

**SPECIAL MONTHLY  
REPORT ON**

**BASE  
METALS**

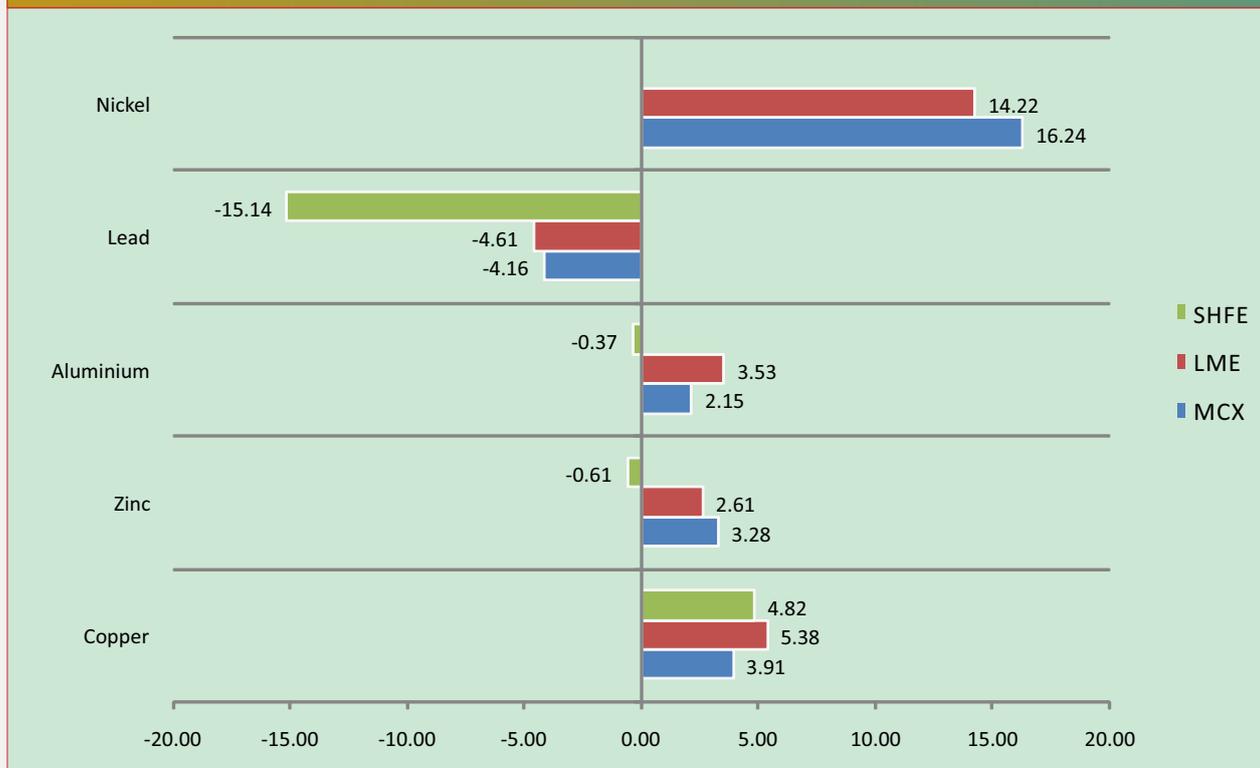
**NOVEMBER 2017**



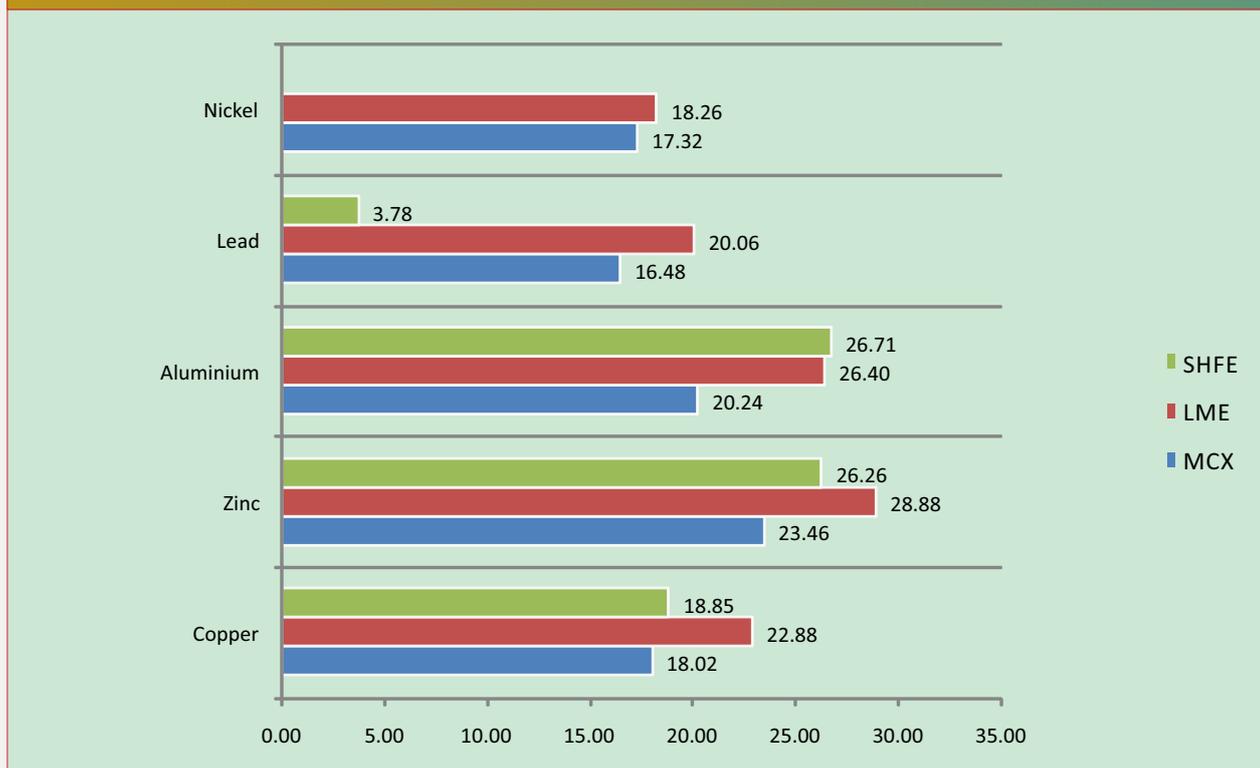
Moneywise. Be wise.

**COPPER • NICKEL • LEAD • ZINC • ALIUMINUM**

**BASE METALS PERFORMANCE (October 2017) (% change)**



**BASE METALS PERFORMANCE (January - October 2017) (% change)**



## COPPER

### Overview and outlook

Copper ended the month of October on stronger note as it moved in 425.50-466.35. Increased demand and decline in inventories supported the red metal prices. China's plan to upgrade its industrial sector with "smart" factories, green manufacturing and transport is expected to increase annual copper demand by 232,000 tonnes by 2025.

China's plan to upgrade its industrial sector with "smart" factories, green manufacturing and transport is expected to increase annual copper demand by 232,000 tonnes by 2025.

China's factories splurged on imported commodities amid rising costs and tighter raw material supplies driven by Beijing's anti-pollution campaign. China's unwrought copper imports surged by 26.5% in September from a year ago, but remained on course for an annual drop in 2017. China is stepping up efforts to cut industrial production to combat smog, which typically occurs during the winter months as industrial emissions mix with smoke from coal-fired heating units. Profits earned by China's industrial firms in September surged 27.7% from a year earlier, accelerating from a 24% rise in August.

**Looking ahead, copper prices may remain on upside path as its prices can trade in range of 415-465 in November.**

### Key news

#### Growth in Automotive and construction demand to support prices

Metals demand in Europe is picking up on the back of rising demand from the construction and automotive sectors. Codelco of Chile, the world's largest copper producer, raised the premium it charges to deliver metal to European customers for the first time in four years.

