Special Monthly Report on

BASE METALS

JUNE 2021

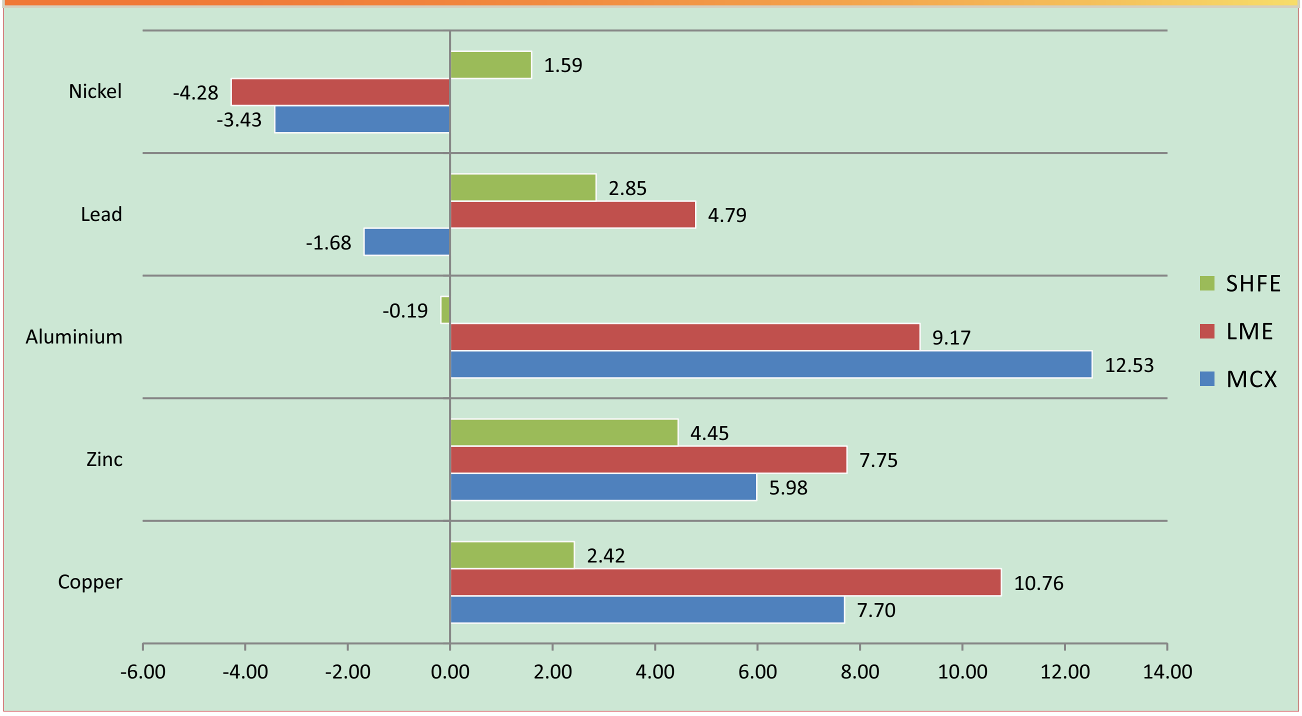
COPPER • NICKEL • LEAD • ZINC • ALIUMINUM

smc

Moneywise. Be wise.

