

Special Monthly Report on

# BASE METALS

AUGUST 2021



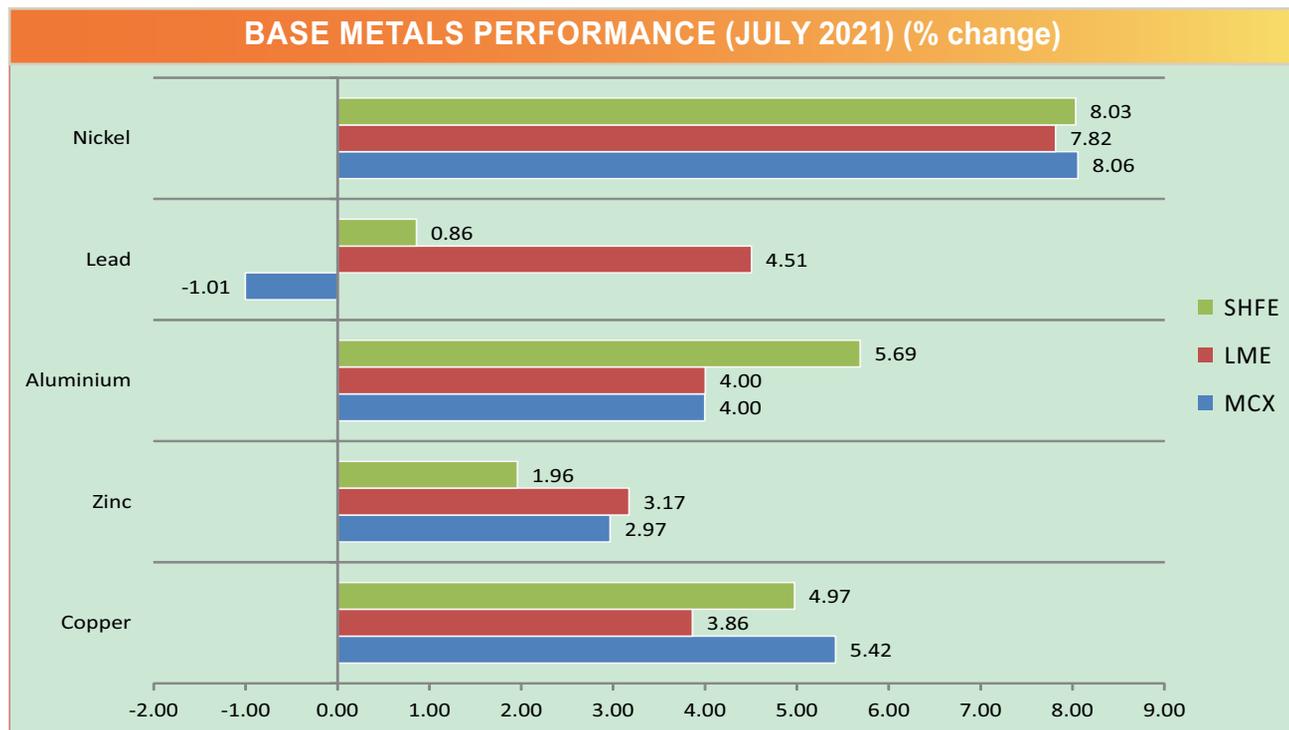
• COPPER • NICKEL • LEAD • ZINC • ALIUMINUM



Moneywise. Be wise.

In July 2021, Base metals traded with bullish bias by a weaker dollar after the latest dovish comments from the Fed. Investors bet that extended easy monetary policy would help to boost economic recovery and metals demand. The European Central Bank pledged last month to keep interest rates at record lows for even longer to boost sluggish inflation. Heavy rains in China have boosted hopes for higher copper and aluminium demand, while aluminium production halting in the affected regions has also supported the prices. Commodities from copper, Nickel to steel have posted big gains this year, partly on bets that massive U.S. government spending to rebuild infrastructure will boost demand.

