

SPECIAL MONTHLY REPORT ON

BASE METALS

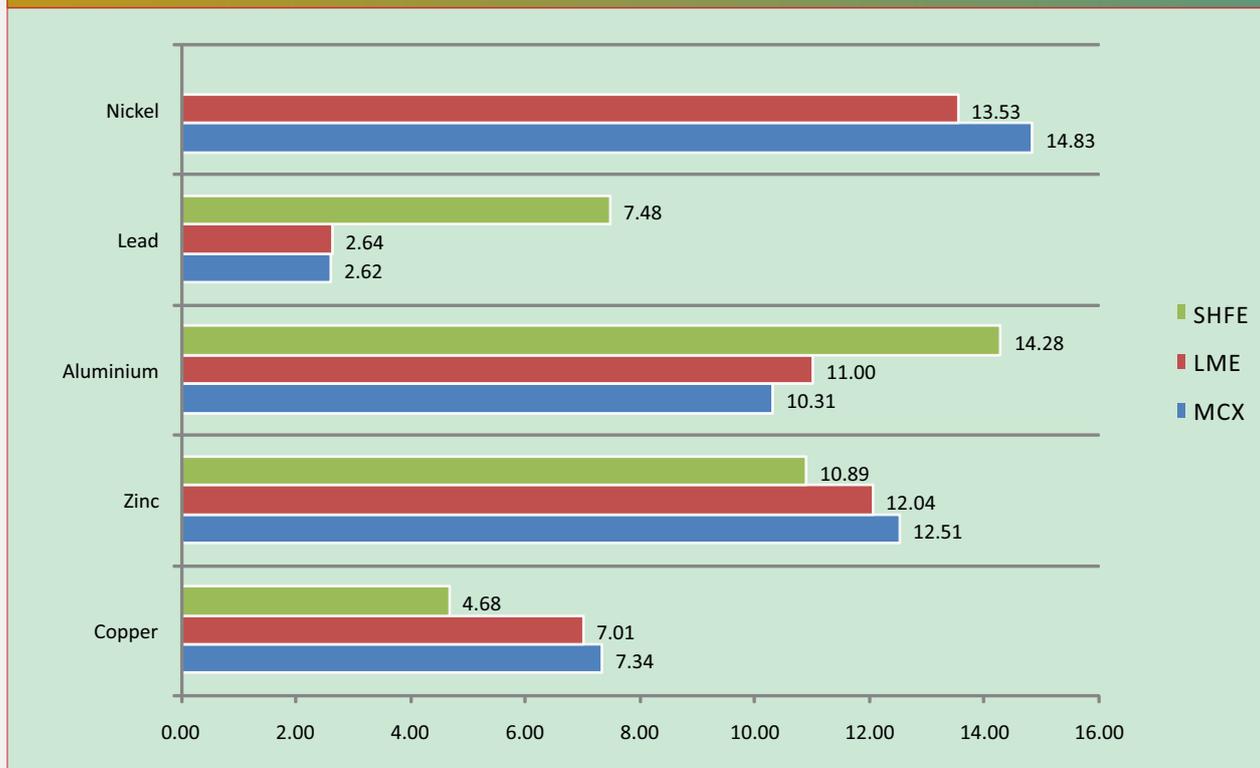
SEPTEMBER 2017



Moneywise. Be wise.

COPPER • NICKEL • LEAD • ZINC • ALIUMINUM

BASE METALS PERFORMANCE (August 2017) (% change)



BASE METALS PERFORMANCE (January - August 2017) (% change)



COPPER

Overview and outlook

Copper remained on strong path in the month of August as it moved in 402.45-438.40. China saw solid growth in the first half and data last week showed China's manufacturing sector unexpectedly accelerated in August, suggesting the economy is still expanding at a healthy clip.

The metal has gained 48 percent over the past year, a standout performance that's the best by some margin of the London Metal Exchange's main industrial metals. Cancelled warrants in LME Copper currently stand at more than 50 percent of the total stocks. Besides, Indonesia and Freeport-McMoRan Inc reached an agreement to allow the U.S. miner to keep operating its giant Grasberg copper mine.

