

Special Monthly Report on

BASE METALS

SEPTEMBER 2021



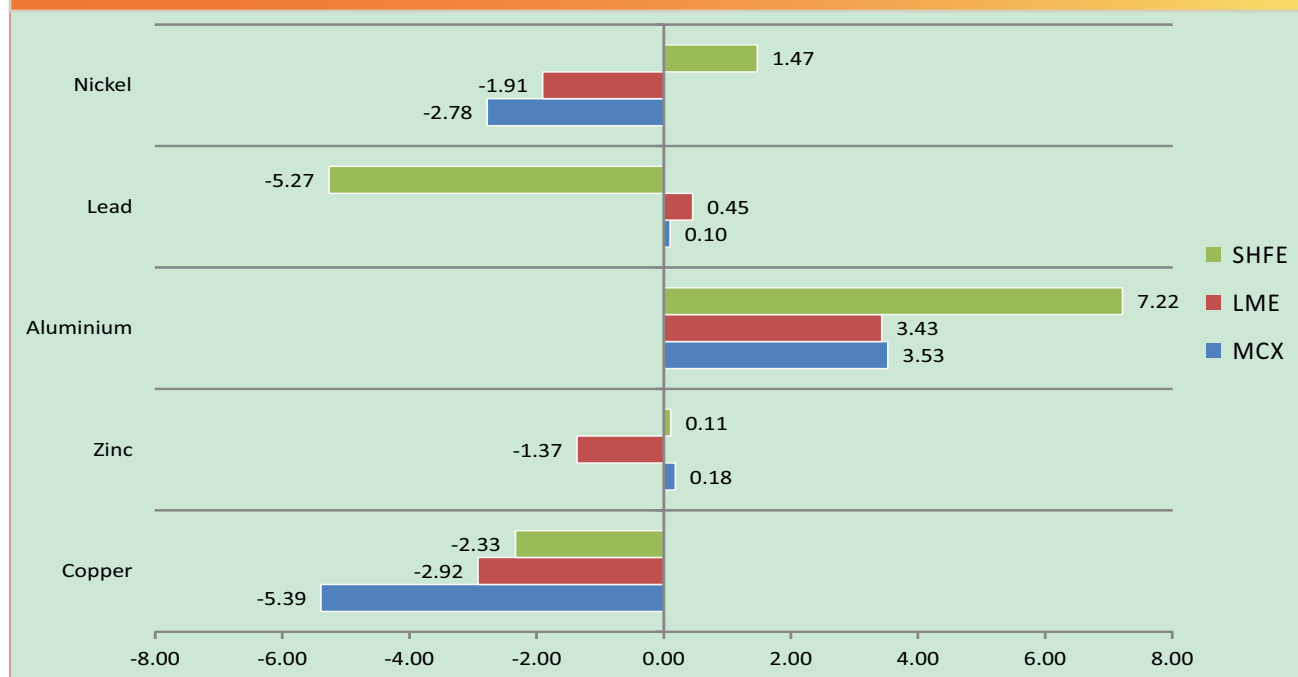
• COPPER • NICKEL • LEAD • ZINC • ALIUMINUM



Moneywise. Be wise.

