

**SPECIAL MONTHLY
REPORT ON**

**BASE
METALS**

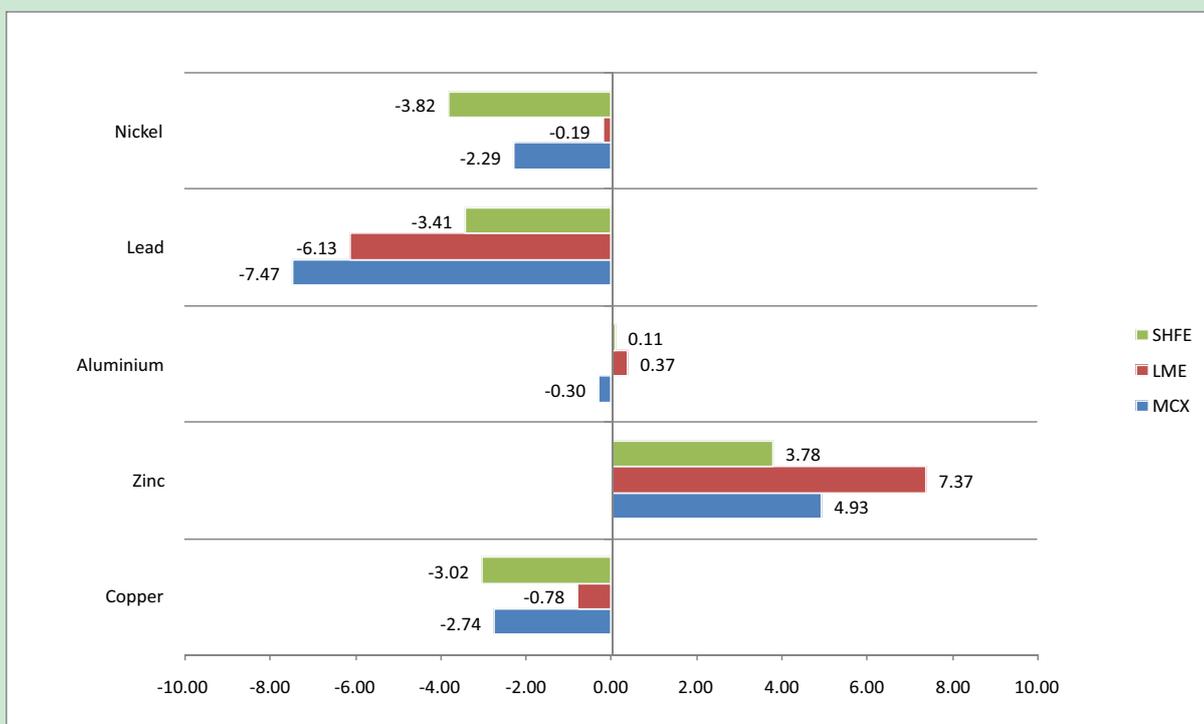
APRIL 2019



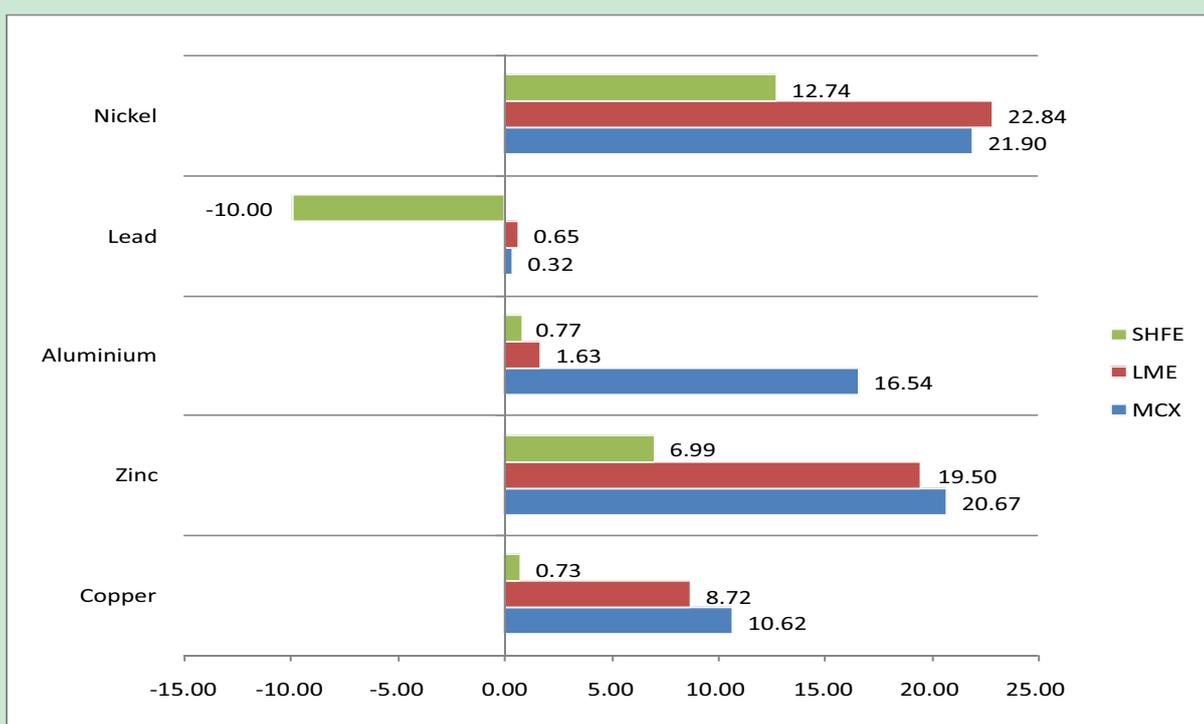
Moneywise. Be wise.

COPPER • NICKEL • LEAD • ZINC • ALIUMINUM

BASE METALS PERFORMANCE (March 2019) (% change)



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



COPPER

Overview and outlook

Copper ended slightly lower in the month of March as uncertainty regarding Brexit concerns and fear of slowdown in US amid weak economic indicators kept the prices under pressure but hope of trade deal between US and China supported the prices. Copper traded in range of 434.20-468.65. Capping gains in Copper is a 17% jump in on-warrant LME inventories to 761,425 tonnes recently. The reactivation of a smelter belonging to Chile's state owned Codelco, the world's largest copper producer, will take more time than expected the country's mining minister stated. A union at Chile's Sierra Gorda copper mine with over 520 workers, controlled by Polish mining company KGHM, could go on strike after rejecting the latest offer in contract negotiations.

Key news

Copper is tight but not as tight as LME stocks suggest

Chinese smelters have been caught between a tight concentrates market and an escalation of environmental regulations. The amount of available copper stored in the London Metal Exchange's (LME) warehouse system fell to 21,600 tonnes recently, the lowest level since 2005. The year 2005 marked the start of an extraordinary six year rally that was only briefly interrupted by the Global Financial Crisis.

China copper imports

