

Price Performance



Base Metals

foreign exchange sales by the central bank and commercial banks dropped in February as the Yuan stabilizes. China's campaign to slim down its bloated industries threatens to overwhelm local banks as it may be derailed by more than \$1.5 trillion of debt in its steel, coal, cement and non-ferrous metal sectors.

However, U.S. monetary officials flagged fewer rate hikes this year because of a fragile global economy, knocking the dollar and boosting the value of commodities.

On the inventory front, Copper declined the most by 25.88 percent whereas the only gainer Aluminum witnessed stocks rising by 1 percent in March. On the MCX, base metals traded lower in March in line with Rupee appreciation.

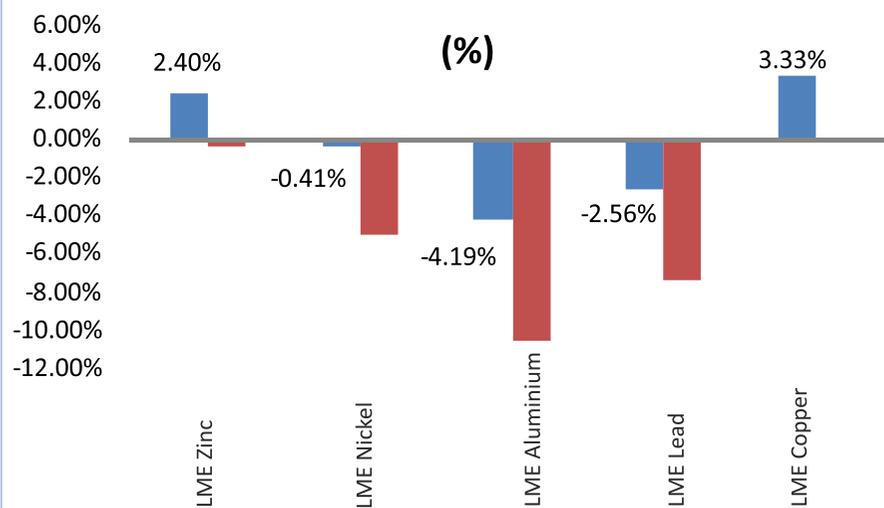
LME base metals traded mixed in Mar'16 as weak Chinese data hurt demand. China trade data showed exports in February were down a whopping 25.4 percent from the previous year, the worst performance since May 2009 and factory output growth during the first two months of the year was the weakest since the global financial crisis, while retail sales rose by the least since May 2015.

Further, risk sentiments remained dull owing to volatile movement in oil prices after doubts major exporters can coordinate an output freeze.

Also, the European Central Bank (ECB) announced its stimulus package and cut its benchmark rate to zero, lowered its already negative deposit rate further and said it would extend its monthly asset-buying program by EUR 20 billion (\$22.17 billion) to EUR 80 billion. But, suggested it was running out of room to cut interest rates, even if other stimulus options remained.

Moreover, recent data showed net

BASE METALS PERFORMANCE IN MARCH 2016



Source: Reuters, Angel Broking

Copper



In Feb'16, LME Copper prices gained the most, by 3.3 percent as indications by some Fed officials that policymakers think they could raise interest rates as early as April led investors away from risky assets. The Federal Reserve held fire on another interest rate rise this month, but indicated it was still on course for another two hikes this year.

Also, Chinese economic data turned up disappointing as exports dived 25.4 percent from a year earlier on depressed demand in all of China's major markets, while imports slumped 13.8 percent, the 16th straight month of decline.

Further, Output in Peru surged 40 percent in January from a year earlier as Freeport's

Cerro Verde operation boosted volumes and mines built by Minera Chinalco Peru SA and Hudbay Minerals Inc. completed ramp-ups. Also, Javier Targhetta, a senior vice president of marketing and sales at Freeport-McMoRan, the largest publicly traded producer of the metal, said that Copper-output cuts spurred by lower prices aren't enough to end a surplus this year and demand won't catch up with supply until 2017.

On the contrary, ICSG forecast a global refined copper deficit of 56,000 tonnes this year. Further, World mined production is now expected to grow by just 1.5 percent in 2016, compared with projections of 5.1 percent and 4.2 percent in April and October 2015 respectively.

