

SPECIAL MONTHLY REPORT ON

BASE METALS

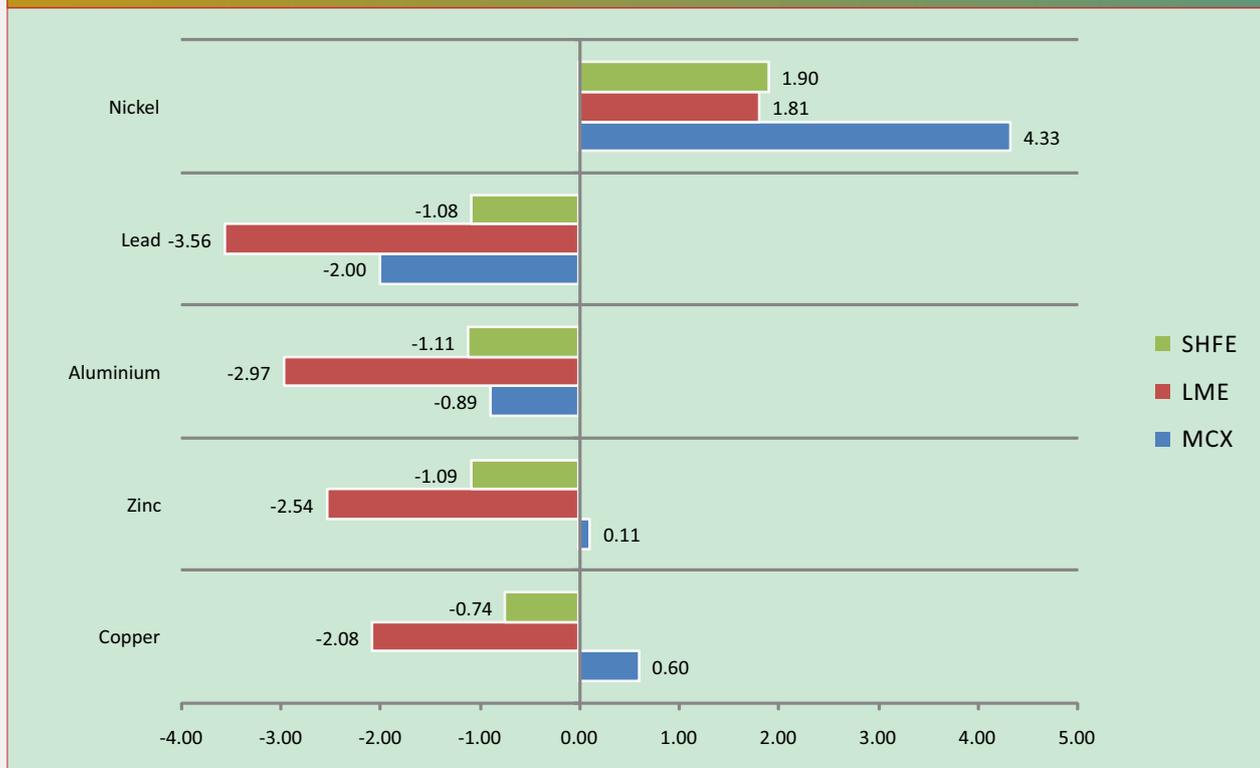
MARCH 2018



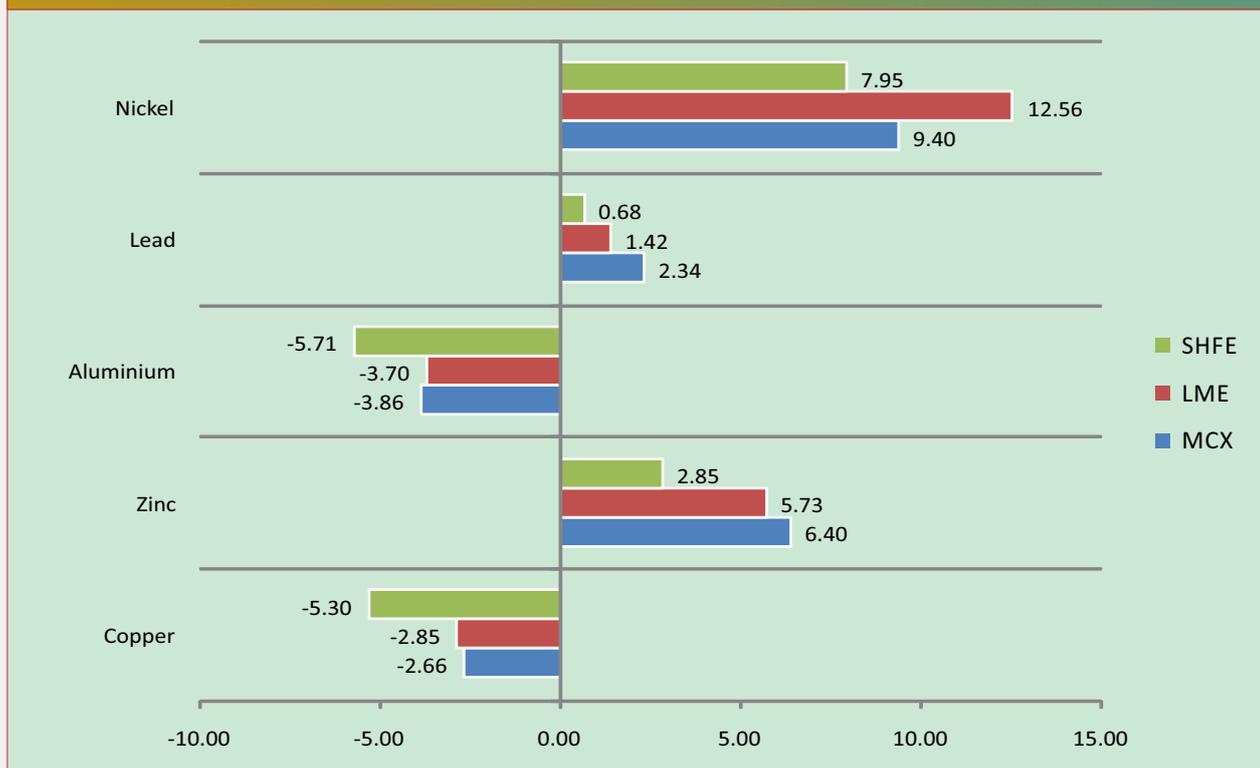
Moneywise. Be wise.

COPPER • NICKEL • LEAD • ZINC • ALIUMINUM

BASE METALS PERFORMANCE (February 2018) (% change)



BASE METALS PERFORMANCE (January - February 2018) (% change)



COPPER

Overview and outlook

Copper traded in red in the month of February at LME but managed to end with marginal gains in MCX due to depreciating rupee. Investors focused on escalating tensions over U.S. steel and aluminum import tariffs. Concerns remained about US President's decision to impose a 25% import tariff on steel and 10% on aluminium, with initial exemptions for Canada and Mexico.

Copper moved in range of 432.30-465.30. Data from China showed growth was mostly stable at start of the year as exports picked up and factory activity remained largely resilient. International Monetary Fund Managing Director Christine Lagarde stated recently that she feared a "tit-for-tat" escalation of trade retaliation over the U.S. tariffs that would sap business confidence and investment.

Copper can take support near 435-440 range which can be used as buying opportunity towards 465-470 in the month of March.

Key news

China February copper imports fall as Spring Festival crimps demand