China imported a record amount of refined copper in 2018 at 3.75 million tonnes, and the country's appetite showed no signs of diminishing in January this year. In February copper imports totalled 336,680 tonnes, up 7 percent year-on-year. The copper price more than tripled over the period, topping out early 2011 at \$10,190 per tonne. The country also continues to import huge amounts of copper concentrates. Last year's tally of 19.7 million tonnes, bulk weight, was a fresh annual high and January's imports of 1.9 million tonnes were up another 18 percent year-on-year. The country also continues to import huge amounts of copper concentrates. The combination of strong imports of copper in both concentrates and refined

form is more anomalous. Higher concentrates imports should mean higher domestic production, reducing the need for imports of metal in refined form.

Philippines' Philex delays copper-gold mine start by four years

Philippine copper and gold producer Philex Mining Corp stated that the start of output at its Silangan mine in the south of the country would be delayed by four years until 2022, hit by a national ban on new open-pit mining.



Source: Kitco metals

SHFE Copper



TECHNICAL OUTLOOK



Copper futures at the MCX platform has settled higher at 443.25 on the previous week. Since last couple of weeks prices are trading higher from 397 levels to 468. Now the price has been in corrective mode. Prices are trading slightly above the 200EMA weekly support levels of 441 and below the 50EMA 444. The immediate support 440 may act as a trend interrupting point. Overall the commodity is expected to move higher again from its support level of 440.



