

Special Monthly Report on

BASE METALS

JUNE 2022



• ALUMINIUM • COPPER • LEAD • ZINC



Moneywise. Be wise.

In May 2022, base metals traded lower across the board as weak manufacturing data, COVID-19 restrictions in China, worries about a potential recession sparked by interest rate hikes to fight inflation in coming months stoked fears that demand will soften. Although the dollar dropped from its 20-year high against a basket of major peers, which capped some losses but lingering concerns over a global economic slowdown dragged the prices lower. China's factories struggled in May with the official manufacturing managers index showing contraction for a third month. A surge in oil prices fanned fears of further acceleration in global inflation that would lead the U.S. Federal Reserve and other central banks to keep raising interest rates. However, the dwindling stocks of metals on multi years low and western sanctions against Russia over its invasion of Ukraine continued the concerns over the metal supply.

Outlook

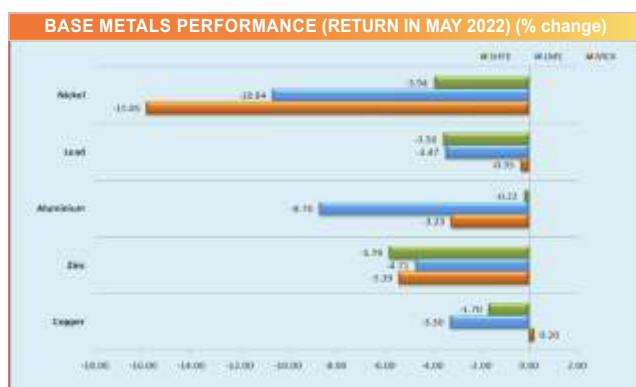
Base metals prices may trade in different direction on mixed fundamentals. The lifting of COVID-19 restrictions in top metals consumer China buoyed hopes of demand recovery. Shanghai sprung back to life after two months of bitter isolation under a ruthless COVID-19 lockdown, with shops reopening and people going back to offices, parks and markets, hoping to never go through a similar ordeal again. Some processing companies of China are ramping up production, but it's not a full recovery yet. It will take some time. China will accelerate its issuance of special bonds by local governments in order to stabilize the country's slowing economy, the finance ministry said.

The industrial metals may get some support as despite worries about growth and demand, there hasn't been a pick-up of inventory levels at a time of year when you would expect some stock build. On the other side, base metals usage is surging, especially in developed countries, with increasing demand for electric vehicles, wind farms, solar panels, and power grids.

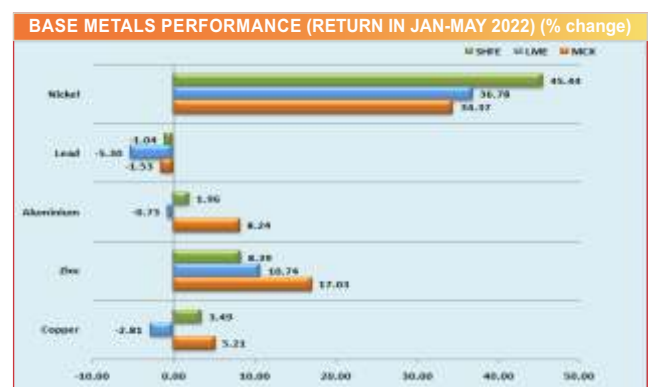
Fundamentals

- Copper output in Chile, the world's largest producer of the metal, fell 9.8% year-on-year to 421,742 tonnes in April, data showed.
- Data showed China's factory activity contracted at a slower pace in May, as restrictions on some plants were lifted.
- Chile's environmental regulator initiated a sanction process against Antofagasta Minerals' Los Pelambres copper mine for deficiencies associated with tailings management.
- Southern Copper Corp said a fire broke out at its Los Chancas mining project on Tuesday evening, around the same time as another fire started at MMG Ltd's Las Bambas copper mine, sources said.
- Global copper smelting activity ticked higher in May as a rebound in China offset declines in Europe and elsewhere, data from satellite surveillance of metal processing plants showed.
- China exported more refined zinc than it imported in April for the first time since 2014 despite a 15% tariff on outbound shipments.
- Zinc stocks in LME-registered warehouses, at 84,700 tonnes, are at their lowest since April 2020. Cancelled warrants – metal earmarked for delivery – at 48% suggest more metal is due to leave LME warehouses. Shortages of zinc are particularly acute in Europe, where record-high power costs have led to production cuts.
- Global aluminium producers have offered Japanese buyers premiums of \$172 to \$177 a tonne for July-September primary metal shipments, which would be between unchanged and 2.9% higher compared with the current quarter, sources said.
- Europe's primary aluminium smelters are continuing to curtail production in the face of soaring energy costs. Western European output of primary aluminium totalled 244,000 tonnes in April, according to the latest assessment by the International Aluminium Institute (IAI). That was down by 13.2% on April last year.

