

Price Performance

Base Metals



Base metals traded mostly lower in Nov'17 as consistent curbs in China on property and debt hurt demand prospects for the complex. Additionally, China Banking Regulatory Commission (CBRC), in a bid to limit risks amid a broader tightening of controls over the financial sector, has set new rules for the country's three policy banks.

Not only this, weak economic numbers from China in terms of industrial production, retail sales and fixed asset investment added further pressure.

Copper



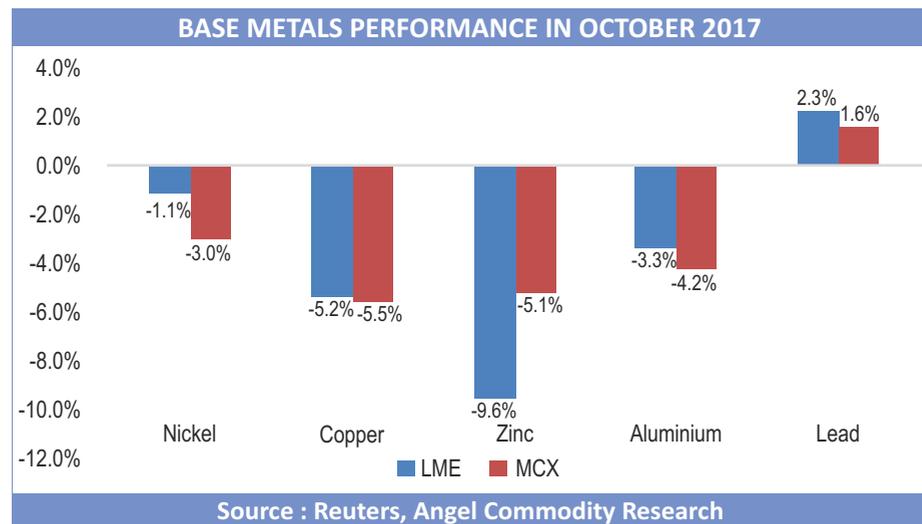
Copper prices ventured into negative territory in November'17 and fell by 1.1 percent on the LME to close at \$6762 per tonne, while on the MCX, the metal traded lower by 3 percent at Rs.431.4/kg.

The electric car boom which led to a sharp rally in the metals space in the first week of Nov'17 fizzled out soon after as investors realized that the actual demand is a few years away, leading to sharp correction across the metals complex.

Not only this, unfavorable economic data from China added to the misery. China's industrial value-added output expanded 6.2 percent year on year in October, compared

Talking about inventories, Nickel stocks at the LME warehouses plunged the most by around 10 percent while Lead stocks gained 1.6 percent. At Shanghai exchange, Lead stocks surged by a whopping 52 percent in Nov'17.

Overall, weak economic numbers from China along with stringent curbs in the mainland nation hurt the metals complex.



to 6.6-percent growth in September while retail sales and fixed asset investment slowed in October hit by government's measures to cool a heated housing market and curb industrial pollution.

Demand from China, the biggest consumer too, looked dim as import volumes of unwrought copper fell to the lowest since April, totalling 330,000 tonnes in October, down more than 20% from September while Chinese Copper output in Oct'17 jumped by 6.3 percent to 781,000 tonnes, the highest in almost three years.

Latest figures released by the International Copper Study Group (ICSG) showed world mine production has declined by around 2.2% in the first eight months of 2017 while production is estimated to have remained essentially unchanged, leading to a shortfall of 50,000 tonnes in Jan - Aug 2017 hurt by a strike at Escondida's mine in Indonesia and lower

output from Codelco mines. Inventories too seemed to have found their way to Shanghai warehouses from their LME counterparts in South East Asia as 14 percent decline in LME stocks in Nov'17 was accompanied by a whopping 33 percent surge in Shanghai stocks.

Supply disruption woes provided a temporary cushion to prices as protest and strike at the world's largest copper mine although the closure was called off in a day for a bigger walkout after the company decided to lay off 120 workers, or approximately 3 percent of the mine's workforce, amid adjustments to its operations. On the other hand, strike at Peru's Southern Copper mine, world's fifth largest copper miner in terms of output, added to the concerns.

