

Special Monthly Report on

# BASE METALS

JULY 2022



• ALUMINIUM • COPPER • LEAD • ZINC



Moneywise. Be wise.

In June 2022, Industrial metals have gone to bust from boom in the space of only three months and posted the worst quarterly slump since the 2008 global financial crisis as China's economy recovered only gradually and fears of a world recession intensified by interest rate hikes to fight inflation in coming months stoked fears that demand will soften. Copper, aluminium, zinc and nickel all hit record price highs in March. Lead was the only LME base metal to miss out on the super-bull rally. Fears of sanctions against Russian metal helped drive prices to those record highs in March. But flows of Russian aluminium, copper and nickel have so far been largely unaffected. Rather, traders are now focused on the recessionary impact of high energy prices China's lockdowns have also caused severe knock-on impacts in Japan, where industrial output slumped 7.2% in May, undershooting estimates of a 0.3% decline. Most importantly, trading activity in the second quarter was down by 13% on the year-earlier period and by 21% on the first three months of 2022 in the wake of its controversial suspension of the nickel market and subsequent cancellation of trades.

### Outlook

Base metals prices may trade in different direction on mixed fundamentals. The lifting of COVID-19 restrictions in top metals consumer China buoyed hopes of demand recovery. However, business growth across the euro zone slowed further last month, according to a survey in which forward looking indicators suggested the region could slip into decline this quarter as the cost-of-living crisis keeps consumers wary. Recession worries and consumer belt tightening have hit demand for electronic goods, which is feeding through to weaker consumption of soldering metal tin, but output cuts mean the market is likely to be balanced this year. China's recovery may yet be held back by Beijing's zero covid-19 policy, with several cities tightening curbs over the weekend as new cases emerged. Japan's services sector activity expanded at the fastest pace in more than eight years in June as the easing of coronavirus curbs boosted sentiment among businesses such as those in tourism. However, aggressive rate hikes by central banks to tackle soaring inflation would push economies into a recession and dent demand for metals. The Federal Reserve is expected to deliver another 75-basis-point hike this month.

### Fundamentals

- Global copper demand is estimated to grow around 2%-3% this year to around 26 million tonnes after 4%-5% growth in 2021 and aluminium demand is expected to grow little more than 2% to around 71 million from 8% growth last year.
- Zinc consumption is forecast to rise at a sedate 1%-2% this year from 6%-7% in 2021 and nickel demand is seen expanding around 5% this year from around 15% last year.
- Chile's total copper production fell 2.55% in May to reach 478,800 tonnes, government body Cochilco said.
- Global copper smelting activity declined in June, hit by a stoppage in top producer Chile, data from satellite surveillance of metal processing plants showed.
- Copper supplies are seen climbing 3%-5% on production ramp ups at mines in Latin America, Africa and elsewhere, while aluminium supplies are forecast to rise 3.5% with much of that rise in China.
- Rising nickel output in major producer Indonesia is likely to boost global supplies by 14%-18% to more than 3.1 million tonnes this year.
- Zinc supplies are expected to stagnate, partly because of production cuts in Europe due to record high power prices.
- The premium for aluminium shipments to Japanese buyers for July to September was set at \$148 a tonne, down 14% from the previous quarter, to reflect weak demand for automobiles and rising local inventory.
- Aluminum stockpiles in major ports of China have swelled to the highest in more than six years as automotive demand slumps due to supply-chain constraints.
- The ensuing tightening of gas supplies to Europe has caused power prices to surge by 400% over the last year, which is a big problem for aluminium producers given power accounts for around 40% of their smelting costs.



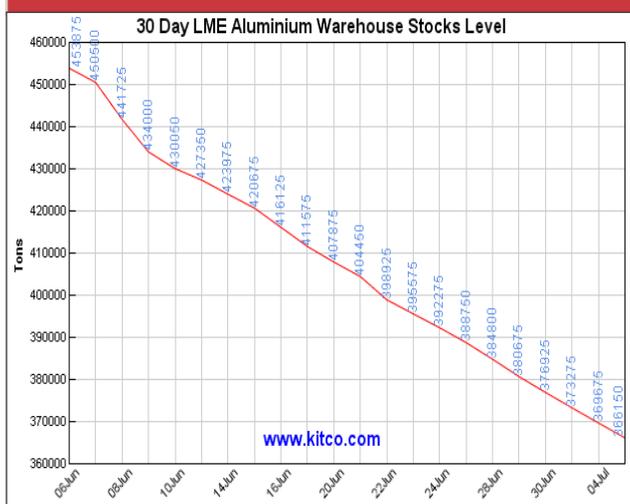
Source: SMC Research & Reuters



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## BASE METAL MONTHLY TECHNICAL REPORT