BASE METALS



Source: SMC Research & Reuters

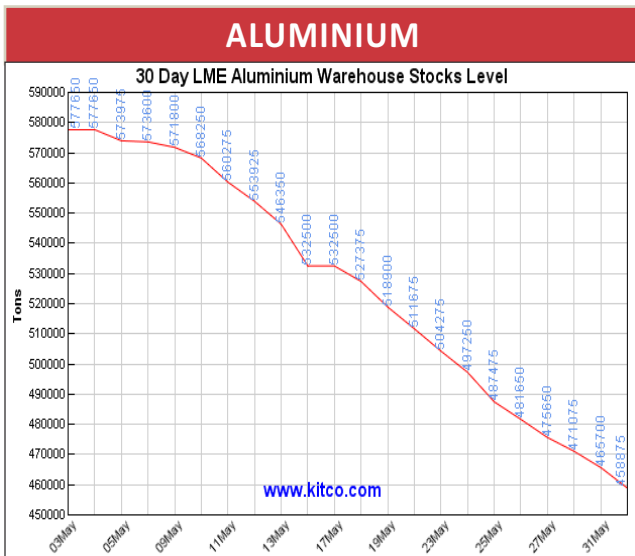


Source: SMC Research & Reuters

BASE METAL MONTHLY TECHNICAL REPORT

ALUMINIUM

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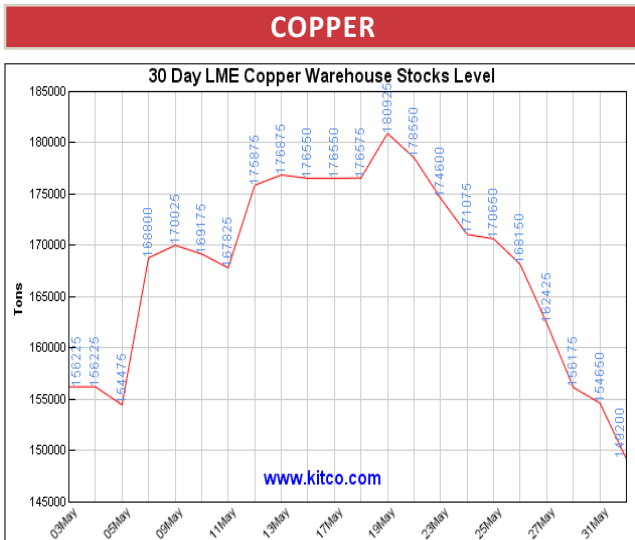


MCX Aluminium Weekly Chart

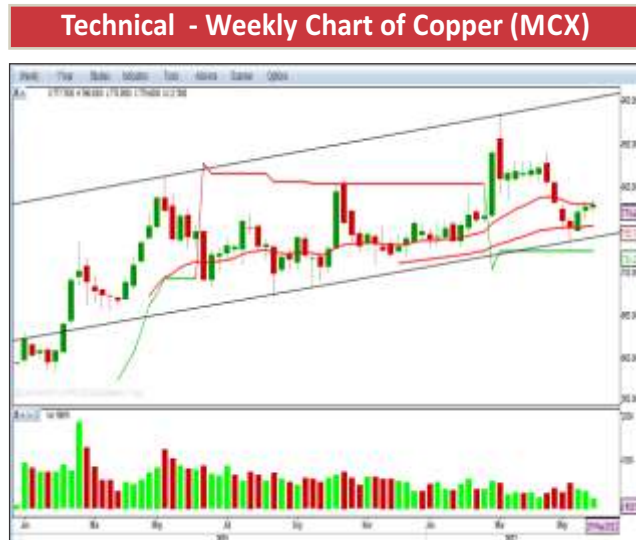


Aluminium Future at the MCX platform has settled lower at 241.55 on last week, from the previous closing price of 248.40. From last couple of months, prices have been consecutively traded lower and slipped from the resistance level of 325.50 TO 228.20. If we look at the chart pattern in the month of Mar'22 prices have made bearish engulfing and slipped from its high of 325.50. Now the prices have been trading below the 18 days moving averages of 243.70. The short term immediate resistance is seen around 252, sustainable trade above it will see the good move towards 278/300 and if it breaks the support line of 228, then it will see the downside move towards 214/200 respectively. Overall the commodity is expected to move lower from its resistance levels. Thus we recommend selling at its higher levels in the current month.