Overall, weak economic data in China coupled with sharp stock inflows at the Shanghai warehouses hurt the leader metal in Nov'17.

Technical Levels (30 Days)

Commodity	Support 1	Support 2	CMP	Resistance 1	Resistance 2
LME Copper (\$/tonne)	6600	6400	6555	6950	7150
MCX Copper (Rs./kg)	430	418	427	454	467
LME Aluminium (\$/tonne)	1940	1820	2014	2160	2280
MCX Aluminium (Rs./kg)	125	119	130	138	146
LME Nickel (\$/tonne)	10000	9200	10845	12200	13300
LME Nickel (Rs./kg)	650	580	700	790	860
LME Lead (\$/tonne)	2400	2320	2484	2560	2650
MCX Lead (Rs./kg)	155	150	161	166	173
LME Zinc (\$/tonne)	3040	2930	3093	3290	3420
MCX Zinc (Rs./kg)	196	188	200	214	223

Aluminium

In Nov'17, LME Aluminium prices fell by 5.2 percent to close at \$2048 per tonne, while on the MCX, the metal traded lower by 5.5 percent at Rs.131/kg hurt further by sharp Rupee appreciation.

Aluminium prices have been in a downtrend for most part of Nov'17 hurt by weak economic data from China and consistent output curbs. Industrial output, fixed asset investment and retail sales all fell in Oct'17, hurt by government's stringent crackdown on pollution and debt.

Average LME Aluminium prices in November 2017 fell from five year highs to \$2114.8/t as strong output growth weighed on the light metal. As per the latest data from the International Aluminium Institute (IAI), Daily average primary aluminium output excluding China rose to 70,300 tonnes in October, from 70,000 tonnes in September. Global production for October, excluding China, was 2.179 million tonnes, up from

2.1 million tonnes recorded in September while daily average output in China fell to 82,100 tonnes in October against 86,900 tonnes in the September. Not only this, Primary Aluminium imports too plunged by a whopping 43 percent in Oct'17, consistently falling for the last five months.

Besides, data from the National Bureau of Statistics (NBS) showed China produced 2.55 million tonnes of the metal in Oct'17, down 2.3 percent from 2.61 million tonnes in Sep'17 and versus 2.73 million tonnes in Oct'16 although year-on-year output is up at 27.23 million tonnes, up 3.7 percent.

Also, Shanghai Aluminium stocks have been on a rising spree this year with around 600 percent surge in inventories so far in 2017, thereby indicating a weaker trend in Chinese consumption. Besides, Aluminium stocks held at three major Japanese ports fell 13.1 percent to 239,700 tonnes by end-October from the previous month.

Further downside was restricted as surge in crude oil prices following OPEC and non OPEC members' decision to extend output cuts till end of 2018, came to the rescue of light metal. As per latest figures by the World Bureau of Metal Statistics (WBMS), the calculated primary aluminium market balance for January to September 2017 shows a deficit of 1463 kt following a shortfall of 770 kt for the whole of 2016. Demand for primary aluminium for January to September 2017 was 45.49 million

tonnes while production rose by 1130 kt compared with 2016. Total stocks held in four exchanges in London, Shanghai, USA and Tokyo were 1848 kt at the end of September 2017, lower by 476 kt than December 2016 total.

Unfavorable economic data from China coupled with sharp build of inventories at Shanghai warehouses weighed on the metal in November 2017.

Outlook

Copper prices are likely to trade lower in Dec'17 as ban of an investor for speculative trading activities in Ferro silicon by a major Chinese exchange is giving an indication that other commodities can also come under the scanner for unusual trading patterns. Also, demand for the metal is expected to cool down given weak growth in China's property and power sectors at the year end.

Aluminium market tightness to continue as a global aluminium producer has offered a premium of \$110 per tonne for primary metal shipments during the January to March period, 17 percent above the current quarter, to Japanese buyers. However, latest government crackdown on infrastructure investment in China will continue to dim demand prospects and pressurize the metals space.

Compiled by : **Kaynat Chainwala**
Research Analyst, Base Metals
Angel Commodities Pvt. Ltd.