Copper has jumped 20 per cent since the end of the May, helped by positive economic data from China, the world's biggest consumer of commodities, and a weak US dollar. Investors have also piled into copper, a key source of earnings for major mining houses such as Glencore and BHP Billiton, betting that it could be one of the big beneficiaries from the growth of electric vehicles and advances in energy storage technology.

Spot premiums -- the spread between prices on the London exchange and spot markets -- have been shrinking since late July. The premium on the Shanghai spot market has fallen 7% since then, standing at \$65 per ton in late August, even as the price of copper has marched upward.

Looking ahead, copper prices may remain on upside path as its prices can trade in range of 410-465 in September.

Key news

Hedge funds increasing long positions

Hedge funds increased their net long position in Comex copper the difference between bets on rising and falling prices to a record 125,000 contracts.

Supply side can improve in near term

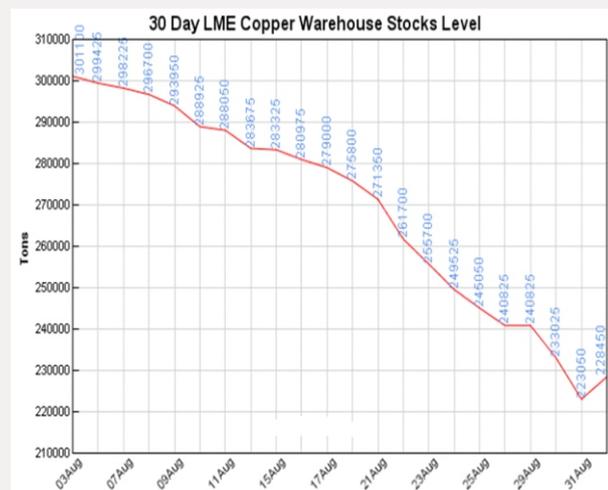
Escondida in Chile, the world's biggest copper mine, is picking up and Glencore is set to bring its Katanga project in the Democratic Republic of Congo back online in 2018. In addition, Freeport has just reached

an agreement with the government of Indonesia to keep operating its giant Grasberg mine.

Good China economic data and stable global economy supporting copper

China official manufacturing purchasing managers index for August released recently clocked in at 51.7, staying above the boom-or-bust line of 50 for a 13th consecutive month

Infrastructure investment is fueling copper consumption elsewhere in Asia as well. And investors expect continued economic improvement in Europe as political turmoil settles down. The global recovery is firming up, European Central Bank President Mario Draghi said in an Aug. 25 speech.



Source Kitco metals

In the month of September 2017 copper prices may remain on upside path as supply side concerns can support the prices. Movement of various economic indicators such as PMI data, home sales, employment data and Chinese demand will give further direction to the copper prices.

Range	
Copper	
MCX :	Rs 410-465 per kg
LME:	\$6600-7300 per tonne

Nickel

Overview and outlook

Nickel prices ended the month of August on stronger note due to supply concerns and rally in steel prices in China. Overall it moved in range of 647.50-757.

Nickel prices can move in range of 720-840 in the month of September 2017.

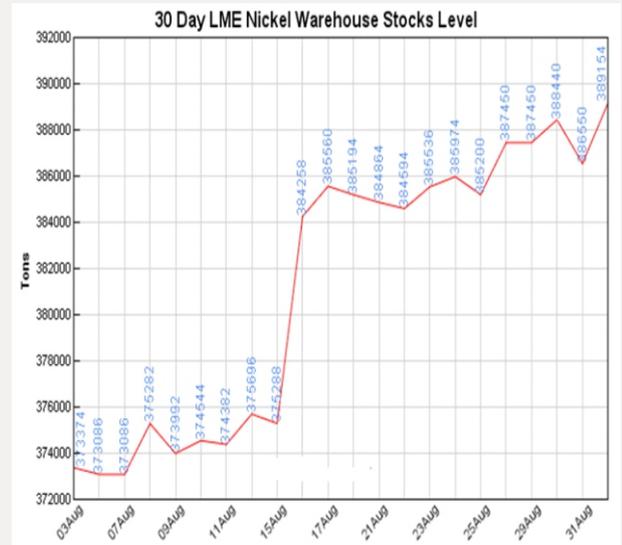
LME nickel got support as lawmakers in the Philippines, the world's top nickel ore supplier, have filed a bill to ban mining in watershed areas and halt exports of unprocessed ores.