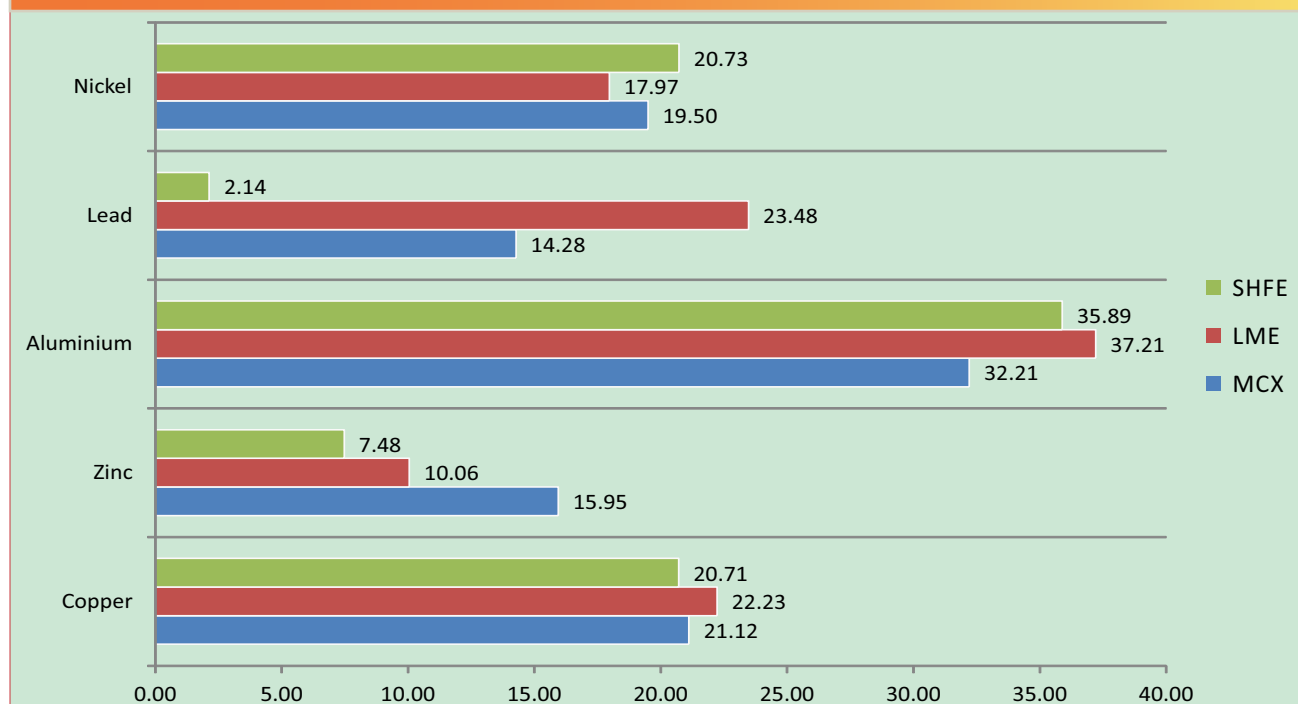
In August 2021, Base metals traded on mixed bias as copper and nickel traded with bearish bias while zinc and lead traded sideways with bearish bias but aluminium traded with solid gain across the board. Factory activity lost momentum in most of Asia and Europe in August but accelerated in the United States and Canada. In China, manufacturing contracted for the first time in nearly one and a half years. The covid-19 delta variant intensified the global concerns about the economic recovery. In the meantime China's state reserves administration also released 150,000 tonnes of copper, aluminum, and zinc in the market that led to some cooling in metal prices. The Reserve Bank of Australia stuck with plans to taper its bond buying but said it would extend the timeline as the economy struggles with coronavirus lockdowns. Several Federal Reserve policymakers on Wednesday signalled that the U.S. central bank remains on track to trim its massive asset purchases this year, despite the slowdown in jobs growth seen in August and the impact a resurgence in COVID-19 cases. Any policy tightening might decelerate post-pandemic recovery.

BASE METALS PERFORMANCE (AUGUST 2021) (% change)