LME Copper bounced from key level of 200-SMA 5795.46; well also trading above 50-SMA & 100SMA. A correction towards 6265 considered as buying opportunity in the counter. Based on current chart patterns 6450-6265 act as strong support for counter whereas upside it may face hurdle in range of 6590-6730. MACD is also trading above center line & enter into bullish territory which also confirms the bull trend. Buying on dips is suggested in Copper.

Nickel

Overview and outlook

Nickel counter ended in red last month as decline in demand from stainless steel sector kept the prices under pressure. But fall in LME stocks capped the downside. Nickel moved in range of 878.30-969 in MCX. Data from the International Nickel Study Group showed that nickel market deficit at 46,000 tonnes in 2016, 115,000 tonnes in 2017 and 127,000 tonnes last year.

Key news

Top Philippine nickel miner says 2019 ore sales steady, exports to China to fall

Nickel Asia Corp, the Philippines' top nickel ore producer, expects its 2019 shipments to be unchanged from last year, although it plans to increase its domestic sales to maximize profits. Top nickel producer Indonesia, though, has been ramping up shipments to China after lifting a ban on metal exports in 2017, with Chinese buyers preferring the higher-grade Indonesian ore. Nickel ore sales for this year will be about the same as the 19.3 million wet tonnes sold in 2018, which were up from 17.7 million wet tonnes sold in 2017.

Nickel for batteries

LME nickel-linked deliveries last year to the two Philippine processing plants accounted for 40 percent of the sales, or 7.81 million wet tonnes, down from 8.06 million wet tonnes in 2017.

Philippine nickel producer DMCI sees tough year with mine shut, inventory declining

Philippine nickel producer DMCI Mining Corp, a unit of conglomerate stated that it expected 2019 to be a tough year, with one of its two mines still suspended and its inventory almost depleted. DMCI's mines, operated by subsidiaries Berong Nickel Corp and Zambales Diversified Metals Corp, were among those ordered shut in 2016 when the government launched an industry-wide crackdown on miners as part of a push to ramp up environmental protection. The closures and the threat of more mines being suspended in what, at the time, was the world's top nickel ore

supplier dramatically lifted prices for nickel. The Philippines, which has 30 nickel mines, is now the world's No. 2 nickel ore supplier, behind Indonesia which has been ramping up shipments after lifting a ban on metal exports in 2017. The countries are the main suppliers of ores to top market China, which uses them to make stainless steel and materials for batteries. The Philippines' environment ministry lifted the suspension order on the Berong mine in November last year, but the Zambales Diversified mine remains closed. The two sites account for about 2 percent of the country's total nickel ore output.



SHFE Nickel



Source: Reuters

TECHNICAL OUTLOOK



Nickel future at the MCX platform has settled higher at 903.50 on the previous week. At present prices are trading above the weekly 50EMA levels of 885 and also above 200 EMA levels 885. The Momentum weekly Oscillator MACD is trading below the “o” line, witnessing bearish crossover. Further selling can be seen in the counter if it continue to trade below 900/885 levels, which take the counter towards 870/850 in near-term. If it break above 930 levels and sustain can see further upside move up to 950/970 levels.



LME Nickel grew by more than 30% since Dec'18 & continued to be in up-trend. As of now counter is trading well above all the key moving averages 50,100 & 200-SMA which confirm the trend. Based on current structure the counter is in consolidation phase where it is taking support at 12900. As long as prices holds above 12900 there is possibility that it may retest again 14160 & 14832 in coming few sessions. Another scenario indicates if prices failed to sustain above 12900, selling can be seen which take the counter towards 12275. MACD is also trading above center line & enter into bullish territory which also confirms the bull trend. Buying on dips is suggested in Nickel.

