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Weekly Commodity Research Report

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Copper

Copper futures are trading higher driven by prospects of a demand recovery after China's commitment to providing further support. Beijing recently announced plans to bolster economic policy adjustments, with a focus on expanding domestic demand. Additionally, measures to support private investment and develop underdeveloped areas in megacities were unveiled by China's state planner earlier. Elsewhere, concerns about shortages have also contributed to the price surge. In May, copper output in top producer Chile declined by 14% year-on-year, signaling potential supply constraints as the metal plays a crucial role in the world's transition to sustainable energy sources.

LME Cash Price		
Commodity	Bid	Ask
Copper	8553	8555
Aluminium	2145	2146
Zinc	2477	2478.5
Nickel	21866	21891
Lead	2157.6	2158.6

Aluminium

Aluminum futures fell below \$2,175 per tonne, approaching the lowest level since September 2022 as evidence of strong supply coincided with increasing concerns of low demand. Output out of key regions in China, the world's top producer, is set to rebound as the recovery of hydropower eased power curbs for essential smelters in the Yunnan region. Market players estimate activity in the region should return to 50% of curtailed capacity by August, supporting a significant inventory buildup as higher supply overlapped with macroeconomic headwinds in China that pressure demand. Data from May showed that aluminum imports into China grew 1.8% from the corresponding period of the previous year, failing to rebound significantly from pandemic-driven lockdowns in 2022.

LME 3M Future			Spread over Cash Price
Commodity	Bid	Ask	
Copper	8590	8591	-36
Aluminium	2231	2232	-86
Zinc	2485.5	2487	-8.5
Nickel	22115	22140	-249
Lead	2164.5	2165.5	-6.9

Zinc

Zinc futures were trading around \$2,300 a tonne, which is not far from the 2-1/2-year low of \$2,300 reached on May 30th amid an increase in smelter supply and weak demand. As of June 14th, zinc inventories in LME registered warehouses have nearly doubled, reaching a one-year peak due to a shipment that arrived from Malaysia. Furthermore, Goldman Sachs has shifted to a bearish outlook on zinc, expecting an oversupply this year and predicting a substantial 659,000-ton surplus in 2025. Meanwhile, China's demand is recovering at a slower pace than initially anticipated with the latest reports indicating higher-than-anticipated factory gate deflation, declining imports, and reduced property investment. Despite these factors, Chinese producers are increasing their production after absorbing surplus concentrates.

Nickel

Nickel futures rose above the \$21,000 per tonne mark amid low inventories and hopes for increased demand. China, the top importer, has pledged to roll out more measures to support the construction sector, thus lifting the demand for a commodity. Also, Standard and Poor's (S&P) raised its forecast for global car manufacturing in 2023, 2024, and 2025, increasing the need for semiconductor materials. On the political front, the US imposed sanctions on one of Russia's main copper and nickel producers. Still, the overall outlook remained bearish, with the market facing the largest demand-supply surplus in at least a decade due to higher output from Indonesia and the Philippines. Weighing on the sentiment further, new plants in China and Indonesia started converting intermediate forms of nickel into metal that can be delivered on the LME, which could boost LME-deliverable supplies by 35% compared to 2022 levels.

LME Warehouse Stock (Tonnes)		
Commodity	Closing Stock	Net Change
Copper	60775	550
Aluminium	516975	4475
Zinc	88625	-550
Nickel	37614	-144
Lead	51850	225