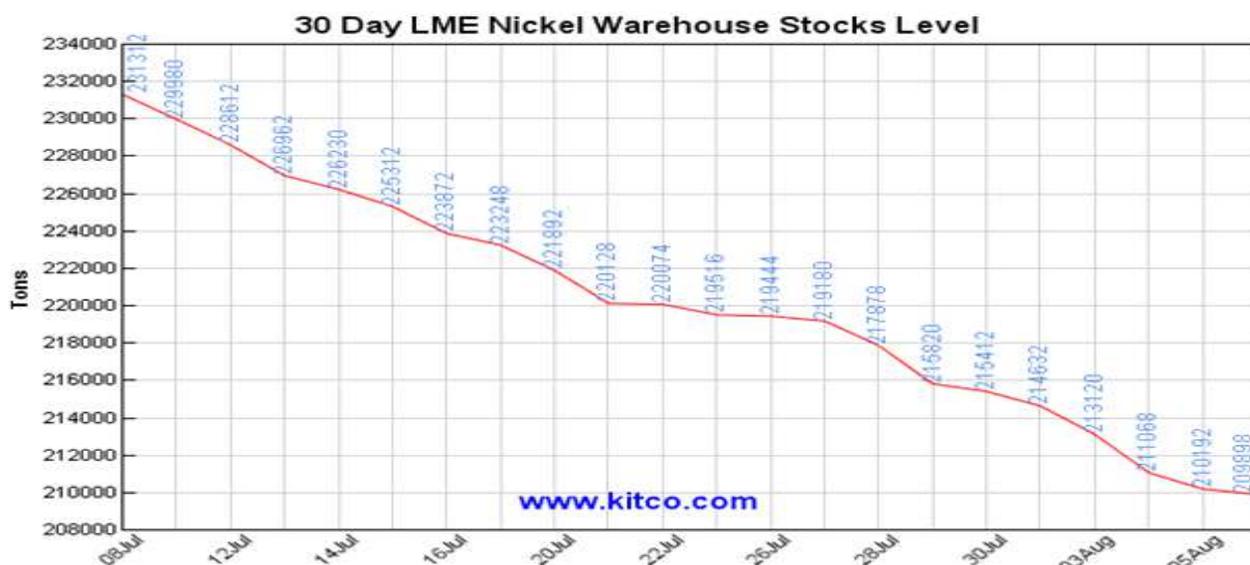
Now currently base metals counter are under pressure as U.S. manufacturing activity grew at a slower pace in July for the second straight month, while China's factory activity expanded at the slowest pace in 17 months. Top consumer China is on track to expand more than 8% this year but analysts say pent-up demand since the start of the coronavirus crisis has now peaked and forecast growth to moderate amid supply chain bottle necks and outbreaks of COVID-19 variants. The spreading Delta variant intensified the global concerns about the economic recovery. Officials in Australia and New Zealand gave hawkish statements.





*METALDEX at the MCX platform has settled higher at 15950 on the previous week. Now the immediate resistance is seen around 16100 and support is seen around 15400. If the price will be sustained above 16100 then can see the upside move towards 16400/16700 very soon and sustainable trade below 15400 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.
- A union representing striking worker at Vale SA's nickel mine in Sudbury, Canada reached a tentative agreement to settle an ongoing labor dispute that saw 2,500 workers walk off their job on June 1.
- The relentless rise in Indonesian production, combined with an expected slowdown in the pace of nickel consumption growth should tip the market into over-supply in 2022/23
- Nickel demand by the stainless steel market is expected to decline in August, as the production will be reduced amid the power curtailment.
- Production of 300-series stainless steel containing 8%-9% nickel jumped 36% in the first half of 2021 compared with the same period last year.
- BHP will make a final investment decision on a major expansion of the processing plant at its Mt. Keith nickel mine in Western Australia as it invests further in battery metals to meet expected soaring demand.
- BHP thinks its new nickel sulphate plant outside Perth has the potential to exceed its stage one design capacity of 100,000 t/yr.