NICKEL

Lead

Overview and outlook

The battery metal lead fell sharply lower last month as rising stockpiles and fear of global slowdown kept the prices downbeat. Rise in LME stockpiles and Brexit concerns coupled with fear of recession in US is keeping the upside capped. Lead prices got a boost as environmental crackdowns on smelters in China curb output in the world's biggest market. China's manufacturing sector unexpectedly returned to growth for the first time in four months in March, in a sign that government stimulus measures may be slowly gaining traction, a private business survey showed last month. The Caixin/Markit Manufacturing Purchasing Managers' Index (PMI) expanded at the strongest pace in eight months in March, rising to 50.8 from 49.9 in February, above the neutral 50-mark dividing expansion from contraction on a monthly basis and the highest level seen since July 2018.

Key News

China net importer of Lead

China flipped from net exporter to net importer of refined lead in 2017 and last year's imports surged 64 percent to 128,127 tonnes, the highest level since 2009. This accelerated flow of metal into China rolled over into January with imports totalling 25,800 tonnes. That was marginally off the pace of both November and December 2018 but imports in those two months marked 10-year highs. Export flows, meanwhile, have almost dried up completely with just 295 tonnes of outbound shipments in January. China is both the largest producer and consumer of lead, as is the case with many industrial metals. Lead's dominant usage in automotive batteries leaves it exposed to the downturn in China's automotive sector. Automobile sales dropped another 15.8 percent in January, marking the seventh straight month of decline in the world's largest auto market. However, weak demand is being offset by even weaker production, China's internal supply of lead suffering a double blow over the last couple of years. Secondary production, using scrap lead as an input, is a major component of Chinese supply as it is everywhere else.

ILZSG estimates of Lead

Preliminary data compiled by the ILZSG indicate that in 2018, demand exceeded supply by 98000 tonnes in the global market for refined lead metal. Over the same period inventories reported by the London Metal Exchange (LME), Shanghai Future Exchange (SHFE) and producers and consumers decreased by 57000 tonnes totalling 406 000 tonnes at the year end.

After falling 3.2% in 2017, lead mine output in China declined by a further 3.4% in 2018. Mine production also fell in Kazakhstan, Mexico, Peru and the United States. These reductions more than balanced rises in Europe, Australia, Cuba, India and Turkey, resulting in an overall fall in global lead mine output of 1.2%.



Source: Kitco metals

SHFE Lead



Source: Reuters

TECHNICAL OUTLOOK



Lead future at the MCX platform has settled lower at 137.50, from the previous week’s closing price of 139.85. At present prices are trading below the weekly 50EMA levels 148. The Momentum Oscillator Stochastic (14,3,3) is now witnessing negative divergence and also providing bearish crossover for short term basis. The lower side of 200EMA levels providing supports around 132.



LME Lead has traded in bearish territory since Jun’18 with some correction. As of now, the counter is traded well below the key 50 & 200-SMA which indicates the selling pressure in counter. MACD is traded in bearish territory which further confirms the trend. Based on current chart action if LME lead breaks the previous support 2072 and sustains successfully below the level then the bearish rally may continue and stopped near 1860 in a longer frame. Another scenario indicates that if prices hold successfully the previous support of 1920 then prices target the 50-SMA; 2113 & 200 SMA; 2080 in the near term.

Zinc

Overview and outlook

Zinc prices ended the month of March strongly higher as decline in LME stockpiles coupled with renewed demand from stainless steel sector kept the prices supported. Overall zinc traded in range of 183.40-203.35. Total LME zinc stocks remain at their lowest level since 2008 at 58,150 tonnes, with on-warrant material at 44,200 tonnes. Zinc has been trading firm on back of tightness in the physical market where cash LME zinc over the 3M was at premium of \$56 a tonne from \$47 as LME stocks hit a record low last month. Iron ore futures in China saw their best day in seven weeks recently, extending a record-breaking rally amid supply disruption concerns flagged by the world's major sellers of the steelmaking raw material as well as demand from steel mills.

Key News

Shortages, shrinking stocks to support zinc

Shortages for a fourth year running and historically low stocks of zinc are likely to propel prices of the metal to \$3,000 a tonne over coming months, while an end to the U.S.-China trade dispute could spur even more gains.

