

B A S E M E T A L S

Special Monthly
Report on

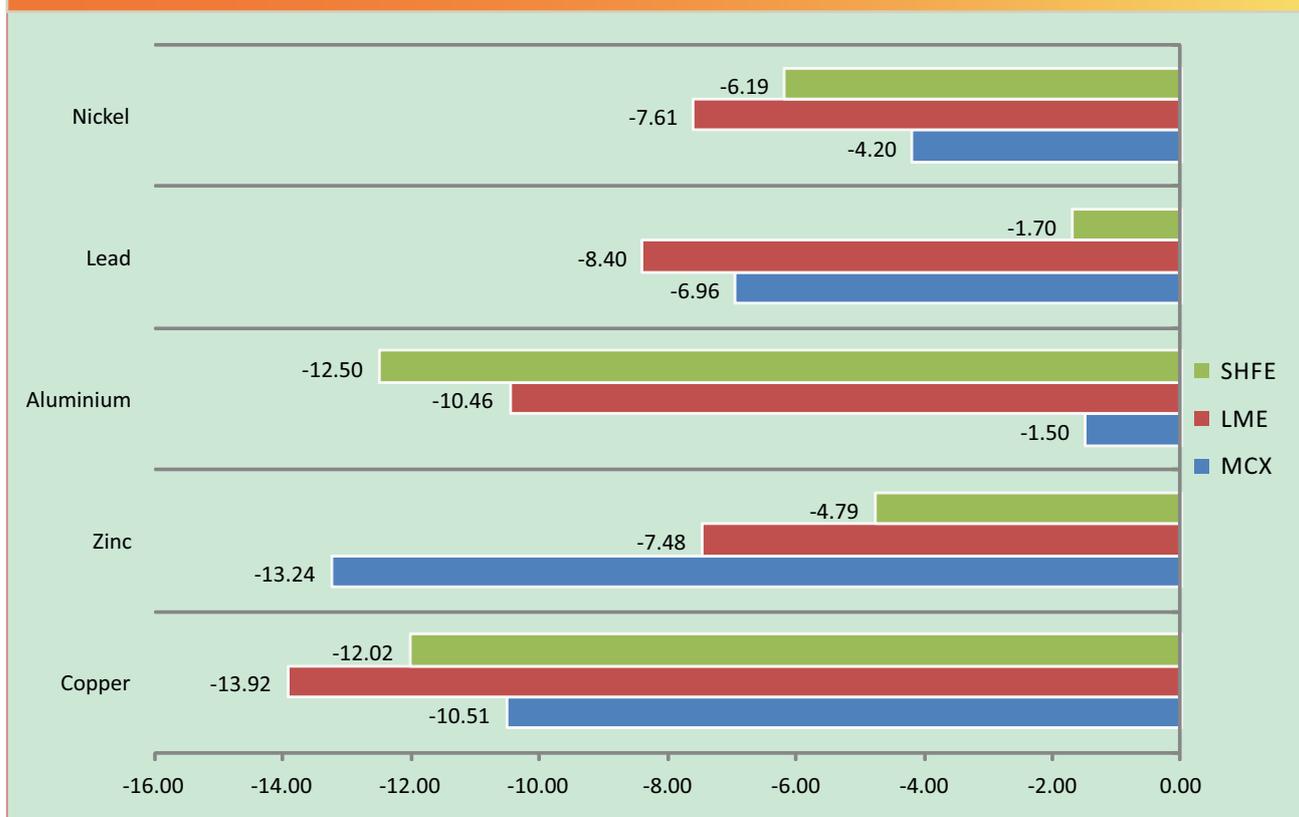
APRIL 2020



Moneywise. Be wise.

