

**SPECIAL MONTHLY
REPORT ON**

**BASE
METALS**

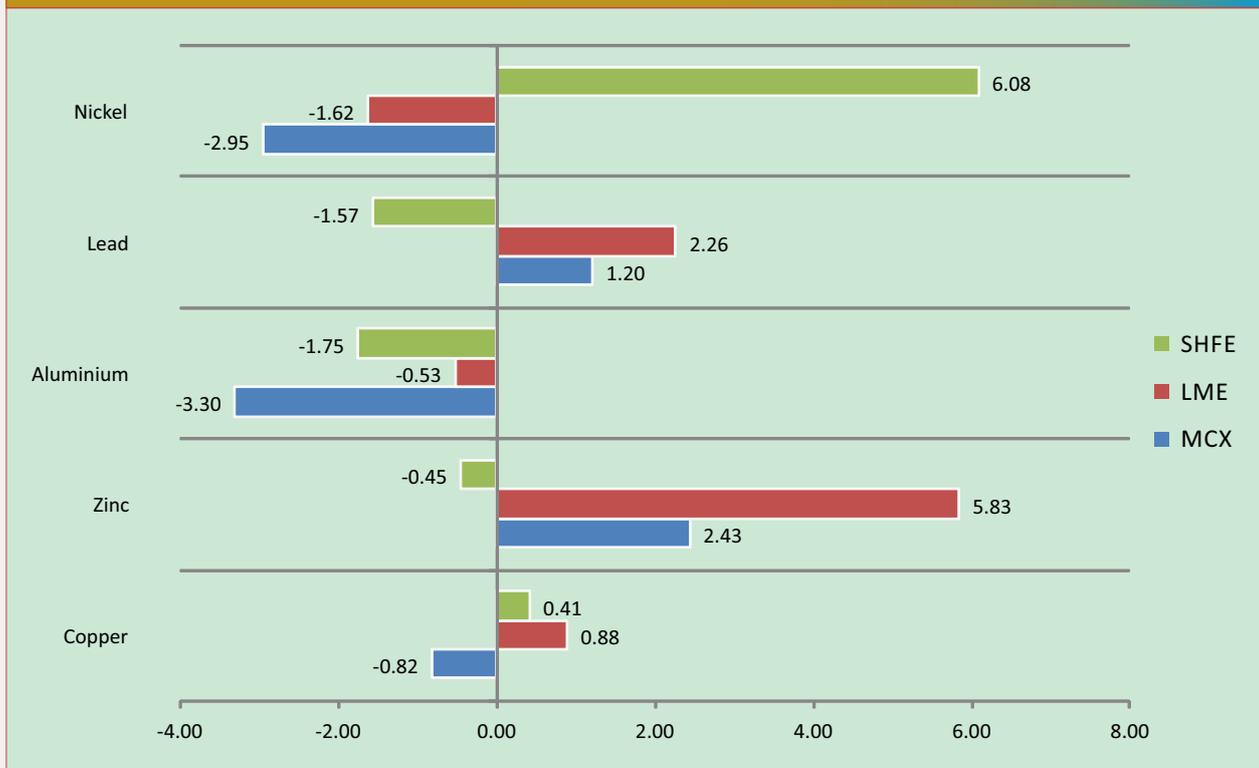
OCTOBER 2019



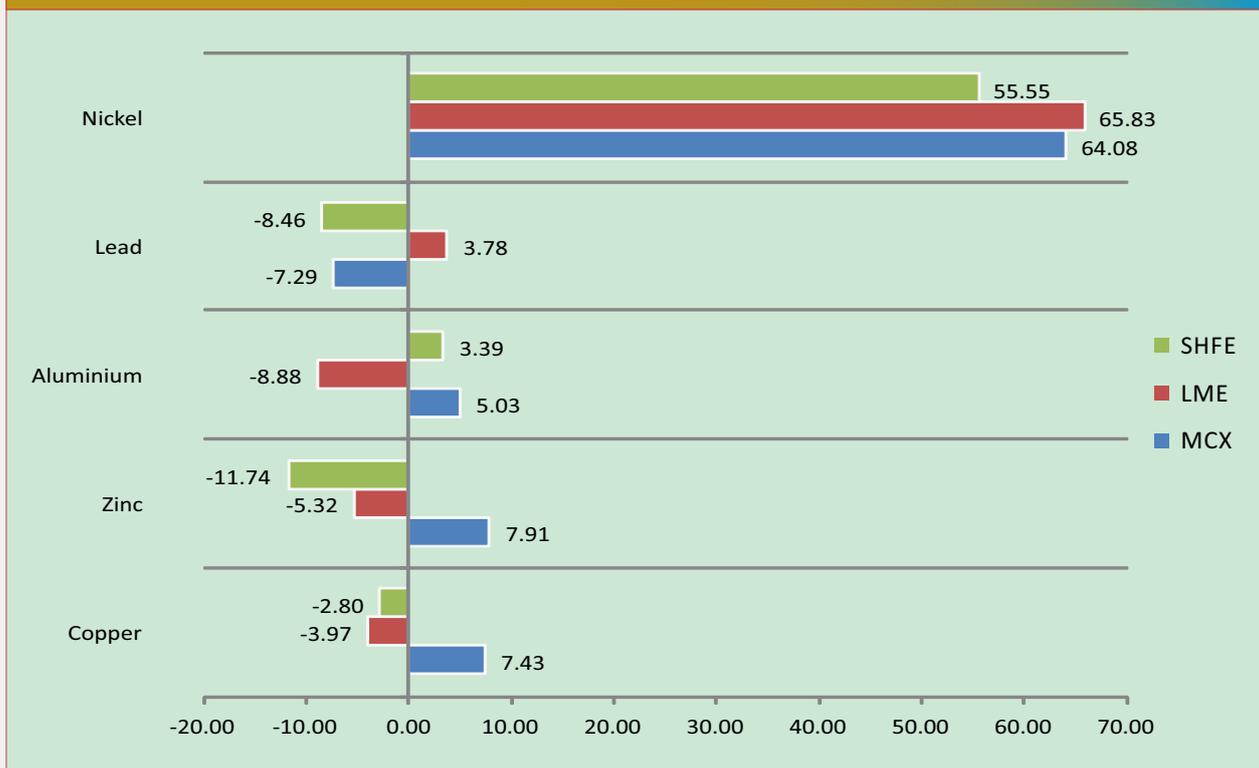
Moneywise. Be wise.

COPPER • NICKEL • LEAD • ZINC • ALIUMINUM

BASE METALS PERFORMANCE (September 2019) (% change)



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



TECHNICAL OUTLOOK



Copper futures at the MCX platform has settled lower at 435.80 on the previous week. Since last couple of weeks prices are trading lower from 460.30 levels to 431.70. Now the price traded below the trend line of 450. Prices are trading below the 200EMA daily support levels of 450.85. The immediate support 436 may act as a trend interrupting point. Overall the commodity is expected to move positive from its support level. If it break and sustain below the immediate support line of 436 can see further down side move towards 430/422 level in coming weeks.



As mentioned in previous report LME Copper bearish rally may paused near 5663.20; presently prices reversed after testing 5600 levels and now approaching the key 50 (6062.47) & 200 SMA (5893.79). Based on chart structure it looks like bull are in charge and dominating the bears in coming session. Break above 5893 can extend rally towards 6362 whereas, another scenario indicates that if prices sustain below 5893 then bear again come in power and we may witness as bearish rally towards 5400. MACD is also trading above center line with bearish cross-over & histogram prints in red which confirms that bear are still more powerful than bulls at current price. Counter may find near term support at 5600 and could face resistance in range of 5893.