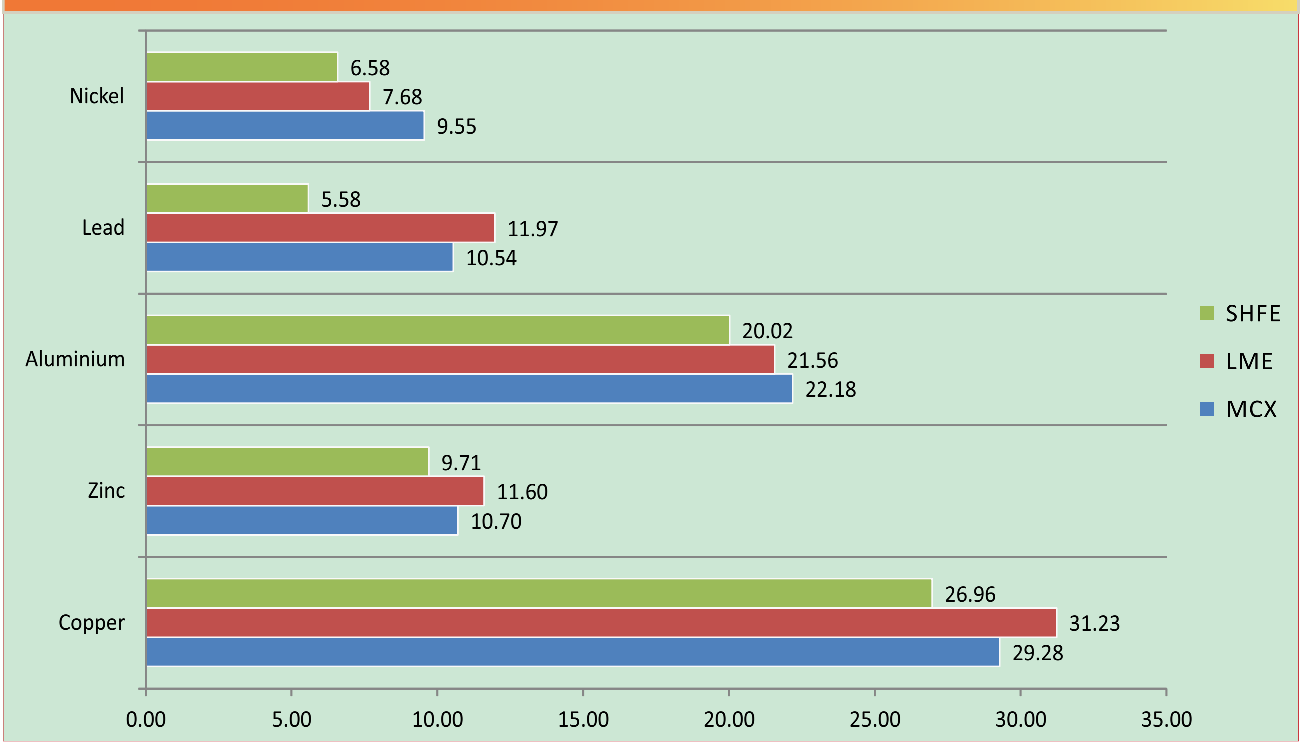
In May 2021, In the month of May, Base metals traded positive over stronger economic outlook with positive US data. Prices corrected after regulators in top consumer China warned domestic commodity companies to maintain "normal market orders" following a strong rally. Several authorities in China held a talk with major domestic commodity companies and urged them not to drive up prices, the country's National Development and Reform Commission said in a statement. Looking ahead in June, industrial metal may continue to trade with sideways to bullish bias, nickel and copper may witness huge volatility. China plans to release state reserves of nonferrous metals copper, aluminium and zinc in a programme set to last until the end of 2021, data provider Shanghai Metal Exchange Market (SHMET) and Chinese analysts said. However, the move is aimed at balancing market fundamentals rather than changing the direction of prices, it added.

BASE METALS PERFORMANCE (MAY 2021) (% change)