Nickel prices may continue to rise amid a fresh crackdown by Chinese environmental regulators in several key nickel producing regions. Nickel climbed to a two year high as bets on tighter markets, especially in top user China, buoyed Nickel prices. The metal used in making stainless steel was buoyed worries over exports from the Philippines, after data showed output fell 24 percent in the first half of the year amid an environmental crackdown that has seen at least eight nickel mines suspended since last year.

Key news

Rise in cancelled warrants supported prices

Nickel prices were supported by a fall in stockpiles at LME-registered warehouses to the lowest since January after 5,682 tonnes of cancellations. A global deficit of refined nickel narrowed in June from May, but consumption exceeded output by 36,800 tonnes in the first half of the year.



Source Kitco metals

In the month of September 2017 Nickel prices may remain on upside path as good demand from steel sector along with supply concerns and movement of local currency is likely to influence its prices on domestic bourses.

Range	
Nickel	
MCX:	Rs 720-840 per kg
LME:	\$11500-12700 per tonnes

Lead and Zinc

Overview and outlook

Lead

Lead prices ended the August month on positive path as ban of Lead ore from North Korea and decline in inventories have supported the prices higher. Among other restrictions, the new sanctions call for a total ban on North Korea’s major exports namely lead and lead ore (\$113 million) and iron and iron ore (\$251 million). Nikki Haley, the U.S. ambassador to the UN, has described the latest UN sanctions on North Korea as “the most stringent set of sanctions on any country in a generation.

Overall Lead prices moved in the range of 146.90-161.50 last month in MCX. **In the month of September lead prices can trade in range of 142-162.**

Global lead acid battery market to grow

Global lead acid battery market is estimated to grow with approx. 4.8% CAGR during the forecast period 2016 - 2023. Increasing demand of lead acid batteries in the automotive industry is boosting the growth in lead acid battery market. Moreover, the rapid urbanization and industrialization trend in various developing countries is also fueling growth in lead acid battery market. The market is witnessing a high rate of adoption of a renewable based energy battery storage system in various countries to overcome cost issues from diesel generator sets in rural telecom installations. The advantages of lead acid batteries include more resistivity to corrosion, overcharging, gassing, water usage and self-discharge. However, high lead content in the product and its low energy density restricts the growth of lead acid battery market. The growing construction industry in emerging countries including China, India, Japan, South Korea, Malaysia, Indonesia and Vietnam is expected to increase the utilization of lead acid battery.

ILZSG estimates of Lead

- Provisional data reported to the ILZSG indicate that world refined lead metal demand exceeded supply by 86kt during the first half of 2017. Over the same period total reported stock levels

decreased by 18kt.

- An 11.7% rise in global lead mine production compared to the first half of 2016 was primarily due to higher output in China, India and Kazakhstan that more than offset a reduction in Australia.
- Increases in China, India, the Republic of Korea and the United States were the main influences on a rise in world refined lead metal production of 7.8%.
- A 10% increase in global lead demand for refined lead metal was principally a consequence of sharp rises in apparent demand in China and the United States of 13.3% and 22.8% respectively. Usage in Europe rose by a more modest 2%.
- Imports to China of lead contained in lead concentrates fell by 6.1% to 341kt. Chinese net imports of refined lead metal totalled 52kt compared to net exports of 12kt during the first half of 2016.