Nickel

Overview and outlook

Nickel counter ended on flat note in the month of September. Indonesian ore ban concerns, supply tightness and higher premium kept the prices well supported but trade war concerns kept the upside capped. Nickel moved in range of 995.00-1177.00 in MCX. . Nickel cash metal was still commanding a significant \$105 premium over three-month price. A nickel mining hub in the southern Philippines, which produces mostly high-grade material, has suspended extraction operations indefinitely as the regional government conducts an industry audit.

China's refined nickel imports more than doubled YoY in August and were up 35.3% from the previous month. China's nickel ore imports from Indonesia roses 26.5% YoY, as stainless steel producers stocked up on raw materials ahead of a ban. 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.

Key news

Philippine nickel miners to boost ore output as Indonesia sets ban on shipments

Philippine nickel miners are expected to boost ore production next year when Indonesia bans exports of the raw material used in stainless steel and batteries. This supposed export ban from Indonesia will boost production from the local miners, particularly next year once it takes effect simultaneous with the start of the mining season. The Philippines, which has 29 nickel mines and two nickel processing plants, usually ends its mining season in October, when heavy rains and strong winds hamper mining and shipping operations. Production resumes in March or April of the following year.

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.

Nickel rally to five year high

London nickel leapt to a five-year high of \$18,850 per tonne last month as Indonesia confirmed it would bring forward to next year a ban on exporting nickel ore. That will cut off the major source of feed for China's nickel pig iron (NPI) producers. News that the Philippines will suspend indefinitely operations in the nickel mining hub of Tawi- Tawi province threatens supply from China's second largest ore supplier.

Global nickel market deficit widens in July to 6,700 Tonnes - INSG

The global nickel market deficit widened to 6,700 tonnes in July from a revised shortfall of 2,700 tonnes in the previous month, the International Nickel Study Group (INSG) stated. In the first seven months of the year, there was a global deficit of 48,200 tonnes compared to a deficit of 100,900 tonnes in the same period of 2018, Lisbon-based INSG added.

Australia's Poseidon Nickel to restart Black Swan project as nickel prices surge

Poseidon Nickel Ltd, buoyed by a recent surge in nickel prices stated that it would restart operations at its Black Swan project in Western Australia. Prices of Nickel surged this week after Indonesia, the world's biggest nickel ore producer, said it would stop exports from the start of next year, two years earlier than it initially indicated.

Philippines H1 nickel ore output rises 3% despite mine shutdowns

Nickel ore output in the Philippines, one of the world's two biggest producers of the material for stainless steel and batteries, rose 3% in the first half despite zero production at more than half the country's mines.



Source: Kitco metals

TECHNICAL OUTLOOK



Nickel future at the MCX platform has settled higher at 1265 on the previous week. At present prices are trading above the weekly 50EMA levels of 1181.86 and also above 200 EMA levels 1012. The Momentum weekly Oscillator MACD is trading above the resistance line of 1220, witnessing bullish crossover. Buying can be seen in the counter if it continue to trade above 1220 levels, which take the counter towards 1280/1340 in near-term. If it break below 1220 levels and sustain can see further down side move up to 1200/1180 levels.



LME Nickel has formed doji star, kind of evening start formation on weekly charts. As of now counter is trading well above the key moving averages 50 & 100 SMA which confirm that long term trend remain bullish, but in shorter frame it may witness selling which could find support near 15240 & resistance at 18845. MACD is enjoys in bullish territory above center line with bullish crossover & and histogram prints in green which also confirms the bullish trend. Buying on dips is suggested in the counter.

Lead

Overview and outlook

Lead prices traded on mixed path in the month of September as supply shortage supported the prices while US China trade concerns kept the upside capped. Lead prices traded in range of 152.80-157.20 in the September month in MCX.

According to data from the International Lead and Zinc Study Group, as for lead, the lead deficit for the first half of the year reached 65,000 tonnes. 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 tonnes, up from 5.64 million tons last year, with the increase paced by China, India and the Republic of Korea.

Key News

Nyrstar temporarily reopens old lead plant in South Australia

Belgium's Nyrstar has temporarily reopened an old lead processing plant in the state of South Australia after receiving a permit from the state's environmental protection authority.