Source: SMC Research & Reuters

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



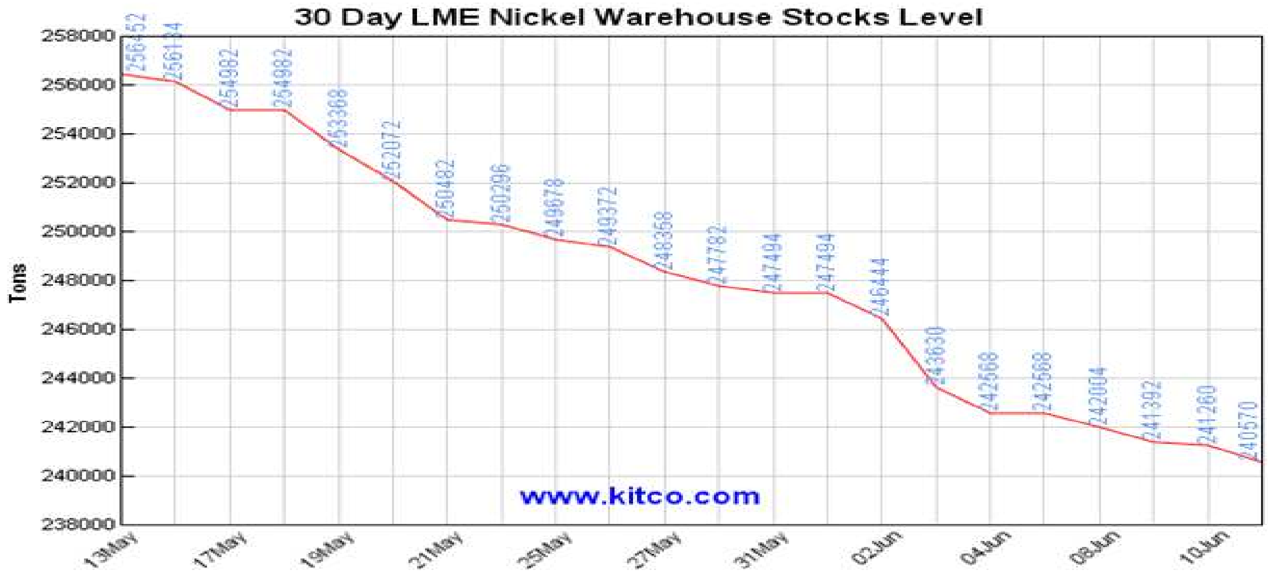
Source: SMC Research & Reuters

BASE METALS

METALDEX MCX WEEKLY CHART

METALDEX at the MCX platform has settled little lower at 15020 on the previous week. Last couple of weeks prices are traded in a range between 14500 to 15500. Now the immediate resistance is seen around 15430 and support is seen around 14800. If the price will sustained above 15430 then can see the upside move towards 15750/16000 very soon and sustainable trade below 14800 can see further down side move towards 14550/14200. Overall the commodity is expected to move higher from its support level.

- **Nickel prices witnessed profit booking on MCX and LME & lost around 3.5% & 4.25% respectively while on SHFE, it closed with minor gain.**
- While the long-term outlook for nickel is strong, uncertainties about the near-term supply-demand balance for the metal have created volatility recently.
- Nickel demand is set to be further bolstered as battery makers continue to minimise the proportion of cobalt metal in batteries.
- Market expectations of robust demand drove the price upward over the last year, but confident reports of future increases in supply from Tsingshan encouraged demand to fall back by about 20%.
- The steel market for nickel has been very strong, primarily due to stainless and growth in China. All the major end-use markets for stainless steel are strong, from construction to automotive and industrial, to appliances and flatware.
- Indonesia aims for three nickel smelters to be completed and operational this year, an official at the country's energy and natural resources ministry said, without specifying the capacity of the smelters.
- China's national refined nickel output decreased 590 mt or 4.53% month on month to 12,400 mt in May, and operating rates stood at 57%.



