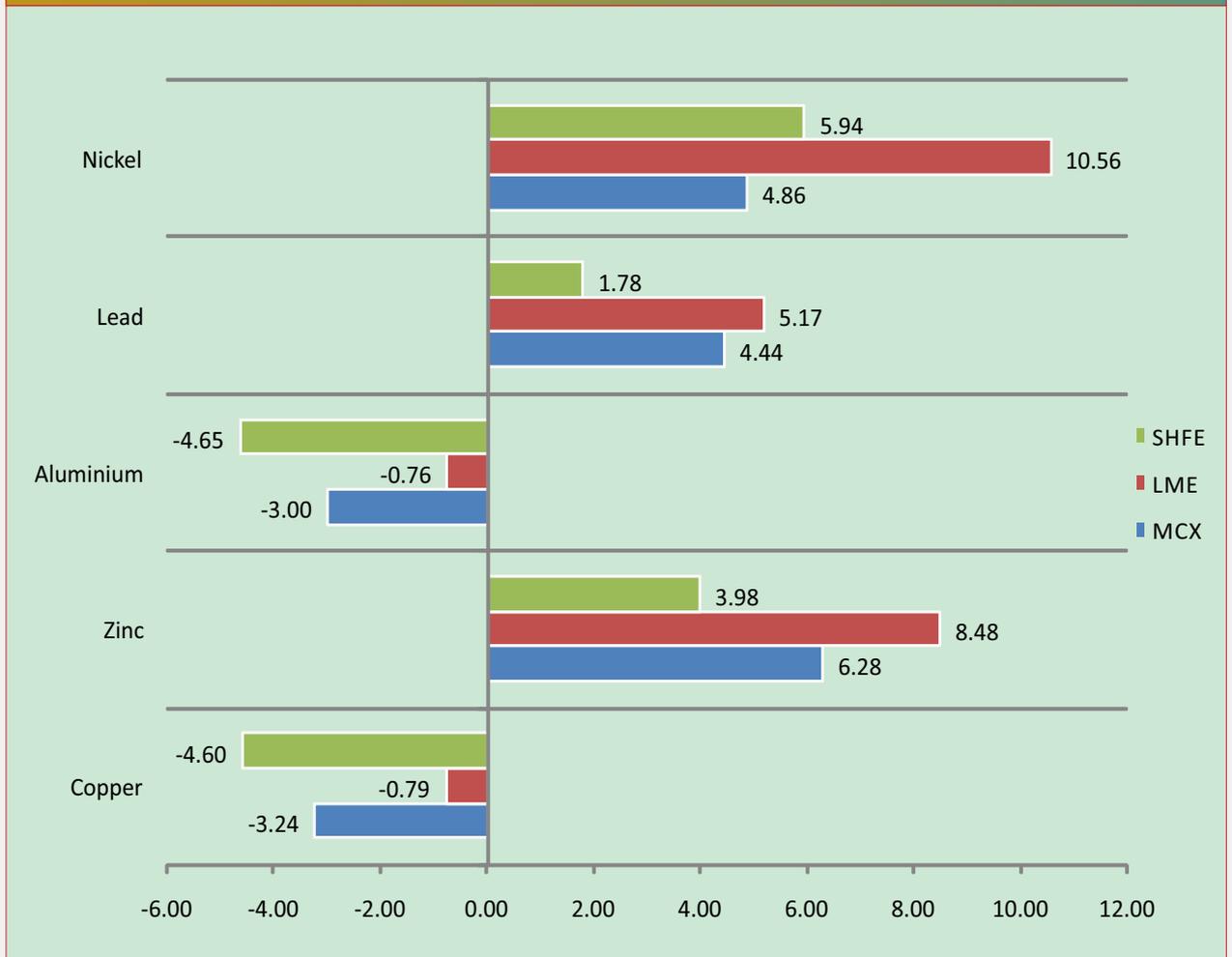
FEBRUARY 2018



Moneywise. Be wise.

COPPER • NICKEL • LEAD • ZINC • ALIUMINUM

BASE METALS PERFORMANCE (January 2018) (% change)



COPPER

Overview and outlook

Copper ended the month on negative note as it moved in range of 439.40-467.85. Sharp slump in the global stock markets amid rise in dollar index and rising yields kept the prices under pressure.

Copper prices in January fell on surprise inventory additions of 51% m-o-m basis and weak data releases.

China's economy grew faster than expected in fourth quarter from year earlier, helped by rebound in industrial sector. Data showed growth in Oct to Dec period from year earlier was 6.8%, unchanged from third quarter and above expectations for 6.7% growth. Growth for 2017 full year picked up to 6.9% YoY, the first annual acceleration for economy since 2010.

Output at BHP Billiton's Escondida mine, in Chile, the largest copper mine in world, fell 7.8% in 2017 compared to the prior year due to a prolonged strike. The decline to 903k tonnes came despite the start of operations at a new wing. Several copper mines in Latin America, including Escondida, which is the largest copper mine globally, are expected to negotiate labor contracts this year.