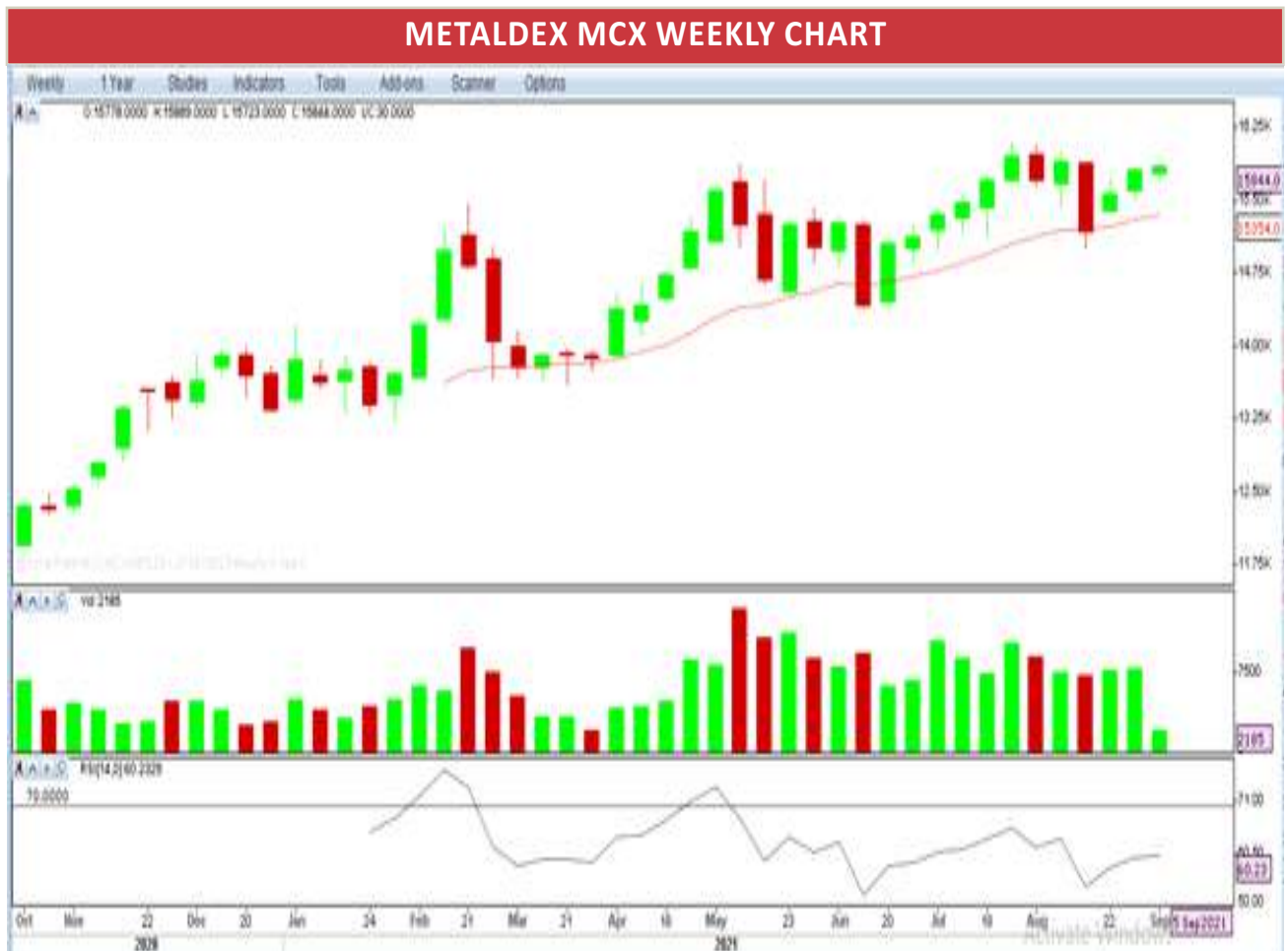


Source: SMC Research & Reuters

BASE METALS PERFORMANCE (JANUARY - AUGUST 2021) (% change)