Growing demand of Lead

Globally, 85% of lead is primarily utilized in batteries for passenger cars, trucks, motorcycles, uninterruptible power supplies, and solar power storage. Demand for passenger vehicles has increased considerably and is anticipated to rise further in the near future. This, in turn, is creating high demand for lead acid batteries. Automobile and manufacturing sectors are witnessing significant expansion. This is driving the demand for stationary batteries for power backup and that for deep-cycle batteries for wheeled mobility such as golf cars, wheelchairs, and scissor lifts. However, improper and illegal disposal of lead acid batteries causes environmental pollution due to its high lead content. Furthermore, demand for the alternative Li-ion

batteries in the automobile sector is increasing due to the poor performance and low cycle life based on temperature of lead acid batteries are restricts the market growth. Manufacturing process advancements in recycling of lead acid batteries provide opportunities to lower the adverse impact on the environment.

ILZSG estimates of Lead

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.



Source: Kitco metals

TECHNICAL OUTLOOK



Lead future at the MCX platform has settled little higher at 157.40 on the previous week. At present prices are trading above the weekly 50EMA levels of 154.82. The Momentum Oscillator Stochastic (14,3,3) is now witnessing positive divergence and also providing bullish crossover for short to medium term basis. The lower side of 200EMA levels supports is at 152.50 which will be act the crucial support in coming weeks. Overall the commodity is expected to move higher from its support level of 152.



LME Lead after long consolidation showed sign of breakout. As of now, the counter is traded well above the key 50,100 & 200-SMA which indicates the buying can be seen in future. MACD is traded in bullish territory which further confirms the trend. Based on current chart action if LME lead breaks above the previous resistance 2180 and sustains successfully above the level then the bullish rally may continue and approached the 2500-2700 levels in a longer frame. Another scenario indicates that if prices failed to hold above resistance successfully the previous resistance then it may target the 50-SMA; 1998 & 200 SMA; 2113 in the near term.

Zinc

Overview and outlook

Zinc prices ended the month of September in green as it ended with gains bolstered by concerns about supply on the back of news of environmental restrictions. Overall zinc traded in range of 178-189.70.

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 Increases Zinc Production, Decreases Costs in Q3

New Century Resources announced its third quarter results, reporting that zinc metal production increased by 28 percent while costs declined by 18

percent. During the three month period, New Century produced 26,171 tonnes of zinc metal at US\$1 per pound, achieving its guidance for the quarter. New Century expects production to improve in the next quarter as it continues to optimize its cleaner circuit. The company has plans to upgrade its scavenger unit, which is due to come online in November 2019.

Zinc Lead Spread



Source: Reuters

Analysis: Zinc and Lead spread can move in narrow range of 26-40 in the month of October 2019.



Source: Kitco metals

TECHNICAL OUTLOOK



Zinc future at the MCX platform has settled little lower at 181.70 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 196.98 and as well as below the weekly rising trend line resistance levels 192. The intermediate trend is bullish but in short term basis below 179 can see further down side up to 174/166. But the view will be intact until the recent low 179 is not interrupted.



LME Zinc is traded in a bearish trend since Apr'19; fell over 25%. After a sharp fall in prices hold strong the level of 2200. Based on current price action the counter looks like it may negate the bearish trend and take the bullish rally towards 2598 & 2772. MACD is trading in the bearish territory with a bullish crossover which suggests the buying can be seen in future. If prices break above 2400 pullback rally can be seen towards 2772 whereas if failed to sustain above it then again it prevails the bearish trend and fell towards 2200. Buying above mentioned levels suggested.

Aluminum

Overview and outlook

Aluminum prices ended on negative path as it moved in range of 132.50-141.70 in the month of September on rising stockpiles and declining demand. Aluminium prices dropped despite the Chinese city of Luliang imposing a temporary 50% production cut on alumina refineries. Stocks of aluminium at three major Japanese ports at the end of August rose 5.6% from the previous month to 326,100 tonnes. China, the world's top aluminium producer, churned out 2.97 million tonnes of the metal last month, the data showed.