China's imports of copper fell 20 percent in February from a month earlier, dropping for a third straight month as a week-long shutdown for Lunar New Year crimped buying in the world's biggest copper consumer. Arrivals of anode, refined, alloy and semi-finished copper products were 352,000 tonnes, according to the General Administration of Customs. That's down from a robust 440,000 tonnes in January, when China imported more unwrought copper instead of types of copper scrap that are now banned, and up from 340,000 tonnes in February 2017. China's February copper concentrate imports came in at 1.45 million tonnes, down from 1.62 million tonnes in January and versus 1.43 million tonnes in February 2017. The country exported 372,000 tonnes of unwrought aluminum and aluminum products, including primary, alloy and semi-finished aluminum products, in February, down from January's 440,000 tonnes.

ICSG estimates

ICSG data shows World mine production is estimated to have declined by 2.4% in first eleven months of 2017, with concentrate production declining by 2% and solvent extraction-electro winning declining by 3.5%. World refined production is estimated to have slightly increased by 0.5% in the first eleven months of 2017 with primary production. World refined copper balance for first eleven months of 2017 indicates deficit of about 195,000 tons.



Source Kitco metals

Nickel

Overview and outlook

Nickel prices ended higher in the month of February as good demand from stainless steel sector and falling LME inventories supported the prices higher. Overall it moved in range of 822.10-917.80.