Source: Kitco metals

### Technical - Weekly Chart of Nickel (MCX)



Source: SMC & Reuters

Nickel future at the MCX platform has settled higher at 1484.10 on the previous week. At present prices are trading above the weekly 50 EMA levels of 1420 and above 200 EMA levels of 1350. 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 1500 levels, which take the counter towards 1560/1600 respectively. If it breaks below the support line of 1420 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 more than 4.5% upside in LME whereas it turned almost 1% lower in MCX last month. In SHFE the prices managed to gain around 1%.
- 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 58,850 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. Wood Mackenzie expects demand for lead for replacement car batteries to rise 5.9% from 2020 to 6.5 million tonnes this year, back to pre-pandemic levels.
- Deadly floods in the central Chinese province of Henan will have an inevitable impact on the supply of non-ferrous metals.
- The flood-stricken province accounts for about 36 per cent of China's total production capacity for primary lead and about 15 per cent for recycled lead.
- The United States accounts for 13% of global lead demand, but consumption has been boosted by the end of COVID-19 lockdowns as motorists seek replacements for lead-acid batteries that have failed after long periods without use.



Source: Kitco metals

### Technical - Weekly Chart of Lead (MCX)



Source: SMC & Reuters

Lead future at the MCX platform has settled flat at 177.25 on the previous week. At present prices are trading above the daily 18 EMA levels of 173.52. 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 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 182, sustainable trade above this level will see the good upside move towards 190/200 in this month and if the prices has sustained below the support level of 168 levels, then can see the downside/ correction move towards 164/160 respectively.

- Aluminum prices managed a healthy gain of around 4% on LME and on MCX and recorded more than 5.5% gain in SHFE.
- **Aluminium is the best performing base metal across the board, with more than 26.75% gain till July end this year, and having touched three-year highs, boosted by strong demand and production cutbacks in China due to power issues.**
- Aluminium prices are trading in on their highest levels in 10 years, as global demand for everything from beer cans to packaging rebounds from the pandemic.
- Aluminium is also benefiting from constraints in supply. A drought in China's Yunnan province has cut the area's hydropower output, causing shortages and prompting local government to ask aluminium smelters to reduce their usage.
- China's primary metal production growth has stalled as power-hungry smelters adapt to tightening energy efficiency targets. Producers can't keep pace with demand, meaning imports are needed to rebalance the domestic market.
- China imported a further 158,000 tonnes of primary aluminium in June, bringing the half-year tally to 744,000 tonnes.
- The sale of 140,000 tonnes of state aluminium in July seems to have had little impact either on price or supply.



Source: Kitco metals

### Technical - Weekly Chart of Aluminum (MCX)



Source: SMC & Reuters

Aluminium Future at the MCX platform has settled little higher at 206.75 on last week, from the previous closing price of 198.40. From last couple of months, prices have been traded higher. Now the prices have trading above the 18 days moving averages of 195.00. The short to medium term channel resistance of 195 is already breached and now well sustained above the 18 days moving averages of 195 levels. Now the next immediate resistance is seen at 210, sustainable trade above 210 will see the good move towards 216/223 and if it breaks the immediate support line of 195 then it will see the downside move towards 190/185 respectively. Overall, the commodity is expected to move higher from its support level. Thus, we recommend buy on dips in the current month.

- In July, zinc prices rose around 3% in LME & MCX and managed to close 2% in green on SHFE.
- 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.
- 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.
- The strengthened power curtailment cross China further limited the zinc ingot supply, which may support the zinc prices.
- Global zinc supply exceeded demand by 31,000 tons metric tons during the first four months of 2021, ILZSG preliminary data indicated. During the period, zinc mine production rose by 11.3%.
- Meanwhile, refined zinc output rose by 4.5%. Zinc usage also increased, surging by 10.1% as a result of a “substantial rise” in China. However, China’s imports of zinc contained in zinc concentrates dropped by 9.4%.