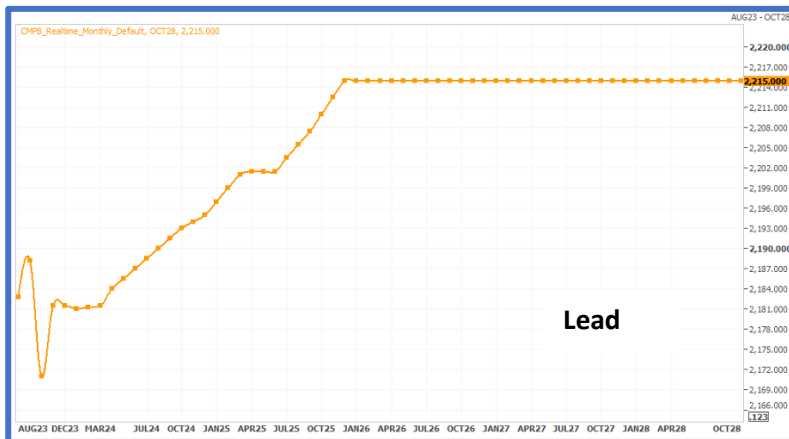
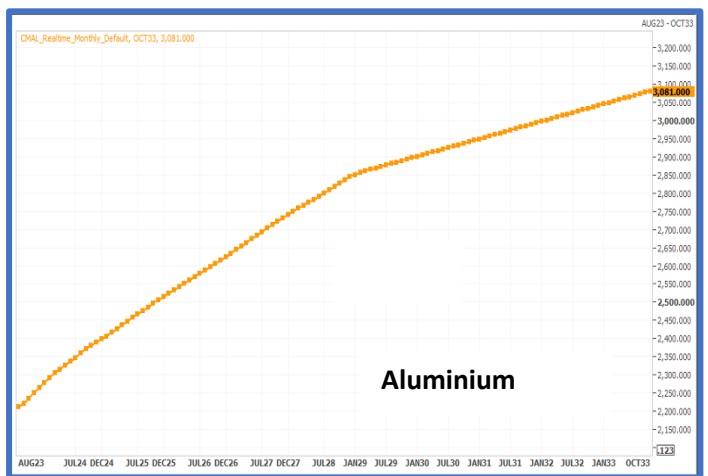
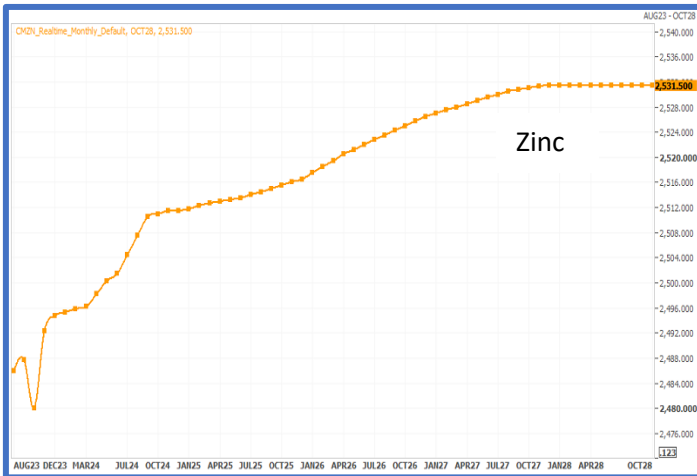
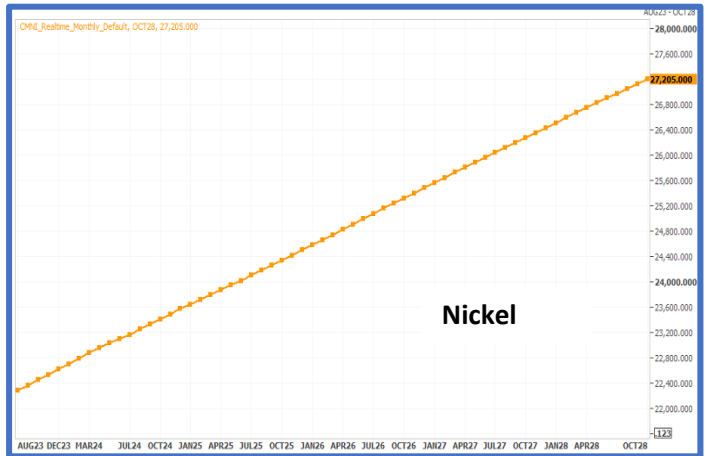
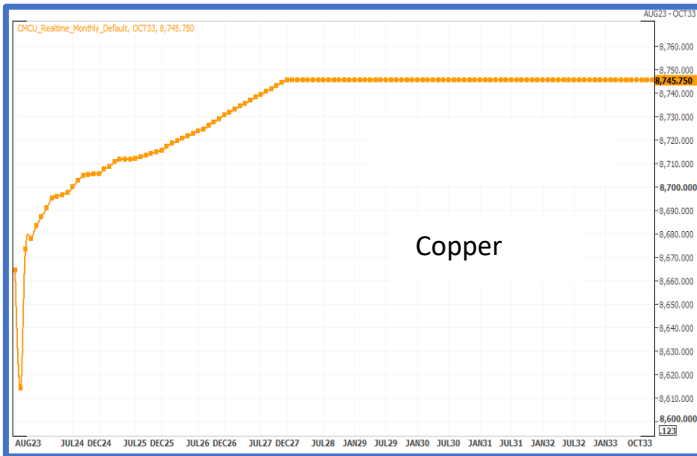
MCX Spot Price		
Commodity	Bid	Ask
Copper	732.25	733.1
Aluminium	197.7	197.85
Zinc	216.85	217.8
Nickel	0	0
Lead	182.3	183.2

Lead

LME lead prices hiked after a drop last week. In the second half of last week, rising US unemployment figures raised the possibility of the Fed's interest rate hike. However, former Federal Reserve Chairman Bernanke said that the Fed is expected to raise interest rates in July, which may be the last round of hikes. SHFE lead is trading higher as China's second-quarter GDP growth of 6.3% year-on-year and June's social consumer goods retail sales growth of 3.1% lifted market confidence in consumption recovery.

MCX 1M Futures Price		
Commodity	Bid	Ask
Copper	737.5	737.6
Aluminium	198.75	198.8
Zinc	219.35	219.45
Nickel	0	0
Lead	184.2	184.3

Forward Curves



Technical Analysis

1. Copper



LME 3M Copper \$8428: Copper prices are consolidating between \$8200-\$8600 range and look poised for break out in coming weeks. Confluence of moving averages suggest that the prices are likely to break on the lower side, in which case downtrend could extend to \$7800-\$8000 range. We have been positioning to participate in the trend by hedging the inventory positions while buying the metal only to meet the minimum requirements. There is no change in the strategy. Below \$8200 mark, inventory hedging would become necessary!!

2. Nickel



LME 3M Nickel \$20970: Nickel prices are trading along the support of \$20K in the absence of positive triggers. Rising inventories and expectations of long-term surplus in the metal will keep the prices sluggish. Only positive could come from broad-based support to base metals from weak USD if at all!! We maintain our strategy to buy from spot market to meet the minimum requirements. In short term however, we could see some spike towards \$22k to resolve the oversold condition.

3. Aluminium



LME 3M Aluminum \$2201: Aluminium prices are nearing end of consolidating phase and looking poised for a minor break out towards resistance of \$2400. Talks of ban on Russian aluminium could trigger some rally. From risk management view point, we suggest covering at least one month requirement of the metal at current prices. Traders can go long on the metal with strict stops blow \$2150.

4. Zinc



LME 3M Zinc \$2390: Zinc prices continue their lacklustre trading in the backdrop of rising inventory levels. Trading range has narrowed down to \$2320-\$2520 and is likely to continue until there is significant weakness in USD. Spot buying can continue at present. Trading positions are not advised for lack of action.

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