Nickel pig iron producers in China Shandong province were among the industrial sectors required to reduce operating rates for the winter heating season running from mid-November through mid-March. Nickel prices to remain high over next couple of months on supportive macroeconomic backdrop and market tightening driven by Chinese nickel pig iron cuts in Shandong province during winter heating season. Nickel prices surged higher on concerns that China might order further output cuts as it ramps up efforts to clean its skies.

Nickel prices can show positive gains on falling stockpiles in LME as it can move towards 940 in the month of March 2018.

Key news

Deficit narrowed in December

According to the International Nickel Study Group “The global nickel market deficit narrowed to 12,400 tonnes in December from a restated 13,100 tonnes in

the previous month” Nickel market was in deficit during Jan to Dec with apparent demand exceeding production by 102 kilo tonne. In whole of 2016 calculated deficit was 68.2 kilo tonne. Reported stocks held in LME at end of Dec 2017 were 5.5 kilo tonne lower than at end of the previous year. Refined production in January to Dec 2017 totalled 1822.2 kilo tonne and demand was 1924.2 kilo tonne. World apparent demand was 21 kilo tonne higher than previous year.



Source Kitco metals

Lead

Overview and outlook

The battery metal Lead traded lower in the month of February as offloading of positions by participants owing to sluggish demand from battery-makers in the spot market .Lead prices moved in range of 160.20-172.50 in the month of February.

The downfall being witnessed in lead prices due to fear of trade war between US and China after US adopted protectionist measures. **Lead can take support near 148-150 range and afterwards prices can witness recovery towards 165 levels.**

Key News

ILZSG Estimates of Lead

According to preliminary data recently compiled by the ILZSG, world refined lead metal demand exceeded supply by 169kt during the first eleven months of 2017. Over the same period total reported stock levels decreased by 33kt.

Global lead mine production rose by 3.0% over the first eleven months of 2017 compared to the same period in 2016. This was mainly due to increases in China, India and Kazakhstan that more than offset a significant fall in Australia and reductions in Sweden and the United States.

A 3.1% increase in world refined lead metal output was mainly influenced by higher output in China and India that more than balanced a decrease of 8.6% in the United States.

Growth of 4.9% in global refined lead metal usage was principally a result of rises in China, the Republic of Korea and the United States. Apparent demand increased by 3.5% in Europe, influenced by increases in Germany and in the UK.

China's imports of lead contained in lead concentrates fell 7.7% to 643kt. Chinese net imports of refined lead metal totalled 77kt compared to net exports of 11kt during the first eleven months of 2016.



Source Kitco metals

Zinc

Overview and outlook

Zinc prices ended the month of February on negative note due to drop in steel prices in China and fear of trade war between China and US after US imposed tariff on steel. Zinc moved in range of 216.60-232.70.

Premiums for zinc in Shanghai bond warehouses have sunk to the weakest since May last year at \$145-170, after exchange stocks in the U.S. surged in recently, soothing supply concerns.

According to IZSG “Zinc market was in deficit by 710 kilo tonne during Jan to Dec 2017 which compares with a deficit of 202 kilo tonne recorded in whole of previous year”

World zinc consumption accelerated last year amid strong momentum in major economies. Improved margins encouraged steelmakers to run at higher utilization rates, and there have been ramp-ups of additional galvanizing capacities in Europe.

Zinc prices witnessed sharp correction recently as prices fell from high of around 230 to below 210.

In near term Zinc prices can take support near 206-210 range and can recover towards 220 in MCX.

Key news

Surge in inventories pressurized Zinc

Zinc prices were under pressure on back of overhang of huge jump in inventories. On-warrant stocks available to the market in LME-registered warehouses have risen by 111% in two days to 177,000 tonnes, reducing fears of supply shortages that drove zinc, to 10-1/2-year high last month. Inventories in Shanghai Futures Exchange warehouses have also doubled to 150,000 tonnes this year. The premium for cash zinc over three-month contract fell to \$3 from \$50 last month, signaling greater availability of metal.

ILZSG estimates of Zinc

Provisional data reported to the ILZSG indicate that the global market for refined zinc metal was in deficit by 485kt over the first eleven months of 2017 with total reported inventories decreasing by 320kt over the same period.