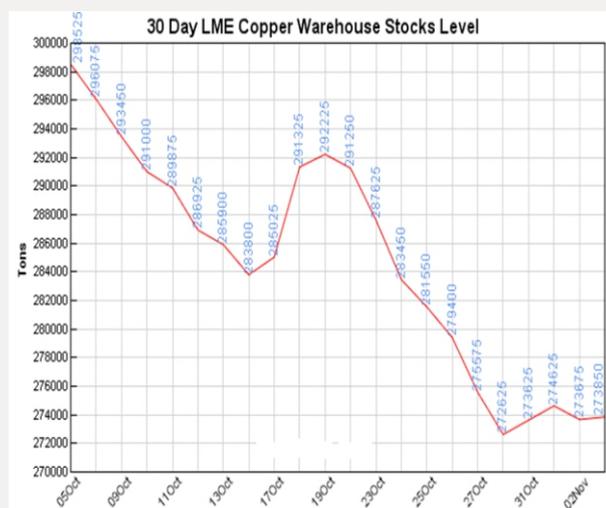
### Copper buoyed on EV demand expectations

London copper can also be supported by upbeat sentiment over potential demand from electric vehicles.

### Chile to increase production

Top copper producer Chile will likely churn out 5.9 million tonnes of the red metal in 2018, up 7 percent from this year's estimated output that was curbed by a strike at the world's biggest copper mine.

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



Source Kitco metals

#### Range

#### Copper

**MCX: Rs 415-465 per kg**

**LME: \$6650-7200 per tonne**

## Nickel

### Overview and outlook

Nickel prices ended higher in the month of October as rise in stainless steel prices and coking coal supported the prices higher. Overall it moved in range of 683.90-804.

Nickel prices can move in range of 740-880 in the month of November 2017.

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 hit a one-month high on concerns that China might order further output cuts as it ramps up efforts to clean its skies.

Nickel prices were supported after an industry group stated that demand would exceed supply for a third straight year in 2018 due to expansion in the stainless steel and batteries.

### Key news

#### Supply concerns in Philippines

Philippine lawmakers filed a bill seeking to ban mining in watershed areas and exports of unprocessed ores and require miners to get legislative approval before operating. The Philippines is the world's top nickel ore supplier.

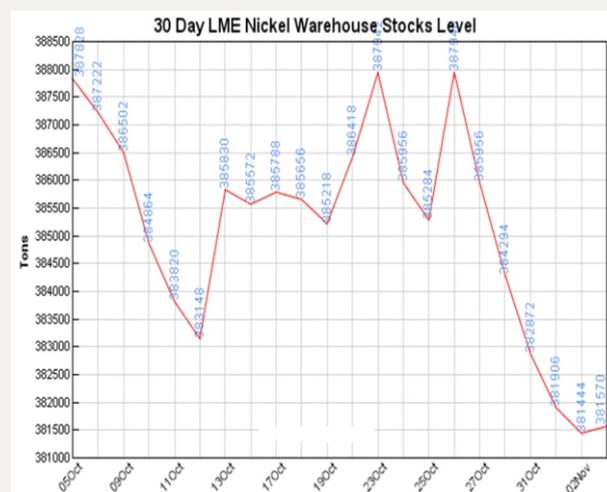
#### Indonesia exports

Indonesia's PT Aneka Tambang Tbk (Antam) received a recommendation from the mining ministry for an additional 1.25 million tonnes of nickel ore exports over the next 12 months.

### Deficit expectation supported Nickel prices

Nickel prices rose higher recently as it got support from the expectations that market deficits will widen in the future. The global nickel market swung to a wider deficit of 6,700 tonnes in August from the month before, as nickel production at Brazil's Vale fell 4.3% yoY in the last quarter. Deficit expectations rather than cost of production are lifting nickel prices.