COPPER • NICKEL • LEAD • ZINC • ALIUMINUM

BASE METALS PERFORMANCE (March 2020) (% change)



BASE METALS PERFORMANCE (January - March 2020) (% change)



COPPER

Key news

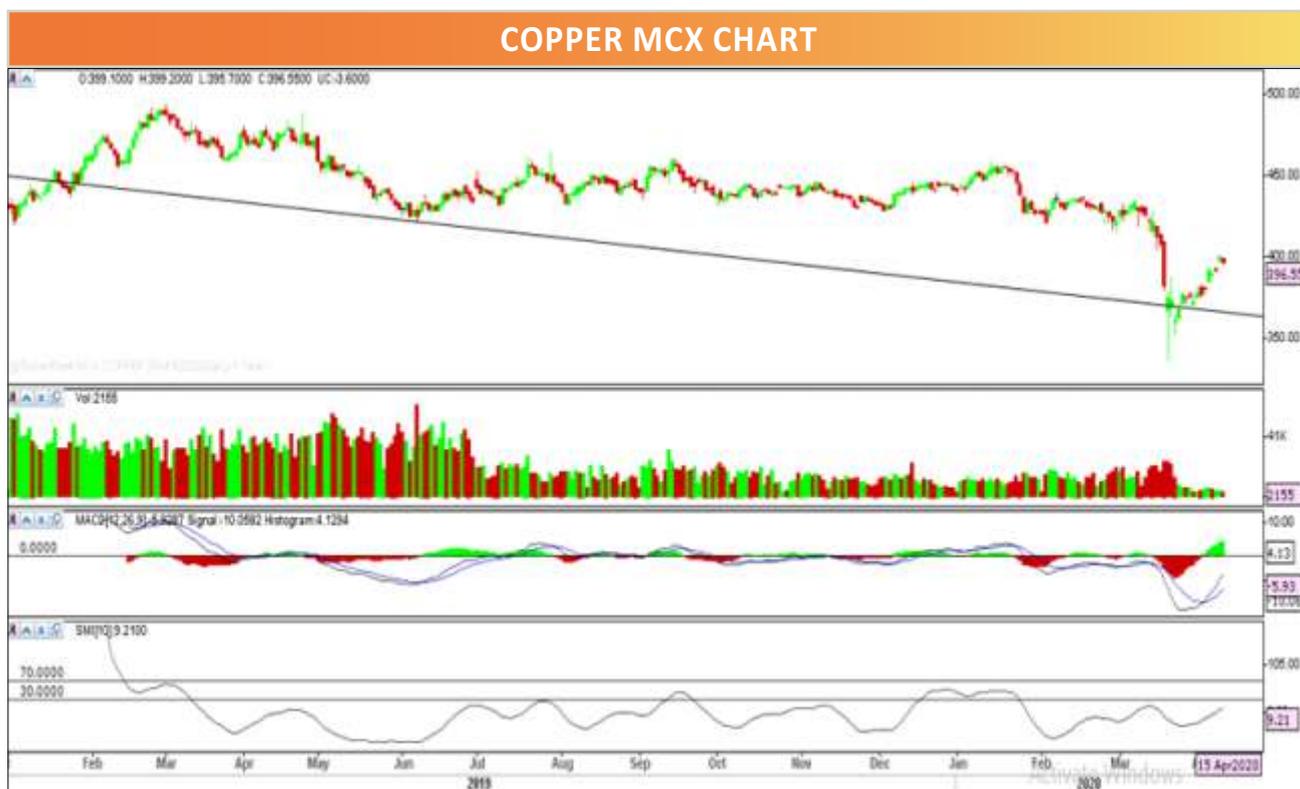
- Peru's Antamina copper mine, controlled by BHP and Glencore said it would halt all operations for at least two weeks, while miner Freeport-McMoRan said it was conducting limited operations at the Cerro Verde copper mine, also in Peru.
- Glencore's Zambian unit Mopani Copper Mines stated that it would shutter its mines following disruption from the pandemic and low copper prices.
- Copper producer Antofagasta would suspend operations at its Los Pelambres Expansion project in Chile for four months because of the coronavirus.
- Top copper miner Codelco production continued as planned despite measures to contain the coronavirus, but stated that it would temporarily suspend some contract work amid increasing movement restrictions.
- Copper prices can get support due to unexpected rebound in factory activity in China, but were set for their worst quarter since 2011 as the coronavirus outbreak shut down swathes of the global economy, reducing the need for metals.
- China's biggest copper producer Jiangxi Copper stated that it is aimed to churn out 6% more refined metal in 2020 than last year. Chile's copper output rose 8.3% in February to 451,580 tonnes.
- Rio Tinto Ltd said it has invoked force majeure on copper cathode contracts for its Kennecott copper mine and smelter in the U.S. state of Utah after an earthquake last month resulted in an emergency shutdown.
- Japanese miner Pan Pacific Copper (PPC) plans to consign production of 295,000 tonnes of refined copper to its parent organisations' smelters in the first half of the financial year, down 1.3% from a year earlier.