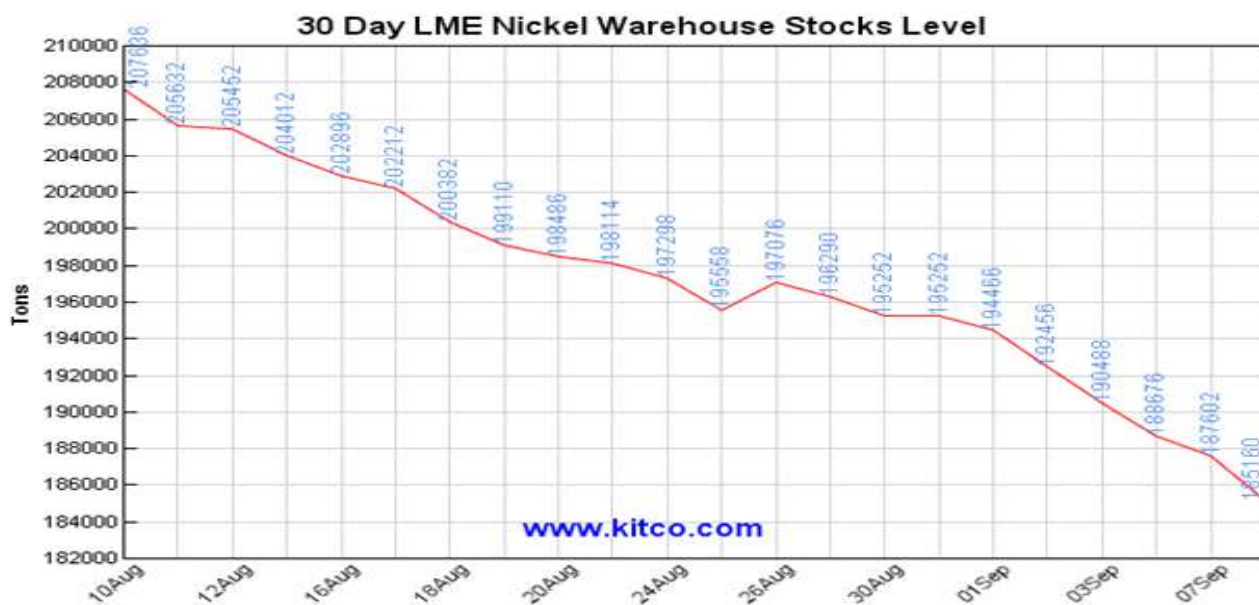


Source: SMC Research & Reuters



METALDEX at the MCX platform has settled higher at 15814 on the previous week. Now the immediate resistance is seen around 16100 and support is seen around 15450. If the price will be sustained above 16100 then can see the upside move towards 16400/16700 very soon and sustainable trade below 15450 can see further downside move towards 15100/14800. Overall, the commodity is expected to move higher from its support level.

- Healthy demand from stainless steel mills and electric vehicle battery makers is expected to underpin nickel prices over coming months, but rising supplies from top producer Indonesia are likely to weigh next year.
- Disruptions in nickel production were caused by flooding, labour strikes, and civil unrest has been rising since late May at a time of strong stainless-steel demand.
- Production from the top five primary nickel producers plunged 24.1% year over year in the second quarter as an array of hurdles from labor disputes to maintenance and flooding slowed production.
- With nickel pig iron (NPI) activity in both China and Indonesia decreasing over the month, any change in momentum will be likely to need to come from more muted downstream demand.
- Russia-based Norilsk Nickel booked a 43.3% year-over-year drop in production in the June quarter while maintaining its ranking as the world's No. 1 producer of primary nickel.
- Nornickel has extracted additional metals from waste products as part of new technology it tested to support its 2021 output from its Arctic mines that were hit by flooding.



Source: Kitco metals

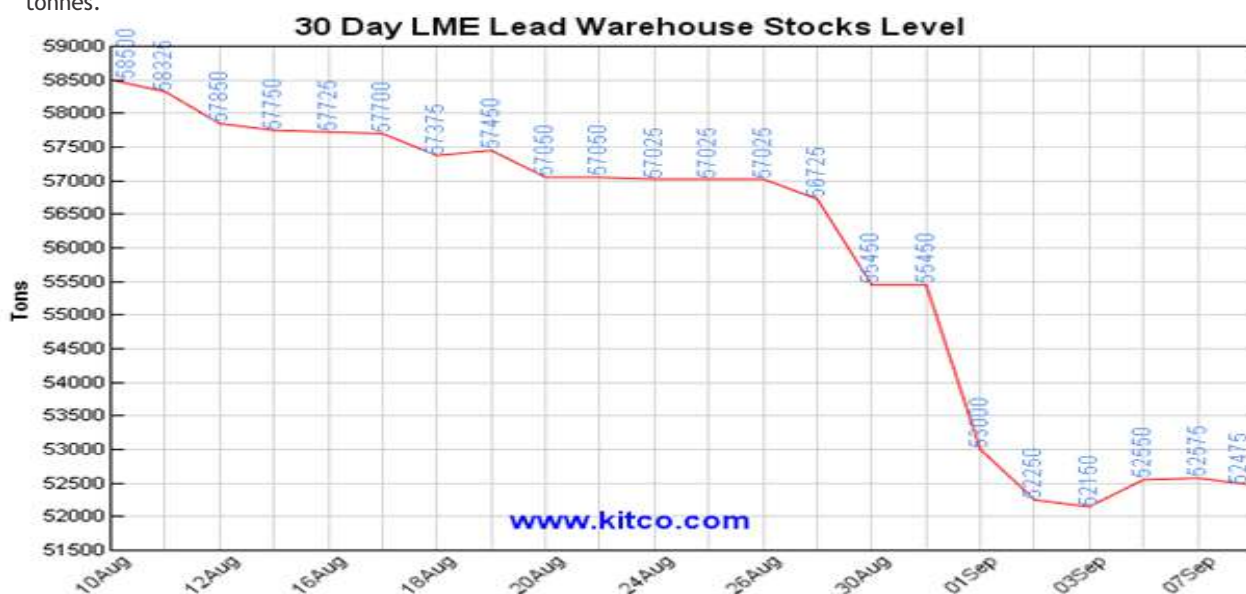
Technical - Weekly Chart of Nickel (MCX)