### ALUMINIUM

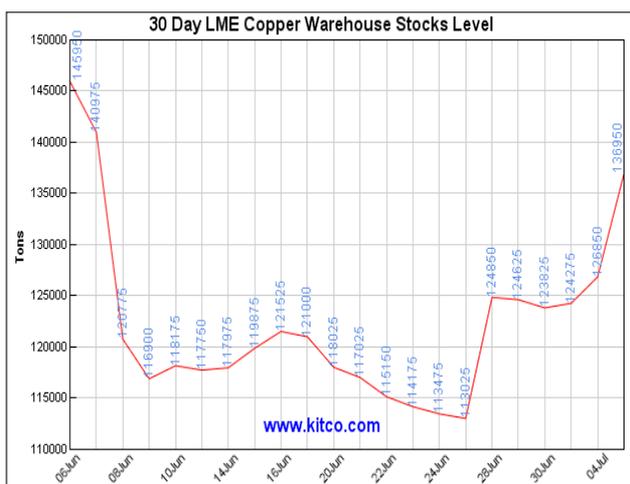


### MCX Aluminium Weekly Chart



Aluminium Future at the MCX platform has settled little higher at 211.30 on last week, from the previous closing price of 209.25. From last couple of months, prices have been consecutively traded lower and slipped from the resistance level of 325.50 TO 205. Now the prices have been trading below the 18 days moving averages of 220.70. The short term immediate resistance is seen around 224, sustainable trade above it will see the good move towards 235/250 and if it breaks the support line of 205, then it will see the downside move towards 190/170 respectively. Overall the commodity is expected to move lower from its resistance levels. Thus we recommend selling at its higher levels in the current month.

### COPPER



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



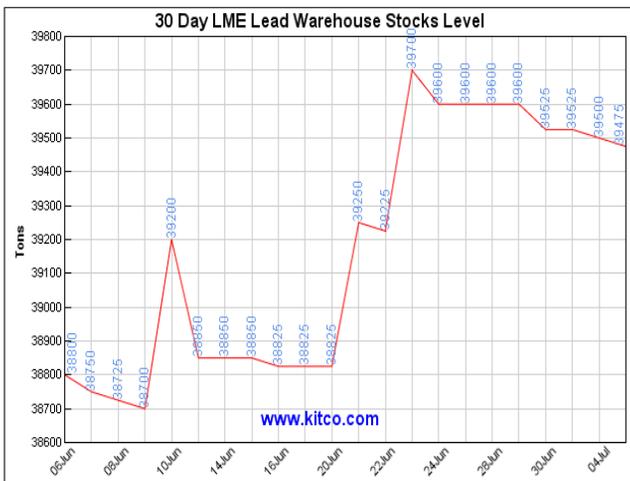
Copper futures at the MCX platform has settled little lower at 679.05 on the previous week from the previous closing price of 696.10. The prices have been well sustained below the weekly trend line support of 738. Now the immediate resistance is seen around 713. If the price will sustains above 713 levels, it will continue to move upside towards 740/770. If the price has failed to sustains above the resistance of 713, then we can see again the down side move towards 625/600. Overall the commodity is expected to move lower from its resistance levels.

ALUMINIUM

COPPER

# LEAD

## LEAD



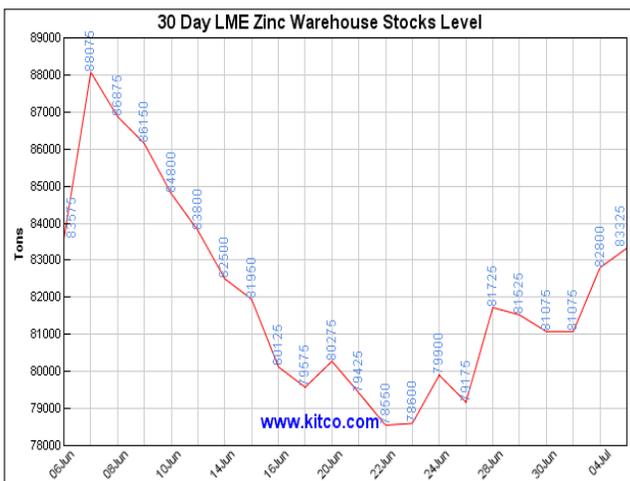
## Technical - Weekly Chart of Lead (MCX)



Lead future at the MCX platform has settled lower at 174.95 on the previous week. At present prices are trading below the daily 18 EMA levels of 179.11. 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 is also sustained on the lower side at 181.17 which is indicate selling in short term basis. Now the crucial resistance is seen at 190, 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 173 levels then can see the downside move towards 168/162 respectively.

# ZINC

## ZINC



## Technical - Weekly Chart of Zinc (MCX)



Zinc future at the MCX platform has settled lower at 276.80 on the previous week. At present prices are trading below the daily 200 EMA levels 303.23 and below the weekly sloping trend line support levels of 301. Now the immediate support is seen around 268, If the price will sustain below the support levels of 268 then we can see further downside move towards 252/235 and if it trades above the immediate resistance of 304 levels and sustain will see the upside move towards 320/335 respectively. But the view will be intact until the recent high 304 is not interrupted.

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