Source: Kitco metals

TECHNICAL OUTLOOK

COPPER MCX CHART



Copper futures at the MCX platform has settled lower at 391.95 on the previous week. Since last couple of weeks prices are trading higher from 335.95 levels to 400.75. Now the price traded above the trend line of 395. Prices are trading above the 200 EMA daily support levels of 370.85. The immediate resistance 420 may act as a trend interrupting point. Overall the commodity is expected to move higher from its recent support level of 370. If it break and sustain above the immediate resistance line of 420 can see further upside move towards 435/450 level in coming weeks.

NICKEL

Key news

- Philippines, one of the world's leading producers, suspended some major operations to comply with virus-containment measures, stoking concerns of global supply.
- Nickel Asia Corp and Global Ferronickel Holdings Inc, the Philippines' top nickel ore producers suspended operations in a major mining province.
- Indonesia's 2019 nickel ore output stood at 52.8 million tonnes, Director of Minerals Yunus Saefulhak at the Ministry of Energy and Mineral Resources stated, more than double production of 22.1 million tonnes a year earlier.
- French mining and metals group Eramet stated that it aimed to mine more than 3 million tonnes of nickel ore this year in Indonesia through its Weda Bay project.
- China's refined nickel output last month rose to 13,930 tonnes, up 5.7% from the prior month.
- Mining operations in the Philippines' southern province of Surigao del Norte, home to most of the country's nickel mines, has been suspended from April 1.
- The global nickel market surplus widened to 13,100 tonnes in January from a surplus of 5,200 tonnes in the previous month.
- China's nickel ore imports in the first two months of 2020 fell 5.1% from a year earlier, according customs data as the ban on exports from top miner Indonesia came into force.
- Indonesia, which has historically been a key supplier of nickel ore to China's nickel pig iron (NPI) producers, has this year banned all unprocessed ore exports.
- Shrinking nickel supplies following shutdowns linked to the new coronavirus and loss-making operations because of low prices are expected to offset weak demand from stainless steel mills and leave the market with only a small surplus.



Source: Kitco metals

TECHNICAL OUTLOOK

NICKEL MCX CHART



Nickel future at the MCX platform has settled higher at 890.50 on the previous week. At present prices are trading below the weekly 50EMA levels of 930 and also below 200 EMA levels of 980. The Momentum weekly Oscillator MACD is trading below the support line of 950, witnessing bearish crossover. Buying can be seen in the counter if it continue to trade above 900 levels, which take the counter towards 935/960 in near-term. If it break below 870 levels and sustain can see further down side move up to 850/830 levels.

LEAD

Key news

- This year’s annual benchmark treatment charges (TCs) for lead concentrate are expected to rise due to high supply and the novel coronavirus (2019-nCoV) outbreak affecting the raw materials market.
- China’s auto industry has been hit particularly hard in the wake of the coronavirus, with weekly car sales at one point plummeting 96%. Now it’s Europe and the U.S.’s turn. Manufacturers across both regions have shuttered factories after governments imposed restrictions to stem the spread of the virus.
- The battery recycling sector depends on geographically extended collection systems, which have been knocked out of action by lockdowns. This is why China hasn’t accumulated excessive lead stocks over its lockdown period. Quarantine measures effectively froze the whole supply chain with lead recyclers having no choice but to cut production.
- Preliminary data compiled by the ILZSG indicate that in 2019, the global market for refined lead metal was nearly balanced, with supply exceeding demand by 8kt. Inventories reported by the London Metal Exchange (LME), Shanghai Future Exchange (SHFE) and producers and consumers totalled 385kt at the year end, the same as at the end of 2018.
- Refined lead metal usage fell by 0.5% in Europe, 1.8% in China, 6.7% in Japan and 1.4% in the United States in 2019. These declines were influenced by underperformance in the automotive sector. Overall, global refined lead usage fell by 1.1%. Chinese imports of lead contained in lead concentrates rose by 36% in 2019 and amounted to 938kt.