Looking ahead, copper prices may remain on volatile path as its prices can trade in range of 415-470 in February.

Key news

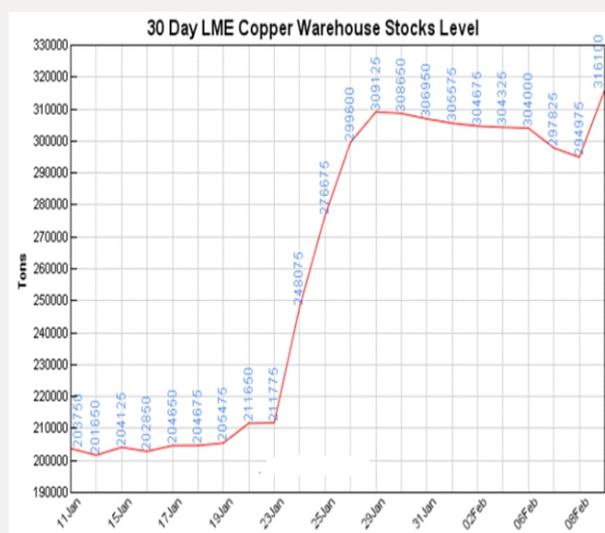
China Copper imports

As per Chinese customs data, unwrought Copper imports in China declined by 2% in January. China is the world's largest copper consumer. China accounts for almost 45% of the global demand. Since China isn't self-sufficient regarding copper assets, it needs to import copper. Last month, China imported 443,000 metric tons of unwrought copper and copper products. In comparison, China imported 450,000 metric tons in December 2017 and 380,000 metric tons in January 2017. While January imports fell slightly on a sequential basis, they rose 16.6% year-over-year.

Chile to increase production

Top copper producer Chile will likely churn out 5.9 million tonnes of the red metal in 2018, up 7 percent from this year's estimated output that was curbed by a strike at the world's biggest copper mine.

In the month of February 2018 copper prices may remain on upside path as supply side concerns can support the prices. Movement of various economic indicators such as PMI home sales, employment data and Chinese demand will give further direction to the copper prices.



Source Kitco metals

Range

Copper

MCX: Rs 415-470 per kg

LME: \$6700-7200 per tonne

Nickel

Overview and outlook

Nickel prices ended higher in the month of January as good demand from stainless steel prices supported the prices higher. Overall it moved in range of 782.40-888.50.

Nickel prices can move in range of 800-940 in the month of February 2018.

U.S. President Donald Trump recently stated that his long-awaited plan to help rebuild the nation's infrastructure would result in about \$1.7 trillion in overall investment over the next 10 years.

Nickel prices to remain high over next couple of months on supportive macroeconomic backdrop and market tightening driven by Chinese nickel pig iron cuts in Shandong province during winter heating season. Nickel prices hit a one-month high on concerns that China might order further output cuts as it ramps up efforts to clean its skies.

Key news

Supply concerns in Philippines

Philippine lawmakers filed a bill seeking to ban mining in watershed areas and exports of unprocessed ores and require miners to get legislative approval before operating. The Philippines is the world's top nickel ore supplier.

Indonesia exports

Indonesia's PT Aneka Tambang Tbk (Antam) received a recommendation from the mining ministry for an additional 1.25 million tonnes of nickel ore exports over the next 12 months.

Deficit expectation supported Nickel prices

Nickel prices rose higher recently as it got support from the expectations that market deficits will widen in the future. The global nickel market swung to a wider deficit of 6,700 tonnes in August from the month before, as nickel production at Brazil's Vale fell 4.3% yoY in the last quarter. Deficit expectations rather than cost of production are lifting nickel prices.

In the month of February 2018 Nickel prices may remain on positive path as good demand from steel sector along with supply concerns and movement of local currency is likely to influence its prices on domestic bourses.



Source Kitco metals

Range	
Nickel	
MCX :	Rs 800-940 per kg
LME:	\$12400-14800 per tonnes

Lead and Zinc

Lead

Overview and outlook

The battery metal Lead had a positive start to the year 2018. Increase in battery demand coupled with some supply side tightness is the key factor assisting the rally in this metal. Lead prices witnessed steady upside as it tested high of above 167 in January 2018.

In China, every year, millions of Chinese are hitting the streets on "e" bikes battery powered contraptions that are increasingly popular as soaring fuel prices make traditional motorbikes and scooters expensive to drive. Everyone looks at the "e" bike as a replacement for a motorbike. But for the lead industry, it's an astonishing change. This demand from battery from e-bikes will continue to assist the prices of lead in near term. More than 80 percent of global lead consumption at around 11 million tonnes in 2017 goes toward batteries mainly for autos, demand for which has risen sharply in countries such as China due to growing affluence.