COPPER



Technical - Weekly Chart of Copper (MCX)

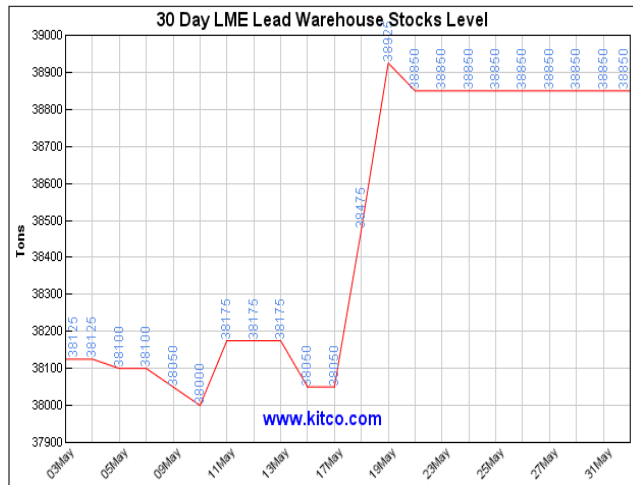


COPPER

Copper futures at the MCX platform has settled little higher at 776.90 on the previous week from the previous closing price of 771.60. The prices have been well sustained above the trend line resistance of 760. We have seen the hammer pattern in previous months. If it closes above the previous monthly high of 786 levels then the pattern will be confirmed. Now the immediate resistance is seen around 786. If the price sustains above 786 levels, it will continue to move upside towards 810/835. If the price fail to sustain above the resistance of 786, then we can see again the down side move towards the support level of 738. Overall the commodity is expected to move higher from its support levels.

LEAD

LEAD

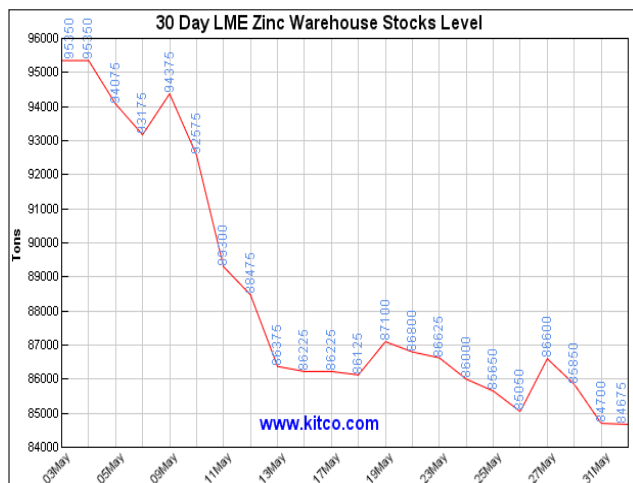


Technical - Weekly Chart of Lead (MCX)



Lead future at the MCX platform has settled flat at 184.45 on the previous week. At present prices are trading near the daily 18 EMA levels of 183.65. The Momentum Oscillator Stochastic (14,3,3) is now witnessing negative divergence and also providing bearish trend for short to medium term basis. The 50 days EMA slightly sustained on the higher side at 184.24 which indicate buying in short term basis. Now the crucial resistance is seen at 188, sustainable trade above this level will see the good upside move towards 200/210 in this month and if the prices sustain below the support level of 178.50 levels then can see the downside/ correction move towards 173/168 respectively.

ZINC



Technical - Weekly Chart of Zinc (MCX)



Zinc future at the MCX platform has settled higher at 330.40 on the previous week. At present prices are trading below the daily 200 EMA levels 304.33 and below the weekly sloping trend line support levels of 338. The long term trend is bullish only and we have already seen the correction from last two months and after correction price has been steady in current month. If the price sustains below the support levels of 301 then we can see further downside move towards 285/270 and if it trades above 343 levels and sustain will see the upside move towards 370/385 respectively. But the view will be intact until the recent low 301 is not interrupted.

ZINC

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