Source: Kitco metals

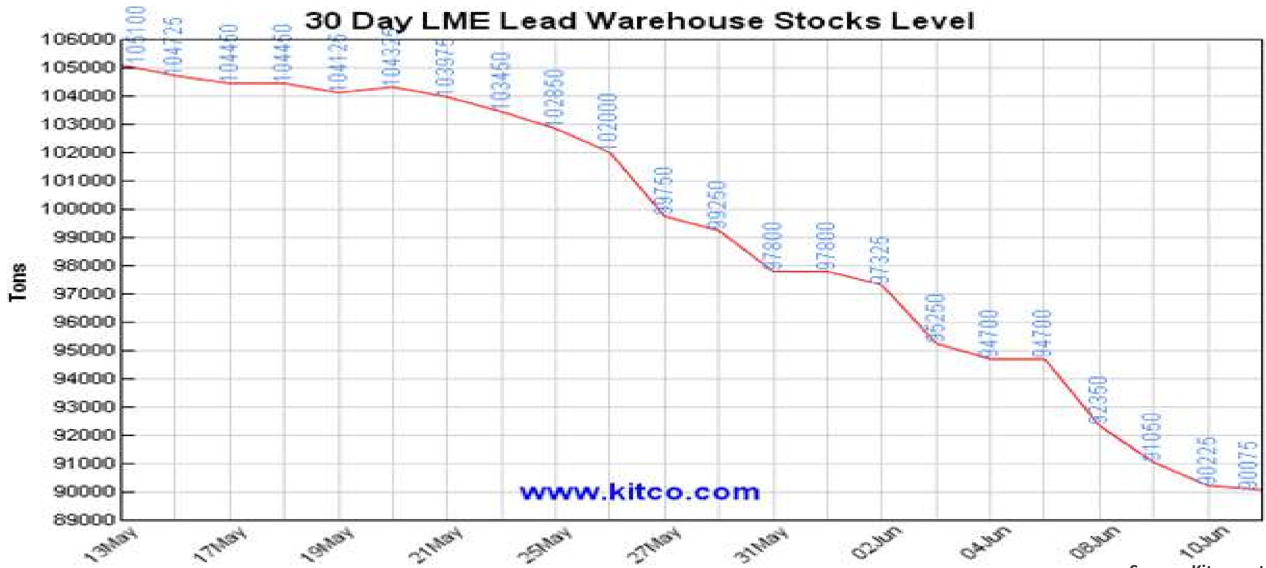
Technical - Weekly Chart of Nickel (MCX)

Source: SMC & Reuters

Nickel future at the MCX platform has settled higher at 1313.80 on the previous week. At present prices are trading above the weekly 50 EMA levels of 1286.84 and also above 200 EMA levels of 1195.75. The Momentum weekly Oscillator MACD is trading above the resistance line of 1300, witnessing bullish crossover. Buying can be seen again in the counter if it continues to trade above 1340 levels, which take the counter towards 1370/1400 respectively. If it break below the support line of 1300 levels and sustain can see further down side move towards 1275/1260 levels in short term basis. Overall the commodity is expected to move higher from its support level.

NICKEL

- **We saw more than 1.5% downside in lead prices in MCX whereas it was around 4.75 % higher in LME in last month. In SHFE the prices gain around 3%.**
- Lead prices may pressurized as supplies are expected to improve. Lead inventories in ShFE warehouses leaped to 118,885 tonnes, their highest since June 2013.
- According to US credit rating agency Fitch Solutions, secondary lead production or recycling is likely to be boosted in the second half this year through increased recycling of car batteries.
- The International Lead and Zinc Study Group (ILZSG), an inter-governmental organisation, said global demand for refined lead is projected to increase to 11.7 million tonnes (mt) this year with the usage increasing in Europe, India, Japan and South Korea.
- At the same time, global lead mine production is expected to increase to 4.71 mt, while refined lead output would be 12.07 mt this year.
- ILZSG anticipates the global supply of refined lead metal will exceed demand by 96,000 tonnes in 2021.
- The lead inter-governmental group projected use of lead to grow by over 7 per cent in Europe, 9.6 per cent in India, 10.6 per cent in Japan and 12.2 per cent in South Korea.



Source: Kitco metals

Technical - Weekly Chart of Lead (MCX)

Source: SMC & Reuters

Lead future at the MCX platform has settled little higher at 169.85 on the previous week. At present prices are trading above the daily 18 EMA levels of 167.85.The Momentum Oscillator Stochastic (14,3,3) is now witnessing positive divergence and also providing bullish trend for short to medium term basis. The 50 days EMA sustained on the higher side which is indicate buying in short term basis. So overall the commodity is expected to move higher from its support levels. Now the crucial resistance is seen at 173, sustainable trade above this level will see the good upside move towards 178/185 in this month and if the prices has sustain below the support level of 168 levels then can see the downside/ correction move towards 164/160 respectively.

