

Special Monthly Report on

BASE METALS

MAY 2022



• ALUMINIUM • COPPER • LEAD • NICKEL • ZINC



Moneywise. Be wise.

In April 2022, base metals traded with mix trend as copper and aluminium fell to three-month lows as weak manufacturing data, COVID-19 outbreaks in China and rising interest rates stoked fears that demand will soften. Zinc, lead & nickel trade Up in MCX & SHFE. Rising interest rates have helped boost the dollar to a 20-year high against a basket of major peers, making metals costlier for buyers with other currencies. However 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. However stronger dollar and lingering concerns over Chinese demand kept gains in check.

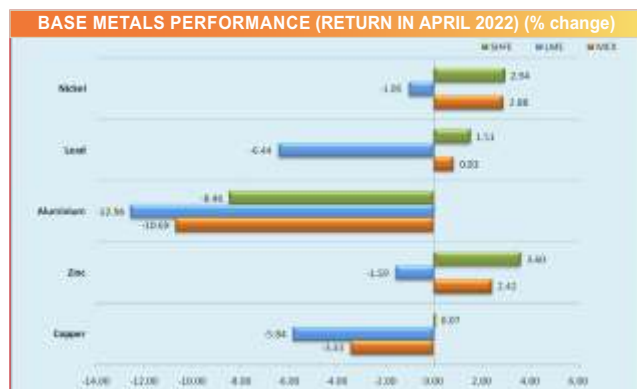
Outlook

Base metals prices may trade in different direction on mixed fundamentals. While Russian metals have not yet been hit by sanctions, self-sanctioning is already affecting flows to Europe. Russia itself may yet weaponise metals in the same way it has gas supplies to Europe. However, continuous military conflict and rising inflation due to soaring crude and other commodities prices would put not only Europe’s economic recovery but also global recovery at risk. So cautious trade advised as sharp profit booking may emerged if the current conflict or tension ease or Russia announce ceasefire.

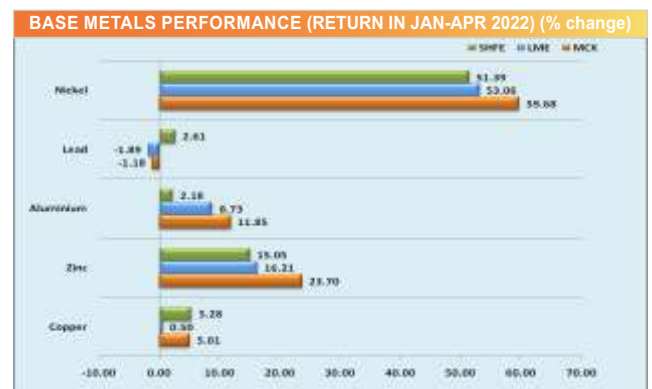
The industrial metals may get some support as US dollar may continue to depreciate after Fed Chairman Jerome Powell sounded a less-hawkish tone than some had feared and said the U.S. central bank was not "actively considering" a 75 basis point rate hike. Traders should keep a cautious eye on the Chinese's COVID-19 lockdowns and its impact on economic output and overall demand. 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

- Manufacturing activity contracted in China, grew at its slowest pace in more than 1-1/2 years in the United States and stalled in the euro zone in April.
- China’s services sector activity contracted at the second-steepest rate on record in April, as COVID curbs halted the industry, leading to sharper reductions in new business and employment, a private-sector survey showed.
- Beijing embarked on another round of mass testing to control a nascent COVID outbreak. Shanghai has spent more than a month under lockdown.
- Lockdowns have worsened the economic outlook for China, the biggest metals consumer. Fitch cut its China GDP growth forecast for 2022 to 4.3% from 4.8%.
- The global copper market is set for surpluses of 142,000 tonnes this year and 352,000 tonnes in 2023, the International Copper Study Group (ICSG) said.
- Global copper and nickel smelting activity rose in April even as COVID-19 lockdowns intensified in top producer China, data from satellite surveillance of metal processing plants showed.
- The LME said it had stopped allowing Russian-produced lead into its warehouses following European Union sanctions on the country’s products.
- Rio Tinto said any sanctions on Russian aluminium producer Rusal for Moscow’s invasion of Ukraine would significantly disrupt the aluminium market and drive prices up.



