



# Base Metals Weekly

Monday, June 15, 2020

## Market Commentary

Base metals have been in corrective mode before the weekend set, but still some managed to close the week in the green rising for highest levels in last few months. The selling set in after last week on back of second wave of corona virus cases in the US and China.

## Perspective

Copper prices last week weekly gain as falling stockpiles pointed to a pickup in demand and traders anticipated healthy buying from top consumer China. Copper is moving in parallel with stock markets and more economic stimulus could push prices higher.

Copper trading on the CME and London Metal Exchange tumbled last month as funds and speculators fled from high volatility during the coronavirus pandemic, but volumes shot up in top metals consumer China as lockdowns were lifted. May copper volumes slide 40% on CME, 26% on LME as funds slash risk profiles, pull back from new positions, while shanghai copper activity robust, surges 21% in May. Drop in trading volume in Comex and LME are indicate traders are getting cautious, and rise in trading activity in China where economy is opening up.

Copper inventory at SHFE dropped by another 11.8kt over the past week, with total withdrawals now increasing to 252kt from the March peak, leaving stocks at around pre-COVID levels. Meanwhile, cancelled warrants for LME copper stocks rose to a YTD high of 109.2kt last week, leaving on-warrant stocks at a 3-month low of 125.3kt. Although the surge seen in Covid-19 cases in Beijing over the weekend may put some downward pressure on the

Copper- Weekly Market Data			
Exchange	LME	LME	MCX
Contract	Cash	3M	
Open	5774	5660	447.7
Close	5708.5	5779.5	442.05
Change	-76	120.5	8.55
% Change	-1.31%	2.13%	1.97%
Open Int.			3985
Change			77
Pivot	3801	3889	444.3
Resistance	1897	2160	447.0
Support	1829	1850	439.3

Copper- Weekly Market Data				
Exchange	COMEX	Shanghai	LME	Shanghai
			Inventory	Inventory
Open	2.68	45610	237900	139913
Close	2.5865	47300	234550	128131
Change	0.031	1690	-3350	-11782
% Change	1.21%	2.76%	-1.41%	-8.42%
Open Int.	57988	56180		
Change	32270	-25805		
Pivot	2.61	31583		
Resistance	2.66	17597		
Support	2.54	15237		

LME 3 Month Forwards – Other Metals				
Commodity	Nickel	Zinc	Lead	Aluminium
Open	12945	2024.5	1775	1595
Close	12740	1989	1752	1576
Change	-175	-30.5	-8.5	-16
% Change	-1.36%	-1.51%	-0.48%	-1.01%

metal. Chinese copper import premiums are still well above February lows, but have fallen to \$82.50 from \$113.50 in mid-May.

Speculators piled in with bearish positions as COVID-19 lockdowns cut demand for metals, pushing benchmark copper prices on the LME to a 45-month low of \$4,371 a tonne on March 19. Prices have since rebounded by about a third to around \$5,800, but volumes and open interest have remained subdued.

Chilean miners unions are calling for a re-evaluation of operation continuity as the number of corona cases is on an alarming rise. They have scheduled meeting for the same and if they decide to put down their tool in wake of rising cases, then it could have some impact to production of metals.

Data from China has been weak, but better than expected and better than the previous month. Chinese Industrial production data came in at -2.8% v/s -4.9% YTD (YoY) previously, while retail sales data for May was -2.8% v/s -7.5% YoY for May. Euro zone industrial output fell the most on record in April, and Britain's economy shrank by a record 20.4% from March.

LME Lead has been under pressure over the last couple of days as inventories in ShFE double of slower demand and higher production.

Nickel price have been largely range bound in the recent volatility in metals, and have been in a broad range of \$2500 between \$11000-\$13500. The fundamentals are gradually shifting portraying a negative bias. Nickel mining in the Philippines was largely halted during March and April, but major exporters of ore to China have since been allowed to resume shipments.

China's imports of ferronickel are booming, up 93% at 1.04 million tonnes in the first four months of this year. A significant part of that is raising supply of nickel pig iron from Indonesia's expanding processing sector.

The INSG estimates that global mined nickel production fell by almost 5% in the first quarter of this year due to a combination of lockdowns and low prices. Nickel usage; however, slumped by more than 11%, leaving a refined nickel overhang of 46,000 tonnes in January-March. The global nickel market is set to record its first

surplus since 2015. Just how big a surplus is going to depend on what happens in the stainless steel sector.

### Outlook:-

The recent rise second wave of cases in many part of the world it could lead to another round of shutdown or slowdown in many economies and the next rally could start to fade off. Liquidity push and Quantitative easing measures will continue to follow and lend support time to time, but actual demand has been struggling, so we remain cautious on the recent up move and advice being light in wake of a correction.

### Technical Outlook

**Copper:-** MCX Copper traded on a positive note last week and closed higher by approximately 2.26 % at Rs.433.50 level. Short term trend remains positive for the metal as it is continuously making higher tops and higher bottom on daily chart. On the lower side Rs.434 remains very strong short-term support for the metal while intermediate support for the metal is in the range of Rs.440-441 level. Any dips towards the intermediate support zone remains good buying opportunity for the metal. However, the upside for the metal looks limited till Rs.455 level where it is likely to face stiff resistance. Also 14-period RSI is sustaining well above 50 mark which indicates the strength in the prices of the commodity. Buying on dips is thus advised.



**Zinc:-** MCX Zinc traded on a negative note last week and closed lower by approximately 2.80% at Rs.159.65 level. Going ahead, the metal is likely to face stiff resistance at Rs.166 level on the higher side while strong short-term support for the metal is at Rs.157 level. If the metal manages to give daily close below Rs.157 level then it is likely to turn more bearish and may give further downfall till Rs.152- 150 levels. However, if it manages to hold the support level of Rs.157, then it may give rally towards Rs.164 - 166 level. If the metal manages to give daily close above strong resistance level of Rs.166 level then it is likely to gain more bullish momentum and then it may test the level of Rs.170 - 174 level on higher side. Thus Rs.157 remains very important support level for the commodity.



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