LEAD

ALUMINUM

- Aluminum prices also felt bearish pressure in last month on SHFE due to higher production estimates but managed a healthy gain of more than 9% on LME and around 12.50% on MCX.
- China is by far the world's biggest aluminium maker, churning out a record 37.08 million tonnes in 2020. However, its government wants to cap annual smelting capacity at 45 million tonnes and producers, under pressure to reduce emissions, are looking to recycle more scrap metal instead.
- China produced 3.2 million tonnes in April, 8% higher year on year and equivalent to an annualised 39.2 million tonnes, according to the International Aluminium Institute (IAI). China's share of global output rise from 40% to near 60%.
- After years of rapid growth, China's aluminium consumption has "entered the stage of slowing down" and is also expected to peak around 2024, Antaike chief aluminium expert Xiong Hui said.
- But China is currently short of aluminium raw material with imports of both primary metal and alloy still running strong. The country's flip to net importer last year initially looked like a COVID-19 recovery disconnect, similar to the one during the global financial crisis more than a decade ago when China last needed to tap international supplies.
- China is looking to release 800,000-900,000 tonnes of primary aluminium from its state reserves as soon as next month to ease high prices for the metal.

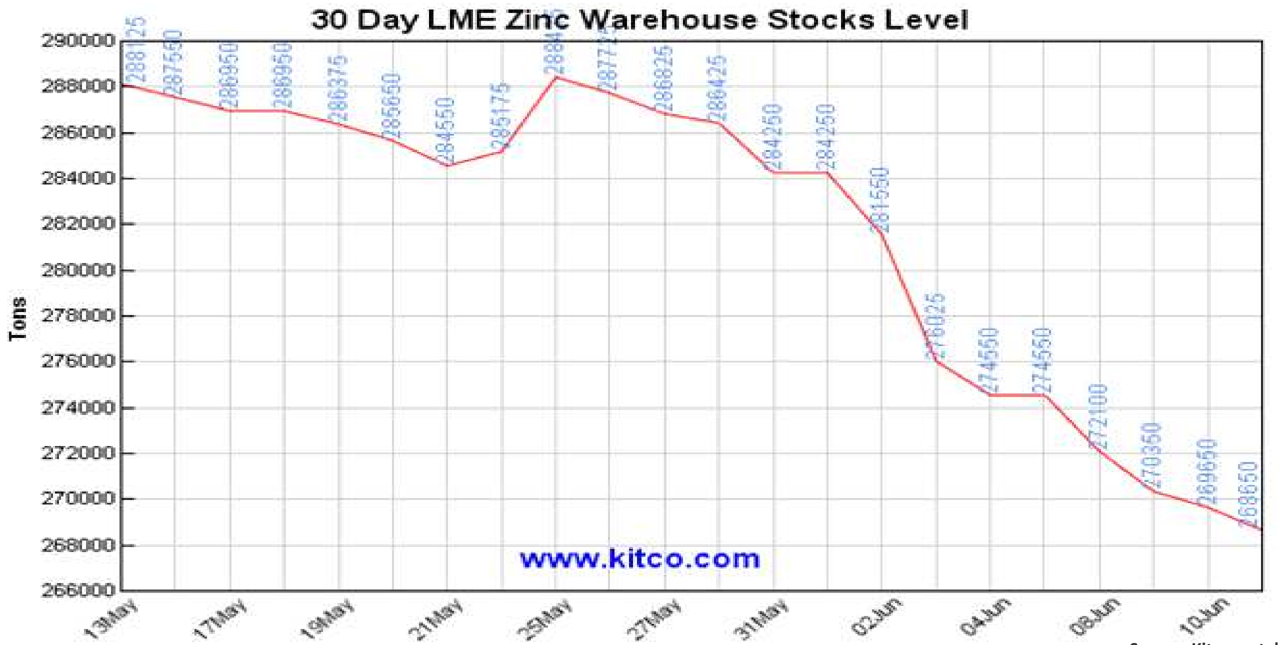
Source: Kitco metals

Technical - Weekly Chart of Aluminum (MCX)

Source: SMC & Reuters

Aluminium Future at the MCX platform has settled little lower at 192.85 on last week, from the previous closing price of 196.40. From last couple of months, prices have been traded higher and bounced from its support level of 160 TO 206.50. Last week price retraced 50% from 206.50 to 183.10. Now the prices have trading above the 18 days moving averages of 185.00. The short to medium term channel resistance of 190 is already breached and now well sustained above the 18 days moving averages of 185 levels. Now the next immediate resistance is seen at 199.60 then 206.50, sustainable trade above 199.60 will see the good move towards 206.50/215 and if it breaks the immediate support line of 190 then it will see the downside move towards 185/180 respectively. Overall the commodity is expected to move higher from its support level. Thus we recommend buy on dips in the current month.

