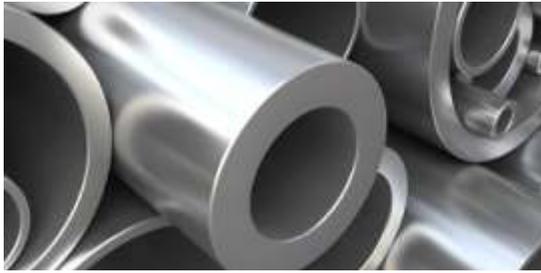


Price Performance

Base Metals



In July '16, base metals on the LME traded higher as market sentiments got a boost on anticipation of more easing measures from central banks across the globe.

The Federal Open Market Committee kept its overnight interest rate target in the 0.25 percent to 0.5 percent range as expected although it took notice of a strengthening labor market.

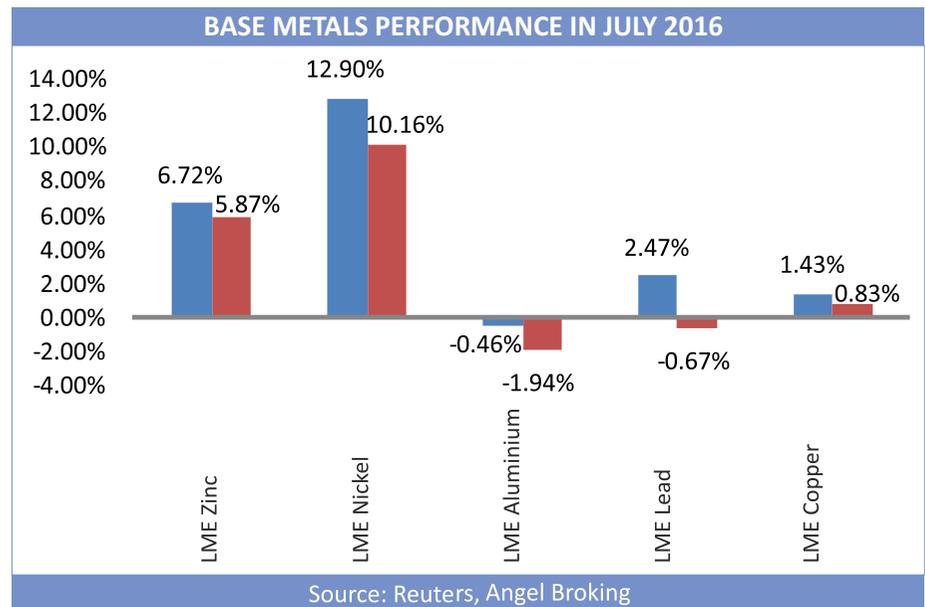
Also, the Bank of England was quick to add that most members of its policy committee "expect monetary policy to be loosened in August" after major expectations of rate cut by the Bank were not met as it kept its monetary policy committee maintained status quo and kept its £375bn quantitative easing scheme and 0.5 percent interest rates unchanged in July.

However, the International Monetary Fund cut its forecasts for global economic

growth to expand 3.1 percent this year and 3.4 percent in 2017 from 3.2 and 3.5 percent respectively. The economies of the United Kingdom (U.K.) and Europe will be hit the hardest by fallout from the June 23 referendum and said it expected the UK economy to grow by 1.3% in 2017, 0.9 percentage points lower than an estimate made in its World Economic Outlook (WEO), in April.

On the LME, Aluminium stocks declined the most by 3.7 percent whereas Copper inventories gained the most by 11.1 percent.

MCX base metals trended higher in line with international markets.



Copper



LME Copper prices gained 1.4 percent in July 2016 as broad optimism in the global markets on hopes of stimulus measures from major central bankers following Brexit fallout, boosted an upside in this economic barometer.

Also, customs data showed China's refined copper imports for June rose by 19.7 percent on

the year to 305,304 tonnes, while refined copper exports jumped by 192.4 percent to 42,596 tonnes. The country imported 420,000 metric tons of unwrought copper and copper products in June, up 20.3% year-over-year. For the first half of the year imports increased 21% compared to the same period in 2015.

Further, China's forex reserves rose \$13.4 billion in June, rebounding from a 5-year low in May.

However, China, the world's top producer of refined copper, boosted output by 7.6 percent in the first half as margins rose, even after smelters pledged late last year to cut output to shore up prices.