China zinc imports

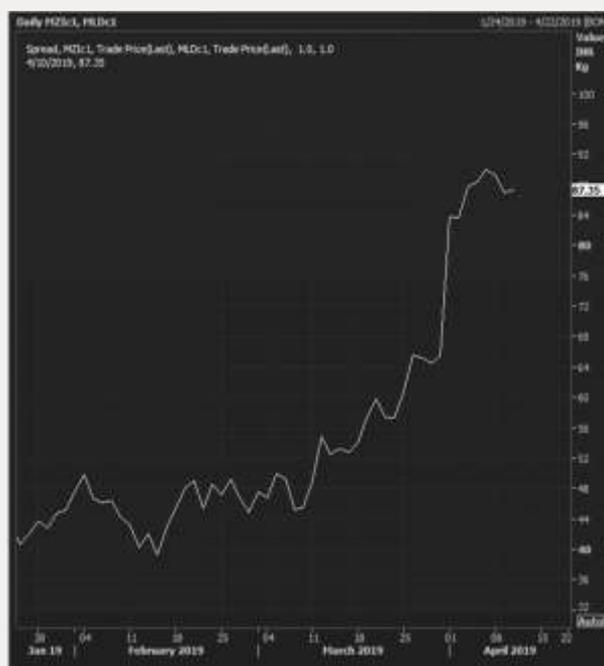
China imported just under 70,000 tonnes of refined zinc in January. That was slightly off the pace of the preceding quarter but, as with copper, marked a continuation of a strong underlying trend, which saw refined zinc imports hit a record 713,355 tonnes in 2018. China has turned to the international marketplace to compensate for its own falling production. The country's national output of refined zinc slid 4.6 percent last year, according to state research house Antaike. Chinese smelters have been caught between a tight concentrates market and an escalation of environmental regulations. Raw materials tightness should ease this year as mine supply surges, although January's concentrates import figure of 301,400 tonnes was still 11 percent off last year's pace. The key

question is whether Chinese zinc smelters can actually process more concentrates, given many are scrambling to comply with new solid-waste emissions regulations.

Glencore restarts Australia zinc operations after cyclone

Mining giant Glencore stated that its McArthur River zinc operations in northern Australia were returning to normal after the cyclone, while ports in northwestern regions remained closed following the arrival of a second cyclone.