- In May, zinc prices closed more than 4.5% across the board in green zone as demand is expected to increase in the international markets.
- Zinc demand is expected to increase in the international markets as mining work and refined metal production is expected to rise after the reports of recovering economic data in the Asian markets and the United States.
- Zinc producers in China's southwestern province of Yunnan should be able to fully resume their operations by mid-June, sources said. A few zinc smelters in Yunnan have already resumed production, however, sources that spoke to Fastmarkets said.
- Production capacity will be dependent on sufficient rainfall for the operation of local hydropower systems, a Chinese market source said.
- According to the International Lead and Zinc Study Group (ILZSG), the global zinc metal production for March 21 has risen to 1,159.5 thousand tonnes, higher compared to 1,143.4 tonnes in the preceding month. Zinc usage has been reported to be higher at 1,157.4 thousand tonnes for March 21 compared with 1,162.9 thousand tonnes reported during February 21.



Source: Kitco metals

Technical - Weekly Chart of Zinc (MCX)

Source: SMC & Reuters

Zinc future at the MCX platform has settled higher at 236.65 on the previous week. At present prices are trading above the daily 200EMA levels 209.40 and above the weekly rising trend line resistance levels of 222. 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 222. If the price will sustain below 226 levels will see the downside move towards 213/207 and if it trade above 243 levels and sustain will see further upside move towards 253/260 respectively. But the view will be intact until the recent low 226 is not interrupted.

- Copper is often used as a gauge of global economic health. Copper prices rose more than 7.5% on MCX and 10.75% on LME, due to weaker U.S. dollar, demand growth for clean energy, supply concern and falling inventory in exchanges. IN SHFE it managed a minor gain of 2.5% only.
- Chilean copper agency Cochilco has raised its average copper price projection to \$4.30/lb for 2021, up from a forecast of \$3.30/lb that was made in January due to expected supply deficit.
- By the end of 2021, the refined copper market is expected to be in a deficit of 145,000t, while at the end of 2022 a surplus of 46,000t is forecast.
- Copper inventories in warehouses tracked by ShFE fell for the fourth straight week on June 11, to 180,967 tonnes, the lowest level since March 12.
- However, Copper may pressurized as worries of price controls resurfaced after Chinese authorities vouched to keep a tab on surging commodity costs. China's state planner renewed its pledge to step up monitoring of commodity prices and strengthen supervision of spot and futures markets, as domestic producer inflation hit its highest in more than 12 years.
- Yangshan copper premium fell to \$22 a tonne, its lowest since 2016, indicating weak demand for imported metal into China.
- Workers at BHP Group's Spence copper mine in top producer Chile said last week they had reached a new contract deal with the company, avoiding a strike.
- China's copper imports fell 8% in May from the previous month, official data showed, as record-high prices further eroded buying interest in the country.
- In the short to medium term we believe there is sufficient copper supply to support faster growth in demand. However, record price levels, if maintained, will start to impede that growth.

Source: Kitco metals

Technical - Weekly Chart of Copper (MCX)

Source: SMC & Reuters

Copper futures at the MCX platform has settled little lower at 743.00 on the previous week from the previous closing price of 766.50. The prices have been well sustained above the trend line resistance of 730 and also 38.2% correction has been done in lat week. Now the immediate resistance is seen at 776. If the price will sustain above the immediate next resistance line of 776 it will continue to move upside towards 800/820. If the price sustain below the 1st support line of 730 can see further down side move towards 715/700 levels in the near term basis. Overall the commodity is expected to move higher from its support level.

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