Source Kitco metals

Range

Lead

MCX: Rs 142-162 per kg

LME: \$2220-2550 per tonne

Zinc

Overview and outlook

Zinc prices ended the month of August on positive note due to supply concerns and increasing demand from steel sector. Zinc moved in range of 175.65-203.40. Zinc touched its highest since August 2007 in LME on expectations of strong demand from top consumer China, supply concerns and declining stockpiles. China's crackdown on pollution could hurt the country's smaller zinc miners and support prices.

Zinc can hover in range of 185-215 in the month of September. Iron ore has risen to its highest level in five months, while Zinc prices are at their highest level in 10 years.

Key news

Supply side supporting Zinc prices

Glencore alone (the world's largest zinc producer) cut its zinc production by 24% in 2016, a year which also saw the closing of two of the world's major zinc mines in Century (Australia) and Lisheen (Ireland). Chinese government ordered a shutdown of all the zinc mines in the Hunan province's Huayuan county (a major zinc producing region) suggests that the countries zinc deficit is only likely to grow in the near to mid-term, further adding to the already strong tailwinds currently affecting the zinc price.

Zinc supported by Chinese steel prices surge

Zinc prices have clawed higher, getting a boost from another surge in Chinese steel prices and from investors who are still bullish about shortages of the metal developing.

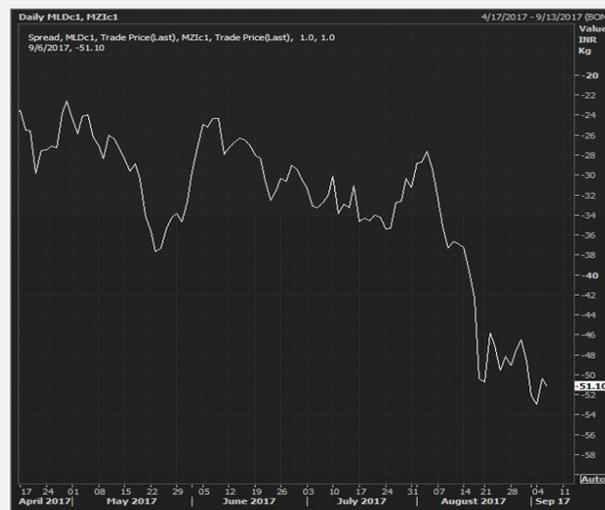
ILZSG estimates of Zinc

- According to preliminary data recently compiled by the ILZSG, the global market for refined zinc metal was in deficit by 203kt over the first six months of 2017 with total reported inventories declining by 212kt over the same period.
- World zinc mine production rose by 5.4% compared to the first half of 2016. This was primarily a consequence of increased output in Eritrea, India and Peru.
- Increases in refined zinc metal production in Brazil, France and India were largely balanced by reductions in Canada, the Republic of Korea, Peru and Thailand resulting in a small overall global rise of 0.5%.
- Despite a decrease in Chinese apparent demand for refined zinc metal of 2.1%, global usage rose by a marginal 0.6%. This was mainly

due to increases in the United States and Taiwan (China).

- Chinese imports of zinc contained in zinc concentrates increased by 33.9% to 549kt. Net imports of refined zinc metal amounted to 169kt, a decrease of 39.9% compared to the same period of 2016.

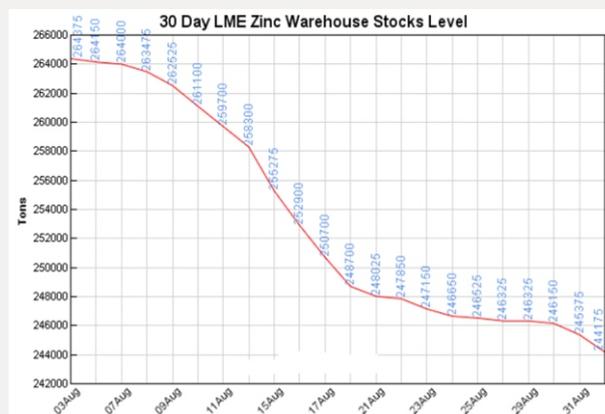
Lead and zinc Spread



Source: Reuters

Analysis: Lead and Zinc spread can move in range of -58 to -44 in September 2017.