Zinc and Lead Spread



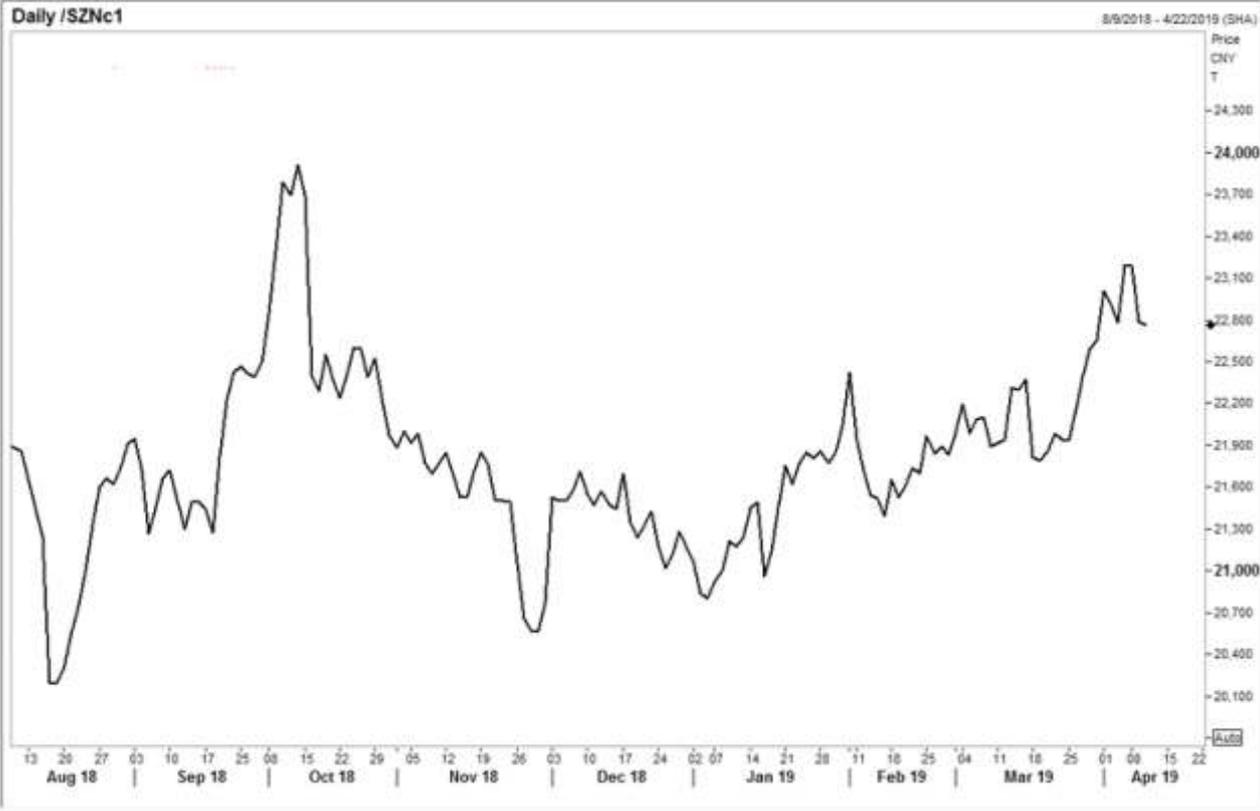
Source: Reuters

Analysis: Zinc and Lead spread moved from 45 to 50 as zinc outperformed lead. This spread can move in range of 45-52 in the month of March 2019.

April 2019



Source Kitco metals



Source: Reuters

ZINC

TECHNICAL OUTLOOK



MCX Zinc future open gap up on the previous week and has settled higher at 227.55. From last six weeks, prices are trading higher from 190 to 223. At present prices are trading above the weekly 200EMA levels 198 and as well as above the rising trend line resistance levels 235. The intermediate trend is bullish thus we are expecting to prices to move higher again. But the view will be intact until the recent low 220 is not interrupted.



On LME the counter is trading in upward sloping channel pattern where it could take correction within the channel pattern. Based on the current chart pattern, the zinc prices are trading well above the key level of 50-DMA and approach towards the upper slope line of the channel. Higher volatility is expected in the counter as defined by technical indicators. The counter may take support near 2600 and could face resistance at 2900. Buying is suggested in the counter on correction.

Aluminum

Overview and outlook

Aluminum ended on flat note as it moved in range of 143.85-152.40 in the month of March.

Aluminium prices fell lower to a near three-week low recently, due to rising inventories and Chinese demand concerns.

Key News

Some Japanese aluminium buyers agree Q2 premium at \$105/Tonnes

Some Japanese aluminium buyers have agreed to pay a premium of \$105 per tonne for shipments in April to June, reflecting higher local spot premiums. Japan is Asia's biggest importer of aluminium and the premiums for primary metal shipments it agrees to pay each quarter over the benchmark London Metal Exchange cash price set the benchmark for the region.

Queue to take aluminium from ISTIM Port Klang warehouses rises to 229 days

Queues to take aluminium out of London Metal Exchange-approved warehouses owned by ISTIM UK in Port Klang, Malaysia rose to 229 days in February from 118 days in January and zero days in December. Cancelled warrants material earmarked for delivery in ISTIM's Port Klang warehouses stood at 350,321 tonnes or 70 percent of the total at 499,015 tonnes at the end of February.



Source: Kitco metals

SHFE Aluminum



Source: Reuters

TECHNICAL OUTLOOK



Aluminium Future at the MCX platform has settled lower at 147, from the previous closing price of 150.20. After rising sharply at the start of this month now the prices have steady and trading above the 50 day EMA. On the downside, the channel support is identified in the range of 142-140. 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 140. Thus, any change to the medium term trend has to break below 140 for confirmation in the coming months otherwise the price will move higher again.



LME Aluminium has formed lower low, lower high formation on weekly charts. As of now, it is in consolidation mode where the near term support is seen at 1750 & could face support at 1990. As of now, the counter is trading just above key 200-SMA; which also act as immediate support. MACD has given a bullish crossover in bearish territory which signalled short-covering in counter. Based on current price action bounce back is expected from 1845; which take the rally towards 1990. Another scenario indicates that if prices failed to sustain above 1840 then it may fall towards 1750.

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