Source: SMC Research & Reuters



Source: SMC Research & Reuters

BASE METAL MONTHLY TECHNICAL REPORT

ALUMINIUM

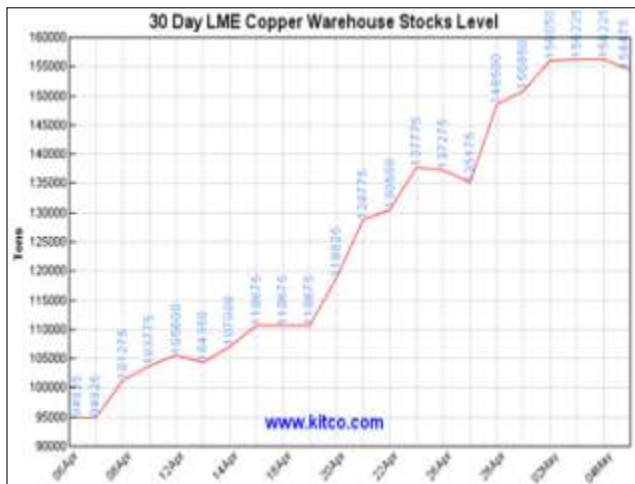


MCX Aluminium Weekly Chart



Aluminium Future at the MCX platform has settled lower at 252.90 on last week, from the previous closing price of 270.35. From last couple of weeks, prices have been consecutively traded lower and slipped from its resistance level of 325.40 TO 237.75. Now the prices have been trading below the 18 days moving averages of 260. The short term immediate resistance is seen around 266, sustainable trade above it will see the good move towards 285/300 and if it breaks the support line of 237, then it will see the downside move towards 220/200 respectively. Overall the commodity is expected to move lower from its resistance levels. Thus we recommend selling on rises in the current month.

COPPER



Technical - Weekly Chart of Lead (MCX)



Copper futures at the MCX platform has settled lower at 782.85 on the previous week from the previous closing price of 806.30. The prices have been well sustained below the trend line support of 800. Now the immediate resistance is seen around 800. If the price will sustain above 800, it will continue to move upside towards 830/855. If the price will sustains below the major weekly support of 750, then can see the down side move towards 725/700 levels in the near term basis. Overall, the commodity is expected to move lower from its resistance levels.

ALUMINIUM

COPPER

COPPER



Technical - Weekly Chart of Copper (MCX)



Lead future at the MCX platform has settled flat at 186.10 on the previous week. At present prices are trading near the daily 18 EMA levels of 184.65. 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 185.46 which is indicate buying in short term basis. Now the crucial resistance is seen at 193, sustainable trade above this level will see the good upside move towards 200/210 in this month and if the prices has sustain below the support level of 180 levels then can see the downside/ correction move towards 172/165 respectively.

LEAD



Technical - Weekly Chart of Lead (MCX)



Nickel future at the MCX platform has settled lower at 2474.00 on the previous week. At present prices are trading above the weekly 50 EMA levels of 1802.25 and also above 200 EMA levels of 1786.75. The Momentum weekly Oscillator MACD is trading above the resistance line of 2200, witnessing bullish crossover. Buying can be seen again in the counter if it continues to trade above 2200 levels, which take the counter towards 2550/2800 respectively. If it break below the support line of 2200 levels and sustain can see further down side move towards 1950/1700 levels in short term basis. Overall the commodity is expected to move higher from its support level.

NICKEL



Technical - Weekly Chart of Nickel (MCX)



Zinc future at the MCX platform has settled lower at 343.60 on the previous week. At present prices are trading above the daily 200 EMA levels 295.64 and above the weekly rising trend line resistance levels of 320. The long term trend is bullish only and we have already seen the correction on this month and after correction price has been well sustained above the resistance line of 320. If the price will sustain below 323 levels will see the downside move towards 300/285 and if it trade above 342 levels and sustain will see further upside move towards 370/395 respectively. But the view will be intact until the recent low 323 is not interrupted.

For any queries, Contact:
Commodity Research Desk
Tel: +91-11-30111000, Ext: 683,684,625,630

SMC Research also available on Reuters

E-mail: smc.care@smcindiaonline.com



Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park, A Wing 401 / 402, 4th Floor,
Graham Firth Steel Compound, Off Western
Express Highway, Jay Coach Signal, Goreagon
(East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-67341697

Kolkata Office:
18, Rabindra Sarani, Poddar Court, Gate No-4,
5th Floor, Kolkata-700001
Tel.: 033 6612 7000/033 4058 7000
Fax: 033 6612 7004/033 4058 7004

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd.) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities/commodities market.

The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the subject commodity.

DISCLAIMER: This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s) in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions.

Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance of this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the commodity thereof, mentioned here in or (b) be engaged in any other transaction involving such commodities and earn brokerage or other compensation or act as a market maker in the commodities discussed herein(c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions. All disputes shall be subject to the exclusive jurisdiction of Delhi High court. All disputes shall be subject to the exclusive jurisdiction of Delhi High court.