*In the month of November 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.*



Source Kitco metals

Range	
<b>Nickel</b>	
<b>MCX :</b>	<b>Rs 740-880 per kg</b>
<b>LME :</b>	<b>\$11500-13100 per tonnes</b>

## Lead and Zinc

### Overview and outlook

#### Lead

Lead prices ended the October month on negative path as selling pressure was witnessed on rising dollar index and falling demand. Overall Lead prices moved in the range of 154.80-171.10 last month in MCX.

Meanwhile decline in inventories along with China environmental crackdown affecting its supply can support its prices in near term. For the first time in years, the outlook for global metals demand doesn't hinge solely on China. Manufacturing in the euro zone is growing at its fastest pace since at least 2014. Last month the International Monetary Fund upgraded its growth outlook for the United States, the euro zone, Japan and China and stated that global economy's performing at its best pace in the past 10 years.

Meanwhile Antaike, the research arm of the China Nonferrous Metals Industry Association, which showed China's total lead concentrate output, fell 4.3 percent year on year to 1.14 million tonnes in the first seven months of 2017.

#### In the month of November lead prices can trade in range of 150-180

#### China's Share of Global Battery Production to Hit 70% by 2020

The growth of the industrial sector is one of the main driving factors that are responsible for the growth and development in the Lead-Acid Battery Market worldwide. The Lead-Acid Battery market follows the growth status of the physical product growth cycle and thus enables clients to check the performance and outcome of the process. Metals demand in Europe is picking up on the back of rising demand from the construction and automotive sectors.

#### Growth of global lead battery acid market

China has set a deadline of 2019 to impose tough new sales targets for electric plug-in and hybrid

vehicles, slightly relaxing an earlier plan to launch the rules from next year that had left global automakers worried about being able to comply. Car makers will need so-called new-energy vehicles (NEVs) to hit a threshold equivalent to 10 percent of annual sales by 2019, China's industry ministry stated last month.

#### Lead treatment charge turning negative

Lead ore treatment charges, which miners pay smelters to convert the ore to metal, are moving negative. Cargoes of lead concentrates have changed hands at treatment charges of minus \$40 a metric tonnes. That implies traders are paying more for lead ore than the value of the metal.

#### China's environmental crackdown supportive for Lead

China lead battery plants in Zhejiang, Guangdong, Fujian, Henan and Sichuan had been closed down following a central government order to root out heavy metal pollution problems in the sector.



Source Kitco metals

#### Range

#### Lead

MCX: Rs 150-180 per kg

LME: \$2370-2600 per tonne

## Zinc

### Overview and outlook

Zinc prices ended the month of October on positive note due to supply concerns and increase in cancelled warrants. Zinc moved in range of 199.20-218.80. Indicating tight nearby supply, cash zinc traded at a premium of \$91 a tonne to the 3 month price, its highest level going back to June 2009. LME data showed on-warrant or available zinc stocks fell to 122,425, down some 60% this year.

China's crackdown on pollution could hurt the country's smaller zinc miners and support prices.

Environmental inspections in Sichuan province had caused 60 per cent of local lead-zinc mines to shut down for month-long maintenance.

### Zinc can hover in range of 200-225 in the month of November.

Glencore's chief operating officer for Australian zinc assets Greg Ashe told that the market was still too volatile for the company to start increasing its production.

China's Xiamen authorities seized over 1,400 tonnes of imported zinc waste recently, state media China News Service reported on Sunday, its biggest seizure to date after launching a campaign against foreign waste harmful to the environment in March.

### Key news

#### ILZSG estimates of Zinc

- According to preliminary data recently compiled by the ILZSG, the global market for refined zinc metal was in deficit by 287kt over the first eight months of 2017 with total reported inventories declining by 274kt over the same period.
- World zinc mine production rose by 3.9% mainly as a result of rises in Eritrea, India, Peru and Turkey that more than offset reductions in Australia and the United States.
- A marginal 0.1% fall in global refined zinc metal production was primarily due to the fact that reductions in Canada, China, the Republic of Korea, and Thailand were balanced by a significant increase in India.
- Despite small declines in usage in China and Europe of 1.3% and 0.9% respectively, global refined zinc metal usage increased by 0.6%. This was mainly due to increases in Japan, Taiwan

(China) and the United States.