Source: Kitco metals

TECHNICAL OUTLOOK

LEAD MCX CHART



Lead future at the MCX platform has settled higher at 135.65 on the previous week. At present prices are trading below the daily 50EMA levels of 150. The Momentum Oscillator Stochastic (14,3,3) is now witnessing negative divergence and also providing bearish trend for short to medium term basis. The lower side 200EMA levels supports of 150.50 is already breached. Overall the commodity is expected to move lower from its resistance level of 145.

ZINC

Key news

- China's zinc and zinc alloy production in March fell 5.7% to 396,000 tonnes from February.
- Vedanta Zinc International said it would suspend operations at its Skorpion Zinc mine and refinery in Namibia by the end of April.
- The coronavirus pandemic is battering the global steel sector as huge swathes of industry that use steel shut down, with Europe hardest hit since steel demand and company margins were already anaemic before the crisis hit.
- Initial data compiled by the ILZSG for the year 2019 show that the global market for refined zinc metal recorded a deficit of 189kt. Inventories held in LME, Shanghai Futures Exchange and Chinese State Reserve Bureau (SRB) warehouses together with those reported by producers, consumers and merchants decreased by 81kt to total 815kt.
- Refined zinc metal increased by 2.8% globally in 2019, primarily as a consequence of a substantial rise in Chinese production and increases in Mexico and Peru. However, production was lower in Australia, Canada, India, Kazakhstan and Europe, mainly influenced by lower output in France and the Netherlands and a significant reduction in Russian output due to the permanent closure of ElectroZink's 100kt per year capacity Vladikavkaz plant in October 2018.
- Chinese imports of zinc contained in zinc concentrates in 2019 amounted to 1,503kt, an increase of 11.5% compared to 2018. Net imports of refined zinc metal fell by 21.6% to total 544kt.



Source: Kitco metals

TECHNICAL OUTLOOK

ZINC MCX CHART



Zinc future at the MCX platform has settled little higher at 149.15 on the previous week. From last couple of weeks, prices are trading higher from 123.60 to 153. At present prices are trading below the daily 200EMA levels 168 and as well as below the weekly rising trend line resistance levels 170. The intermediate to short term trend is bearish only and if it trade below 140 can see further down side again up to 130/120. But the view will be intact until the recent low 140 is not interrupted.

ALUMINIUM

Key news

- Expectations of large surpluses also pushed the discount for the cash over the three-month aluminium contract to \$40 a tonne last week, the highest since June 2015.
- Aluminum Corp of China will consider carrying out maintenance or even shuttering some aluminium production as well as cutting alumina output due to low prices
- Russian aluminium group United Company Rusal stated the virus would hit the Chinese market in the first half of this year with weak demand and a bigger supply surplus.
- The European Commission has opened an investigation into whether China is dumping aluminium extrusions, products widely used in transport, construction and electronics, in the European Union, it said.
- A stubbornly high inventory of aluminum in China and coronavirus disruptions to the car industry, which accounts for about 20% of demand, has kept prices under pressure.
- Premium for aluminum shipments to Japanese buyers for April to June was set at \$82 per tonne, down 1.2% from the preceding quarter.
- Aluminium stocks in warehouses monitored by the Shanghai Futures Exchange are at a 10-month high of 533,994 tonnes, while inventories in LME approved warehouses have risen to a one-month high of 1.1 million tonnes. Data showed recently that year-on-year global output of the Aluminium rose 3.8 per cent in February even though month-on-month production declined 6.2 per cent.



Source Kitco metals

TECHNICAL OUTLOOK ALUMINIUM MCX CHART



Aluminium Future at the MCX platform has settled slightly lower at 133.05 on last week, from the previous closing price of 134.00. Now the prices have trading below the 14 days moving averages of 135.90. The long term channel support of 139 is already breached last month and also sustained below the 14 days moving averages of 135.90. Overall the commodity is expected to move in a range or lower from its resistance level. Thus we recommend selling on rise in this month.

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