Source: SMC & Reuters

Nickel future at the MCX platform has settled higher at 1477.10 on the previous week. At present prices are trading above the weekly 50 EMA levels of 1417 and above 200 EMA levels of 1320. The Momentum weekly Oscillator MACD is trading above the resistance line of 1440, witnessing bullish crossover. Buying can be seen again in the counter if it continues to trade above 1515 levels, which take the counter towards 1560/1600 respectively. If it breaks below the support line of 1430 levels and sustain can see further downside move towards 1380/1350 levels in short term basis. Overall, the commodity is expected to move higher from its support level.

- **Lead prices recorded minor upside in LME & MCX last month while it nosedived more than 5% In SHFE.**
- Low stocks of battery metal lead in LME-registered warehouses and large holdings of LME warrants and cash contracts have fueled concern about metal availability.
- Lead inventories in LME-registered warehouses at 52,475 tonnes are the lowest since July 2019
- Global demand for lead batteries has jumped this year as more drivers return to their cars following the COVID-19 pandemic.
- Chinese producers lifted refined lead output by an exuberant 18.6% in the first seven months of the year, evidently misjudging the strength of demand from the domestic battery sector.
- The rest of the world, by contrast, continues to experience an acute shortage of the metal, with the London Metal Exchange (LME) lead market in the grip of a ferocious rolling squeeze.
- The latest trade figures for July showed China exported just 245 tonnes of refined lead that month, most of it to Taiwan but not to LME warehouses at the port of Kaohsiung, which has seen no fresh warranting since March.
- Over the first seven months of this year China has actually been a minor net importer of refined metal to the tune of 176 tonnes.