The National Bureau of Statistics said production increased to 4.03 million metric tons in the first six months compared with a 9.4 percent gain in the first half of last year. June production climbed to 686,000 tons from 680,000 tons last month, though less than 693,000 tons a year ago. Chinese smelters have ramped up output after margins rose amid ample raw material supplies despite its top refiners pledge in Dec'15 to cut output by 350,000 tons in 2016. However, Jiangxi Copper Co., the nation's biggest smelter, said

Technical Levels (30 Days)

Commodity	Support 1	Support 2	CMP	Resistance 1	Resistance 2
LME Copper (\$/tonne)	4735	4550	4786	5055	5185
MCX Copper (Rs./kg)	318	306	318.9	342	353
LME Aluminium (\$/tonne)	1584	1529	1643	1699	1759
MCX Aluminium (Rs./kg)	106	103	109.8	114	118
LME Nickel (\$/tonne)	9697	8758	10760	11237	11838
LME Nickel (Rs./kg)	660	607	720	750	788
LME Lead (\$/tonne)	1766	1706	1800	1901	1976
MCX Lead (Rs./kg)	119	115	121	127	132
LME Zinc (\$/tonne)	2107	1967	2274	2340	2434
MCX Zinc (Rs./kg)	143	135	152	156	162

in May'16 that the country's total output may remain around last year's level due to the addition of new capacity.

Moreover, International Monetary Fund cut its forecasts for global economic growth to 3.1 percent in 2016 and 3.4 percent in 2017 as the unexpected U.K. vote to leave the European Union creates a wave of uncertainty amid already-fragile business and consumer confidence.

Overall, rising import demand from China and overall global optimism saved the leader metal from falling in July.

Aluminium

LME Aluminium was the worst performer amongst base metals in July'16. The light metal fell by 0.5 percent to close the month at \$1639.5/t.

As the light metal shares a direct relation with oil prices, 14 percent plunge in NYMEX crude oil prices spurred by rising global supply glut and surging stocks hurt the metal.

Besides, Aluminium, which is majorly used in construction, declined as China home price rises slowed in June for a second straight month, adding to concerns over economic

growth recovery in the major consumer.

Taking demand woes into consideration, Alcoa in its market outlook projected a global aluminium deficit of approximately 775,000 tonnes for the current year as 5% demand growth outweighs 2.5% supply growth. The company had previously forecasted a deficit in excess of 1 million tonnes based on a smaller supply increase of 2%.

On the contrary, stocks have been witnessing a downward trend in 2016. Stocks of aluminum registered with the London Metal Exchange (LME) have fallen by 577,275 tonnes, or almost 20 percent, so far this year.

Registered inventory on the ShFE stood at 107,520 tonnes, as on Friday, August 5. Stocks have fallen by 163,435 tons, or 55 percent, since the start of January.

Further, Aluminium stocks in China's five major markets, Shanghai, Wuxi, Hangzhou, Gongyi and Nanhai continued falling after hitting their lowest in seven years.

Talking about production, China produced 2.69 million tons (32.7 million tons annualised output) of refined aluminum in June, down by 2.4% year-on-year compared with 31.5 million

tons of annualised output in May. From January to June 2016, China's total refined aluminum output was 15.11 million tons, virtually flat on the same period last year.

Besides, latest data from the International Aluminium Institute showed daily average primary aluminium output (excluding China) rose to 69,000 tonnes in May, from 68,700 tonnes in April.

Global production for May, excluding China, was 2.14 million tonnes, up from 2.062 million tonnes recorded in April. In China, total production in May came in at 2.675 million tons from 2.569 million tonnes in April.

Overall, weak oil prices and falling construction demand from China has kept the gains in the light metal under control.

Outlook

For Aug'16, we expect base metal prices to trade higher as major central bankers are expected to take up aggressive stimulus measures to boost the flagging economy. However, Chinese forex reserves resumed its declining spree in July after rebounding in June.

Copper prices will likely trade higher as recent weak economic data from China is likely to prompt the government to ease policy soon after the country's exports and imports fell more than expected in July.

We expect Aluminium prices to trade lower in Aug'16 as Chinese growth held steady at 6.7% in the second quarter spurred by record stimulus in a sign of temporary relief and growth coming forward will remain a cause of worry for the base metals.