- Imports of zinc contained in zinc concentrates into China increased by 38.9% to 714kt. Chinese net imports of refined zinc metal decreased by 5.3% to total 302kt.

### Lead and zinc Spread



**Analysis:** Lead and Zinc spread can move in range of -60 to -42 in November 2017.

**In November 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

<b>Range</b>	
<b>Zinc</b>	
<b>MCX :</b>	<b>Rs 200-225 per kg</b>
<b>LME:</b>	<b>\$3100-3500 per tonne</b>

## Aluminum

### Overview and outlook

Aluminum ended last month on firm path as it moved in the range of 136.35-142.60 in the month of October.

**Aluminum prices can move in range of 132-148 in the month of November.**

LME aluminium fell after hitting a five-year-plus peak as metal capacity cuts at Chinese smelters during the winter draws closer. Total stocks of aluminium in LME registered warehouses fell to 1.2 million tonnes, the lowest since September 2008, but Shanghai stocks have been steadily rising to an all-time high of 615,370 tonnes as of Oct. 20.

Aluminium prices got support from China lower production data out of China and increased buying interest from downstream participants. Prices have found support from the news that China's capacity cuts in the domestic aluminium sector are beginning to take effect. Chinese aluminium output fell for the third consecutive month in September, with the country producing 2.61 million tonnes of electrolytic aluminium last month, marking a YoY decrease of 5.6% and a 1.1% fall month on month compared with 2.64 million tonnes in August.

### Key News

#### Norsk Hydro may restart Norwegian production

Aluminium maker Norsk Hydro may restart a mothballed Norwegian production line as global metals markets tighten following a Chinese clampdown on pollution.

#### US fresh import duty of China aluminium

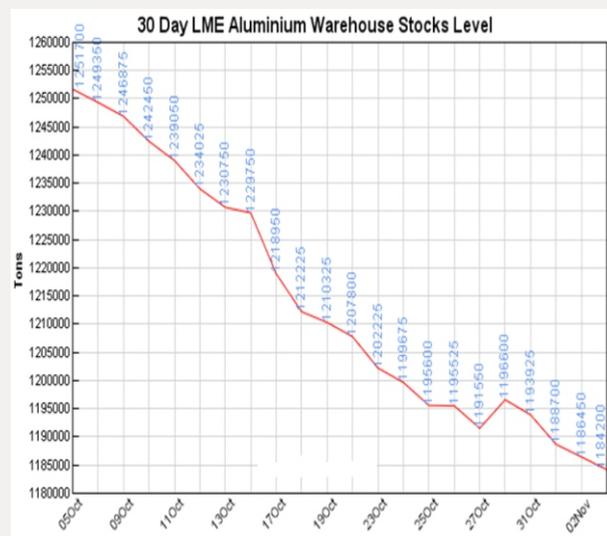
US have imposed fresh import duties on Chinese aluminium, accusing exporters of dumping their product on the US market at prices below cost. The

move follows a Commerce Department decision in August that also imposed import duties to counteract alleged unfair Chinese subsidies in the aluminium foil industry. Trump administration has aggressively pursued trade remedies in commercial relations with Beijing investigating Chinese trade practices on intellectual property and for aluminium.

#### Japan's Q4 aluminium premium slides up to 21 pct from Q3 – sources

Japanese aluminium buyers will pay up to 21 percent less in import premiums in the October-December quarter to reflect a slide in spot premiums. Japan is Asia's biggest importer of aluminium and the premium over the London Metal Exchange (LME) cash price that its buyers agree to pay each quarter for primary metal shipments sets the benchmark for the region.

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



Source Kitco metals

Range	
<b>Aluminum</b>	
<b>MCX :</b>	<b>Rs 132-148 per kg</b>
<b>LME:</b>	<b>\$2000-2300 per tonne</b>

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