Source: Kitco metals

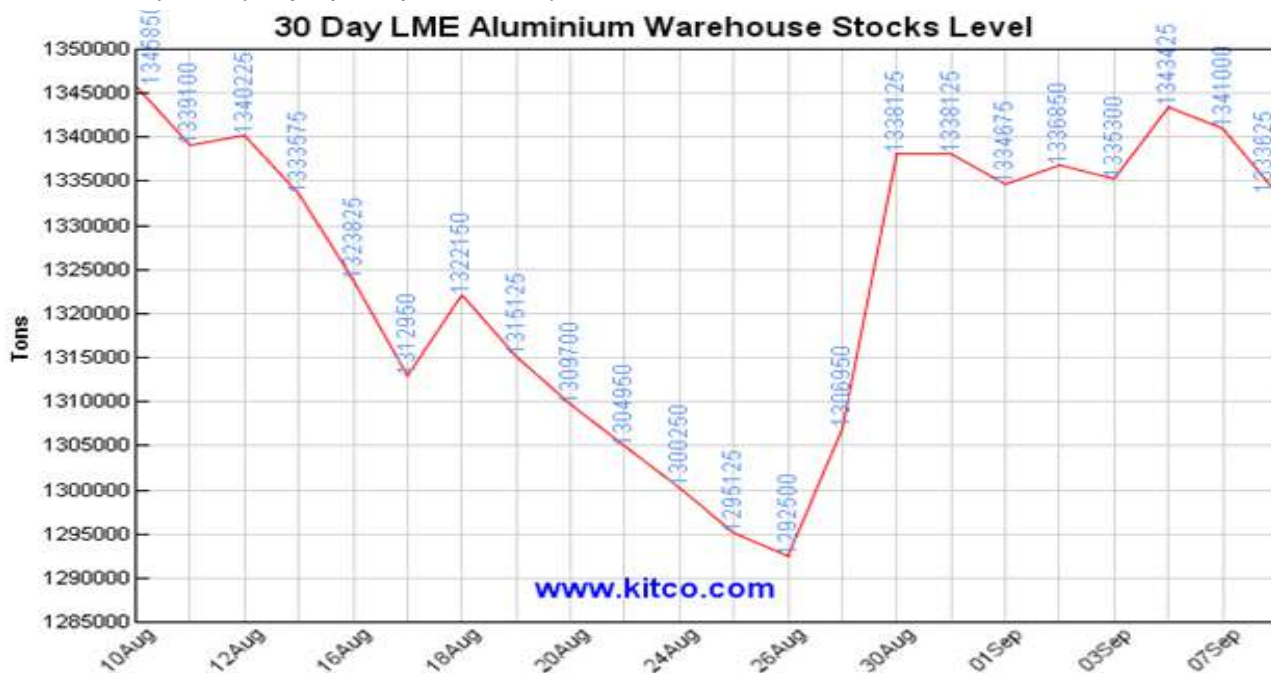
Technical - Weekly Chart of Lead (MCX)



Source: SMC & Reuters

Lead future at the MCX platform has settled higher at 182.35 on the previous week. At present prices are trading above the daily 18 EMA levels of 176.74. The Momentum Oscillator Stochastic (14,3,3) is now witnessing positive divergence and providing bullish trend for short to medium term basis. The 50 days EMA sustained on the higher side and RSI 14 is also trading above 64.50 which are indicate buying in short to medium term basis. So overall the commodity is expected to move higher from its support levels. Now the crucial resistance is seen at 186, sustainable trade above this level will see the good upside move towards 193/200 in this month and if the prices has sustained below the support level of 175levels, then can see the downside/correction move towards 170/167 respectively.

- Aluminum prices managed a healthy gain of around 3.5% on LME and on MCX and recorded more than 7% gain in SHFE.
- *Aluminium is the best performing base metal across the board, with more than 32% gain till August end this year, boosted by strong demand and production cutbacks in China due to power issues.*
- Aluminium has been boosted by the repeating news about supply issues, whether in China, Jamaica, Canada and now in Guinea
- China's Xinjiang region has imposed output limits on five aluminium smelters starting from this month as part of efforts to stamp out illegal production, sending Shanghai aluminium prices to a 13-year high.
- Prices for aluminium ore bauxite from Guinea hit their highest in almost 18 months in top metals consumer China as buyers fretted about supply after a coup in the West African country, though no mines reported any disruption.
- Chinese exports of unwrought aluminium and products were 490,286 tonnes in August, hitting their highest since March 2020 with a 24% year-on-year jump and up 4.5% from July, data from customs showed.