In the month of February lead prices can trade in range of 150-180

Key News

Seasonal demand for car batteries lifts lead to 11-week peak

Expectations of seasonally strong battery demand and the likelihood of shortages over the winter months spurred investor buying in the Lead metal. The severe cold snap in the US has refocused interest on lead. Plunging temperatures raise the prospect of a surge in car battery failures leading to a spike in replacement battery demand.

ILZSG Estimates of Lead

According to preliminary data recently compiled by the ILZSG, world refined lead metal demand exceeded supply by 169kt during the first eleven months of 2017. Over the same period total reported stock levels decreased by 33kt.

Global lead mine production rose by 3.0% over the first eleven months of 2017 compared to the same period in 2016. This was mainly due to increases in China, India and Kazakhstan that more than offset a significant fall in Australia and reductions in Sweden and the United States.

A 3.1% increase in world refined lead metal output was mainly influenced by higher output in China and India that more than balanced a decrease of 8.6% in the United States.



Source Kitco metals

Range

Lead

MCX : Rs 150-180 per kg

LME: \$2450-2680 per tonne

Zinc

Overview and outlook

Zinc prices ended the month of January on positive note due to supply concerns and increase in cancelled warrants. Zinc moved in range of 211.10-229.85. China's crackdown on pollution could hurt the country's smaller zinc miners and support prices.

Zinc can hover in range of 210-240 in the month of February.

Key news

ILZSG estimates of Zinc

Provisional data reported to the ILZSG indicate that the global market for refined zinc metal was in deficit by 485kt over the first eleven months of 2017 with total reported inventories decreasing by 320kt over the same period.

Higher zinc mine production in Canada, Eritrea, India, Namibia and Peru influenced an increase in global output of 4.8%, more than offsetting reductions in Australia, Ireland and Sweden.

Overall global output of refined zinc metal decreased by a marginal 0.3%, despite a sharp rise in India. This was primarily due to lower production in Canada, China, the Republic of Korea, Peru and Thailand.

World usage of refined zinc metal rose by 1.9%, mainly driven by an increase in apparent demand in China of 2.1%. In Europe and the United States usage remained at a similar level to that in the same period of 2016.

Imports into China of zinc contained in zinc concentrates increased by 27.0% to 935kt over the first eleven months of 2017. Chinese net imports of refined zinc metal rose by 47.1% to total 562kt of which 123kt was imported in November.

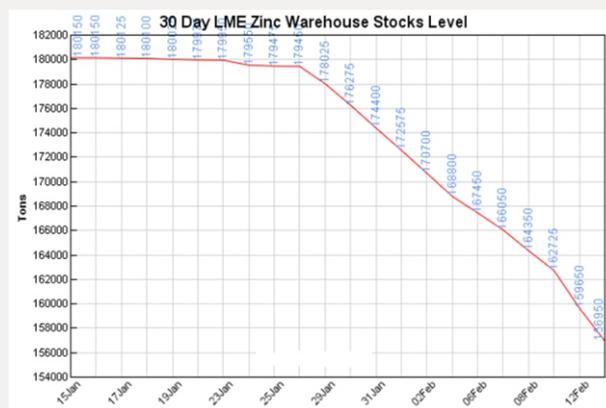
Lead and zinc Spread



Source: Reuters

Analysis: Lead and Zinc spread can move in range of -65 to -50 in February 2018.

In February 2018, Zinc and Lead prices can trade on volatile path. Overall its prices will depend upon automobile, construction and infrastructure demand. Moreover situation of cancelled warrants along with stock position will impact its prices.



Source Kitco metals

Range	
Zinc	
MCX:	Rs 210-240 per kg
LME:	\$3250-3650 per tonne

Aluminum

Overview and outlook

Aluminum ended last month on negative path as it moved in the range of 136.40-145.45 in the month of January.

China's curtailing its polluting industrial capacity in several industries including steel and aluminum in a bid to address rising pollution levels.

Aluminum prices can move in range of 130-148 in the month of February.

Key News

China imports rose in January

In January, China exported 445,000 metric tons of unwrought aluminum—a 14.1% increase YoY (year-over-year). Exports also rose compared to the sequential month. China's aluminum exports rose 4.5% YoY in 2017.

China Aluminium Capacity cuts

It's worth noting that the winter month capacity cuts that started in mid-November will last until the middle of March. So, December and January were the two months when the capacity cuts were in place for the entire month. China's aluminum exports rose 12.8% and 14.1% YoY in December and January, respectively. Higher Chinese aluminum exports haven't had a material impact on aluminum prices in the past few months.

In February 2018 aluminum prices are expected trade on upside path as demand from auto and construction sector will give support its prices.



Source Kitco metals

Range	
Aluminum	
MCX :	Rs 130-148 per kg
LME:	\$2000-2300 per tonne

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