In the first eight months of 2019, China produced 23.47 million tonnes of aluminium, up 1.4% year-on-year. The current aluminium price provides an incentive for smelters in China to raise production moving into the fourth quarter but new ramp-ups, in southern Guangxi and Yunnan, are proving slower than expected.

Key News

Aluminium maker Norsk Hydro aims to cut costs again

Norsk Hydro, one of the world's largest aluminium producers, aims to get its cost-cutting efforts back on track after major operational setbacks in the last year-and -a-half. Following a spill at one of its plants in Brazil, Hydro last year abandoned plans to cut costs by 3 billion crowns from 2015 until 2019.

China aluminium output slips in August amid smelter outages

China's primary aluminium output in August fell 0.5% from the previous month, according to data released by the National Bureau of Statistics (NBS), as unexpected outages at two key smelters dented production. China, the world's top aluminium producer, churned out 2.97 million tonnes of the metal last month. That was down from 2.984 million

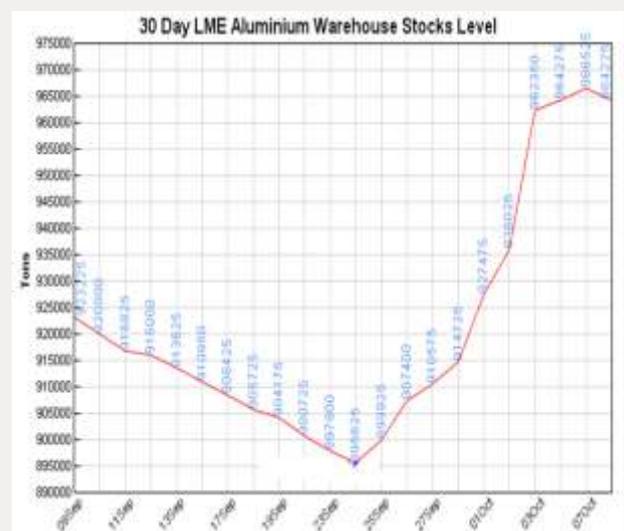
tonnes in July, the second-highest monthly total on record, and down 0.3% from a year earlier, the bureau said.

Fall in Aluminum premium

A sharp fall in Japanese physical premiums for fourth quarter shipments is the latest sign that aluminium is not immune from the demand weakness that is sapping the industrial metals complex. Years of chronic overproduction appeared to be coming to an end with global output actually falling so far this year and large off-market stocks finally starting to diminish. Demand hasn't been a problem for aluminium in the past, thanks to its growing usage in an automotive sector focused on light-weighting vehicles.

China aluminium exports

China's aluminium exports fell 4.3% in August from the previous month despite a weaker yuan as unexpected production outages at two key smelters meant there was less metal available for overseas shipments. China, the world's top aluminium producer, last month exported 466,000 tonnes of unwrought aluminium, including primary metal, alloy and semi-finished products.



Source Kitco metals

TECHNICAL OUTLOOK



Aluminium Future at the MCX platform has settled little lower at 134.30 on last week, from the previous closing price of 135.75. Now the prices have trading near the 18 days moving averages of 136.56. The long term channel support of 139 is already breached last month and also sustained below the 18 days moving averages of 136.56. Overall the commodity is expected to move lower from its resistance level.



LME Aluminium is in short term bearish trend where 1673.15 act as support and 1993.54 as resistance for counter. Presently, prices break and sustain well below key (1872) 200 SMA which further confirms that bear overpower bulls at this price. MACD has given a bearish crossover in bearish territory which signalled selling in counter. Based on current price action bounce back is expected only if prices breach 1830 and sustain well above it; which take the rally towards 1985. Another scenario indicates that if prices failed to sustain above 1830 then it may fall towards 1673.15.

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