Source: Kitco metals

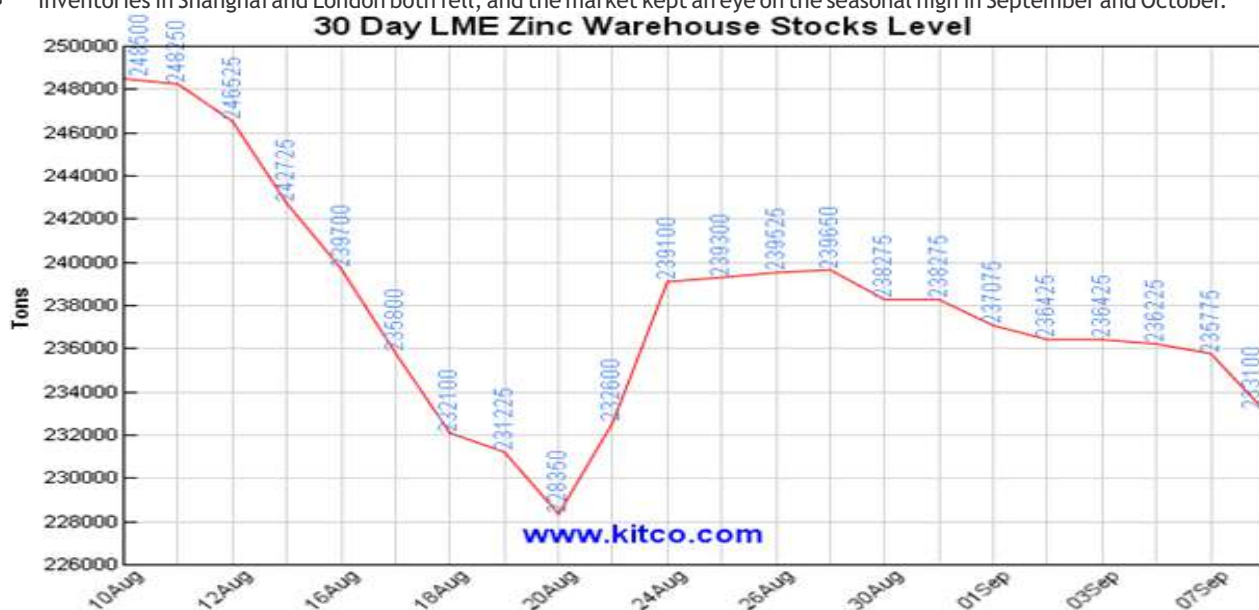
Technical - Weekly Chart of Aluminum (MCX)



Source: SMC & Reuters

Aluminium Future at the MCX platform has settled higher at 214.60 on last week, from the previous closing price of 210.15. From last couple of months, prices have been traded higher. Now the prices have trading above the 18 days moving averages of 202. The short to medium term channel resistance of 200 is already breached and now well sustained above the 18 days moving averages of 202 levels. Now the next immediate resistance is seen at 220, sustainable trade above 220 will see the good move towards 225/230 and if it breaks the immediate weekly support of 210 then it will see the downside move towards 205/200 respectively. Overall, the commodity is expected to move higher from its support level. Thus, we recommend buy on dips in the current month.

- In August, zinc prices traded almost flat in SHFE & MCX but slipped almost 1.5% on LME.
- Zinc prices in the global market are expected to rule firm for the remaining part of this year on declining surplus, supply disruptions, including in smelting, Chinese demand and recovery in the world economy.
- Massive stimulus measures by Chinese authorities to offset the damage to economic growth from COVID-19 lockdowns has boosted demand for zinc and steel. Global zinc demand is estimated at around 14 million tonnes this year.
- Chinese zinc output stood at 508900 mt in August 2021, down 1.22% or 6300 mt on the month and 0.04% on the year.
- Cumulative output in January-August totalled 4.042 million mt, a year-on-year increase of 4.47%.
- Alloy output at domestic zinc smelters was 75,500 mt in August, up 80 mt on the month. The actual decrease in domestic zinc output in the month was less than expected.
- The main reason was that the decline in output as a result of power restrictions in Guangxi and Yunnan has fallen short of expectations.
- Inventories in Shanghai and London both fell, and the market kept an eye on the seasonal high in September and October.