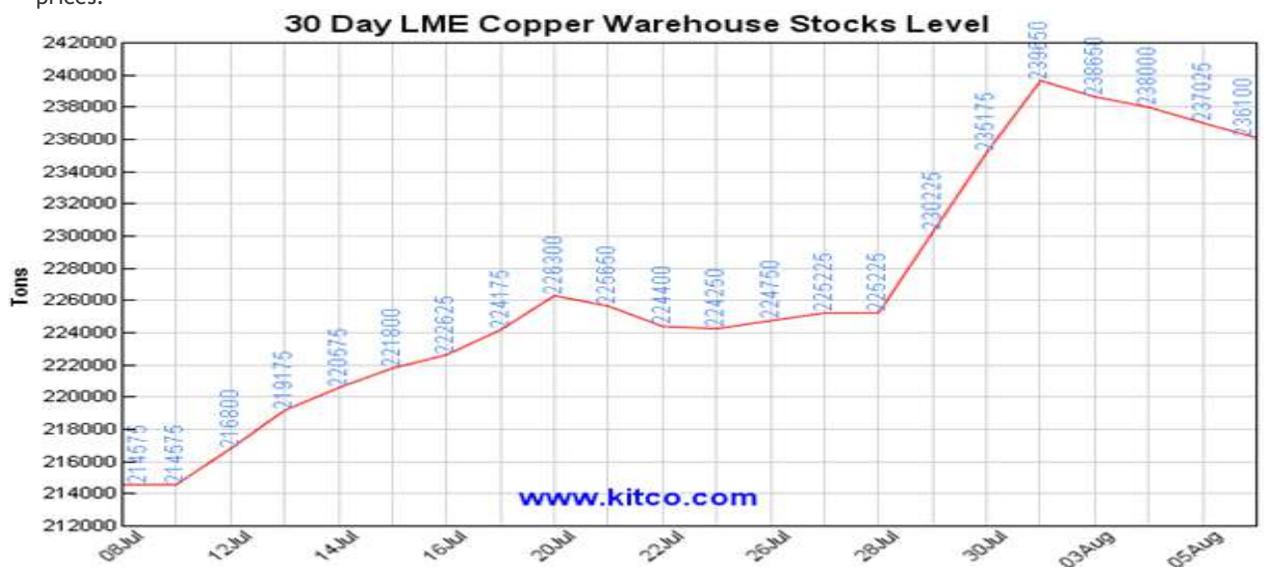
Source: Kitco metals



Source: SMC & Reuters

Zinc future at the MCX platform has settled little higher at 248.15 on the previous week. At present prices are trading above the daily 200EMA levels 220 and above the weekly rising trend line resistance levels of 235. 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 235. If the price will sustain below the support level of 228, will see the downside move towards 213/207 and if it trade above 250 levels and sustain will see further upside move towards 262/270 respectively. But the view will be intact until the recent low 228 is not interrupted.

- Copper is often used as a gauge of global economic health. Copper prices recorded more than 4% across the board on strike concerns in some major copper mines and possible extension of easy monetary policy that would help to boost economic recovery and metals demand.
- The copper prices may get support only on strike concern. The union representing workers at Chile's Escondida copper mine, the world's largest, instructed its members to prepare for a strike due to slow progress in contract talks being mediated by the government.
- The mine accounts for about 4.5% of global copper supplies estimated at roughly 24 million tonnes this year.
- Top copper miner Codelco's June output rose 14.9% year-on-year to 151,600 tonnes, while production at the world's biggest copper mine Escondida fell 21.6% in the same period.
- China's copper imports in July fell 1.0% from June, declining for a fourth straight month, customs data showed, hurt by high prices, the release of state reserves and increased scrap metal inflows.
- Imports of unwrought copper and copper products into China, the world's biggest copper consumer, were 424,280.3 tonnes last month, the General Administration of Customs said.
- Activity in China's copper-intensive manufacturing and construction sectors expanded at a slower pace in July amid high raw material costs and extreme weather. The government also sold off 50,000 tonnes of copper from state reserves in a bid to cool prices.



Source: Kitco metals

### Technical - Weekly Chart of Copper (MCX)



Source: SMC & Reuters

Copper futures at the MCX platform has settled higher at 751.70 on the previous week from the previous closing price of 760.65. Now the prices have been well sustained above the trend line resistance of 725 and correction is going on from last month. Now the immediate resistance is seen at 758. If the price will sustain above the immediate next resistance line of 758 it will continue to move upside towards 770/790. If the price sustains below the 1st support line of 711 can see further downside move towards 695/685 levels in the near-term basis. Overall, the commodity is expected to move higher from its support level.

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