Higher zinc mine production in Canada, Eritrea, India, Namibia and Peru influenced an increase in

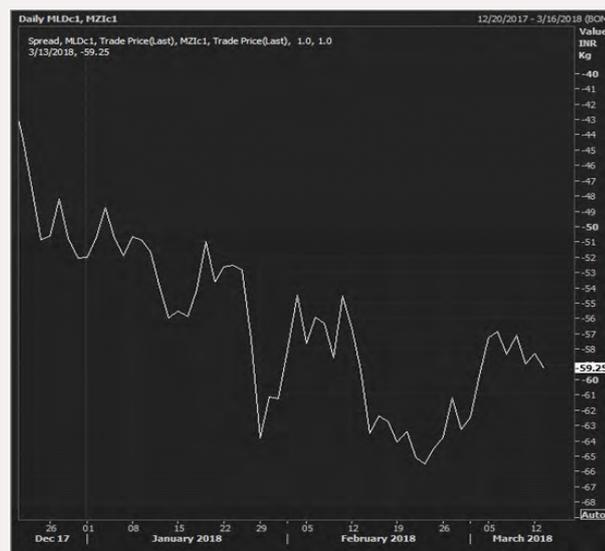
global output of 4.8%, more than offsetting reductions in Australia, Ireland and Sweden.

Overall global output of refined zinc metal decreased by a marginal 0.3%, despite a sharp rise in India. This was primarily due to lower production in Canada, China, the Republic of Korea, Peru and Thailand.

World usage of refined zinc metal rose by 1.9%, mainly driven by an increase in apparent demand in China of 2.1%. In Europe and the United States usage remained at a similar level to that in the same period of 2016.

Imports into China of zinc contained in zinc concentrates increased by 27.0% to 935kt over the first eleven months of 2017. Chinese net imports of refined zinc metal rose by 47.1% to total 562kt of which 123kt was imported in November.

Lead and zinc Spread



Source: Reuters

Analysis: Lead and Zinc spread can move in range of -56 to -63 in March 2018.



Source Kitco metals

Aluminum

Overview and outlook

Aluminum ended last month on negative path as it moved in the range of 135.55-144.05. Aluminium continues to be weak as winter restrictions on Chinese smelters set to be lifted in this month. Deliverable aluminium stocks in ShFE warehouses rose by 4,517 tonnes to a record 846,913 tonnes recently.

China's curtailing its polluting industrial capacity in several industries including steel and aluminum in a bid to address rising pollution levels. Data released from International Aluminium Institute showed global primary aluminium output rose to 5.56 million tonnes in January from revised 5.39 million tonnes in December.

Canadian Prime Minister Justin Trudeau promised aluminum and steelworkers that he would defend them against possible U.S. tariffs and called U.S. President Donald Trump to stress that "mutually beneficial" cross-border supply chains should be preserved.

Aluminium prices can trade on weaker side due to lifting of restrictions on smelters as prices can test 132-130 in MCX.

Key News

Rusal earnings improved

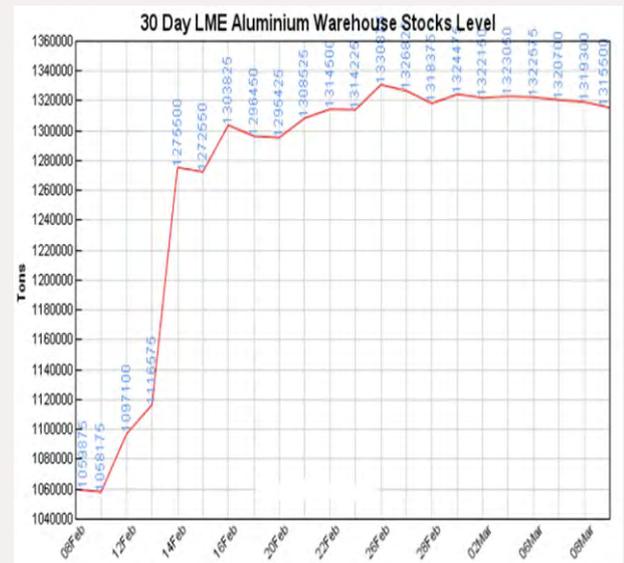
Russian aluminium giant Rusal almost matched forecasts with a 42 percent jump in fourth-quarter core earnings last month, helped by higher aluminium prices, and it saw a 5 percent increase in demand this year, pushing the market into a more than 2 million tonne deficit.

China aluminium exports

China's semi-processed aluminium product exports rose to 395,301 tonnes in Jan, highest since last June and the sixth-highest ever, as a premium for LME prices over Shanghai attracted metal out of country.

Aluminum premium rising

Global aluminium producer has offered Japanese buyers premium of \$135 per tonne for primary metal shipments during the April to June quarter, up 31% from current quarter. Chinese aluminium manufacturers could further expand production in the next few months.



Source Kitco metals

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