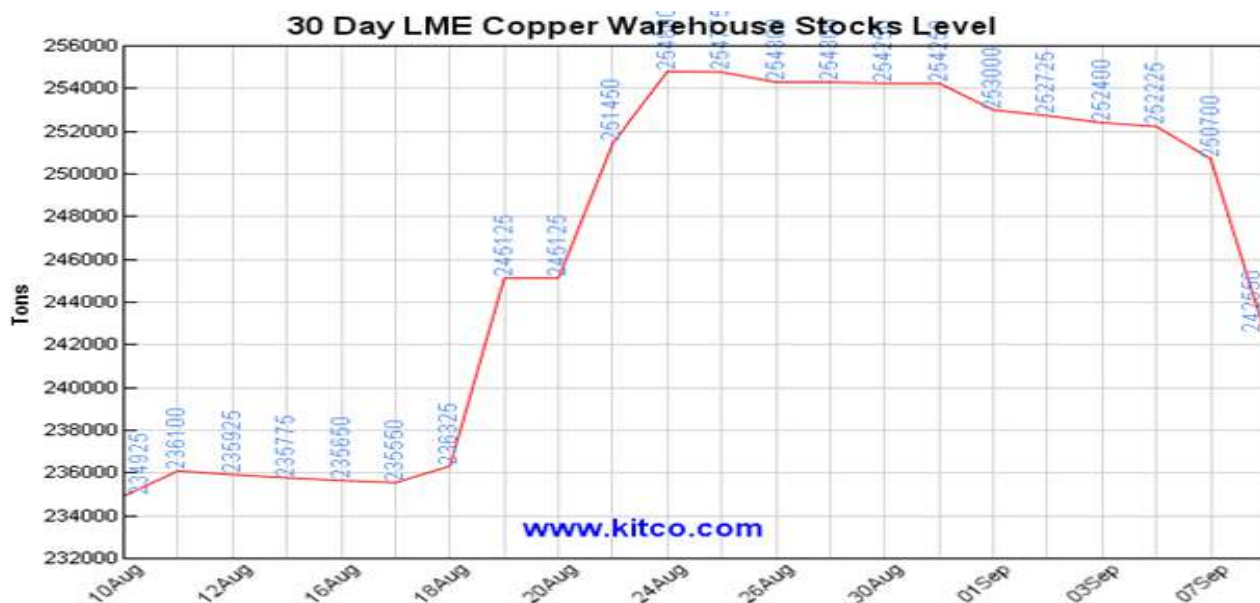
Source: Kitco metals

Technical - Weekly Chart of Zinc (MCX)



Zinc future at the MCX platform has settled flat at 245.15 on the previous week. At present prices are trading above the daily 200EMA levels 223.70 and above the weekly rising trend line resistance levels of 240. The long-term trend is bullish only and we have already seen the correction on the previous month and after correction price has been well sustained above the resistance line of 240. If the price will sustain below the support level of 242, will see the downside move towards 235/230 and if it trade above 252.50 levels and sustain will see further upside move towards 262/270 respectively. But the view will be intact until the recent low 242 is not interrupted.

- Copper is often used as a gauge of global economic health. Copper prices lost more than 5% in MCX on stronger dollar amid and fears of monetary policy tightening, slowdown in manufacturing activity, lower import from china and rising inventory in LME warehouse.
- Global copper smelting activity was subdued in August as plants mainly extended maintenance shutdowns, while flooding and power restrictions also had an impact, data from satellite surveillance showed.
- Recent flooding in top copper consumer China caused some plants in the south central region to reduce smelting activity, while Chinese smelters more broadly were impacted by power restrictions, the data showed.
- Chilean copper exports soared 40.5% in value in August from a year earlier amid high global prices for the red metal, the central bank said.
- China's copper imports declined 41% year-on-year in August, falling for the fifth straight month to 394,017 tonnes, customs data showed.
- Chile's state-owned copper producer Codelco has removed the threat of strike action by signing a final labor deal with the unions representing employees at its El Teniente division.
- Copper sales in Democratic Republic of Congo rose 10% in the first half of 2021 compared to the same period last year.



Source: Kitco metals

Technical - Weekly Chart of Copper (MCX)



Source: SMC & Reuters

Copper futures at the MCX platform has settled flat to little lower at 716.35 on the previous week from the previous closing price of 719. Now the prices have been trading below 18 days moving averages of 722. Now the immediate resistance is seen at 731. If the price will sustain above the immediate next resistance line of 731 it will continue to move upside towards 755/770. If the price sustains below the 1st support line of 707 can see further downside move towards 690/675 levels in the near-term basis. Overall, the commodity is expected to move sideways to upside in coming month.

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