Also, Chinese imports of refined copper jumped more than 50 percent year-on-year to

Technical Levels (30 Days)

Commodity	Support 1	Support 2	CMP	Resistance 1	Resistance 2
LME Copper (\$/tonne)	4670	4430	4786	5080	5290
MCX Copper (Rs./kg)	309	293	316	336	350
LME Aluminium (\$/tonne)	1460	1380	1509	1520	1600
MCX Aluminium (Rs./kg)	103	98	101	111	115
LME Nickel (\$/tonne)	8083	7335	8550	9281	9805
LME Nickel (Rs./kg)	540	490	573	620	655
LME Lead (\$/tonne)	1635	1545	1720	1845	1995
MCX Lead (Rs./kg)	109	103	115	123	133
LME Zinc (\$/tonne)	1743	1698	1797	1908	1984
MCX Zinc (Rs./kg)	116	113	120	127	132

328,604 tonnes in February. Further, LME copper stocks, at above 155,000 tonnes, have fallen more than 35 per cent since late January.

Besides, China's government pledged more economic support and annual meeting of parliament ended with a stream of assurances by Premier Li Keqiang that the economy was facing difficulties but not in danger of a hard landing, fanning hopes its slow revival may gain steam.

end-February, but are still above the 230,000-270,000 tonnes held in early 2014.

However, Rusal is expecting a robust increase in aluminium demand of 5.7% to 59.6 million tonnes due to strong demand from buyers in North America, Europe, and Asia for the fiscal year 2016. China's production is expected to fade as well, growing by 5.8% year-on-year, down from 9.6% in 201 while demand would grow 7 per cent this year to 31

Also, London Metal Exchange stocks have almost halved from a 2013 peak and are near a seven-year low as the LME tightened warehousing rules to prevent queues from building.

In line with output cuts and falling stocks, Japanese aluminium buyers have agreed to pay producers a premium of \$115-\$117 per tonne for metal to be shipped over April-June, up about 5-6 percent from the prior quarter, on lower local inventories.

Aluminium

LME Aluminium prices returned to the negative territory in Mar'16 and declined 4.2 percent as China Hongqiao, the world's largest producer of aluminium, aims to raise the annual capacity of the lightweight industrial metal by around 15 per cent this year if the market recovery continues. The company aims just over 6 million tonnes of annual aluminium capacity by the year-end, from 5.19 million tonnes in 2015. Hongqiao stands firm and is making a profit even in today's depressed aluminium market unlike Alcoa and UC Rusal.

Further, supply is abundant as Aluminium stocks at three major Japanese ports hit a record high of 502,200 tonnes in May'15 as buyers elsewhere in Asia bought cheaper semi-fabricated products from China, pushing more primary metal to Japan. According to trading house Marubeni Corp, stockpiles dropped 27 percent from May levels to 365,600 tonnes by

million tonnes. Besides, global consumption growth was projected at 5.7 per cent to 59.6 million tonnes. As a result, Rusal sees an overall primary market deficit in FY 2016 of 1.2 million metric tons, reversing from surplus of 0.6 million metric tons the market saw in FY 2015.

Moreover, Aluminium major, Alcoa has permanently closed its aluminium smelter at Warrick County, along the Ohio river in Indiana. The company was forced to shut operations at the 56 year old smelter due to drastic drop in aluminium prices, which made it financially unviable for them to run the smelter operations. The giant intends to curtail alumina output by nearly 1 million mt by end of second quarter this year, inclusive of the planned curtailment of 810,000 mt of refining capacity at its Point Comfort operations in Texas.

Outlook

For April'16, we expect base metal prices to trade higher as risk appetite is likely to gain ground in anticipation of output freeze in the upcoming oil meeting on 17th April'16. However, Standard & Poor's said increasing economic and financial risks prompted it to reduce the outlook for China's credit rating to negative from stable.

Copper prices will likely trade sideways as GFMS forecast a 150,000 mt surplus for both 2016 and 2017, as well as a fifth year of price declines. Also, Chile's second-biggest copper mine Collahuasi, owned by Anglo American Plc and Glencore Plc expects to produce slightly more copper in 2016 versus last year.

We expect Aluminium prices to trade higher in April'16 as the Warrick smelter's five potlines had a production capacity of 269,000 metric tons of aluminium a year and were one of the largest aluminium smelting and fabricating facilities in the world. Along with this, anticipation of output freeze in the upcoming meeting between OPEC and non OPEC members on April 17th will act as a positive factor for the light metal as energy accounts for about 30 per cent of output costs.