In September 2017, Zinc and Lead prices can trade on volatile path .Overall its prices will depend upon automobile, construction and infrastructure demand. Moreover situation of cancelled warrants along with stock position will impact its prices.



Source Kitco metals

Range

Zinc

MCX: Rs 185-215 per kg

LME: \$2900-3350 per tonne

Aluminum

Overview and outlook

Aluminum traded with upside bias as it moved in the range of 120.95-135.90 in the month of August. Aluminum prices continue to find support owing to prospects of capacity shutdowns in China. Reports suggest that China will also prevent an increase in local governments' hidden debts and push forward with capacity cuts in the coal-fire power and aluminum sectors.

Aluminum prices can move in range of 126-142 in the month of September.

LME aluminium stocks have climbed by around 40,000 tonnes since mid-August the premium to roll aluminium for a day, seen in spreads, surged to \$10.

Key News

Aluminium premium

A global aluminium producer has offered Japanese buyers a premium of \$US100 per tonne for primary metal shipments during the October to December period, down 15 per cent to 16 per cent from the current quarter.

Spot premiums have weakened in Japan amid ample supply in Asia despite the recent surge in the prices for the light metal and solid local demand from the automobile sector.

China crackdown on aluminium industries supported prices

China's crackdown on its bloated aluminium industry is driving up the share price of the country's major producers and raising the spectre of a tighter global market that could buoy prices. China is forcing the suspension of aluminium plants that have not obtained proper permits to build or expand, or that have not met strict environmental standards, as Beijing pushes to clear its skies and shore up loss-making industries.

China accounts for nearly 60 percent of global aluminium output and it is estimated that some 3-4 million tonnes of capacity could close this year, around a tenth of the country's total, tightening the global market.

China's Aluminium Demand Rises 9.6% in First Half of 2017

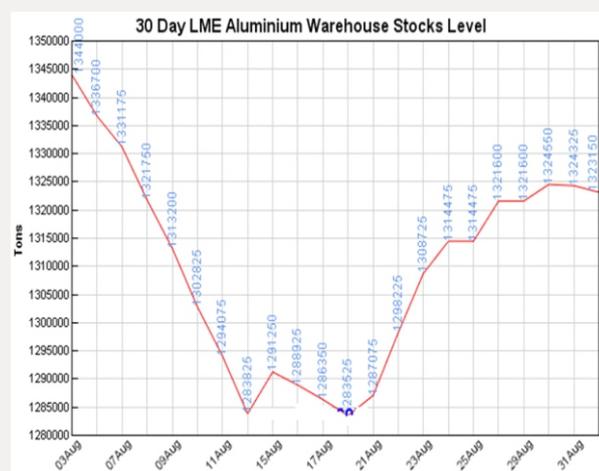
Demand for refined aluminium in the People's Republic of China jump by almost ten percent over

the course of the first half of this year. According to the state-owned metals information service, the 9.6% year-on-year rise in demand is due to improvements in the real estate, power generation, and automotive sectors. Overall, the country's economy sought 17.5 million metric tons of primary aluminium in the first half of 2017.

Aluminum Prices on the Rise

Prices of aluminum have shown recovery in past few months. One of the main reasons for this is due to measures taken up by the Chinese economy, as well as renewed sentiments toward the demand for aluminum.

Shutdown of illegal and polluting smelters, which will result in a cut in capacity, has also contributed to this surge. Also, producers in China are upgrading their production facilities. New smelting capacity growth in China is expected to slow down significantly due to supply-side restrictions. Aluminum prices will experience an upward trajectory due to an uptick in demand from the European markets as well. Consumption of bauxite and alumina is also likely to move in tandem with the domestic aluminum production trend, the report predicted. However, any surplus production of alumina will lead to increasing alumina exports.



Source Kitco metals

In September 2017 aluminum prices are expected trade on upside path as demand from auto and construction sector will give support its prices.

Range	
Aluminum	
MCX:	Rs 126-142 per kg
LME:	\$2000-2200 per tonne

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