

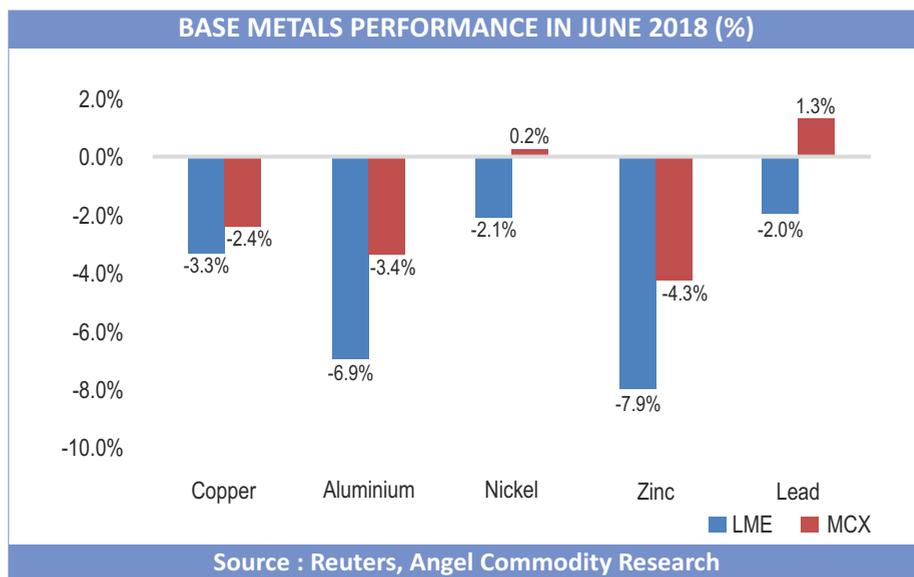
# Price Performance Base Metals



Base metals traded higher in June 2018 as double whammy of a strengthening dollar and worsening global trade equations hit the metal complex hard.

Talking about LME inventories, Copper stocks plunged the most by 9 percent. At Shanghai exchange, Lead stocks slipped by 32 percent while Zinc gained 2.5 percent.

Overall, global uncertainty with regards to trade concernshurt the base metals in June 2018.



## Copper



Copper prices plunged into the negative territory in June'18 and fell 3.3 percent on the LME to close at \$6626 per tonne, while MCX prices declined 2.4 percent on the MCX to Rs.446.1/kg.

LME Copper prices fell to nine

month lows while MCX fell to the lowest since April'18 as tensions between the US and China touched a new peak after the US President announced a 25 percent tariff on \$US50 billions of goods from China and warned of further levies in case of retaliation. The first wave of tariffs to cover \$34 billion of goods will take effect from July 6. Chinese government was quick to react and reciprocated with duties of same scale and intensity despite the threat, pushing global risk off the table.

Further, Dollar Index strengthened to one year high levels as global investors shunned risky assets amidst

trade turmoil. Coupled with that, prospects of more rate hikes in the US added to the upside, thereby weakening dollar denominated commodities.

Also, latest data from the International Copper Study Group showed world refined copper balance indicated a market surplus of around 140,000 t in the first quarter of 2018. On the other hand, Chinese customs data showed China's copper scrap imports in May'18 plunged 33.3% from a year ago to stand at 210,000 mt after raw materials from the US were subjected to additional inspections from May 4, 2018 while unwrought and concentrate Copper which surged by 22 percent and 37 percent respectively in May'18 compared to May'17.

**Technical Levels (30 Days)**

Commodity	Support 1	Support 2	CMP	Resistance 1	Resistance 2
LME Copper (\$/tonne)	6200	5850	7232.5	7000	7350
MCX Copper (Rs./kg)	424	410	485.7	456	468
LME Aluminium (\$/tonne)	1970	1800	2289.5	2160	2280
MCX Aluminium (Rs./kg)	137	126	155.3	152	160
LME Nickel (\$/tonne)	13900	12800	2482.5	15200	16300
MCX Nickel (Rs./kg)	935	880	168.2	1025	1090
LME Lead (\$/tonne)	2220	2080	15370.0	2450	2600
MCX Lead (Rs./kg)	154	146	1036.1	168	176
LME Zinc (\$/tonne)	2680	2500	3159.5	3040	3220
MCX Zinc (Rs./kg)	182	177	214.3	202	214

Talking about stocks, LME inventories plunged 9 percent in June'18 while Shanghai inventories fell by 3 percent during the same period.

Intensified tensions between the US and China along with stronger dollar hurt the red metal in June'18.

In June'18, LME Aluminium prices plunged 7 percent to close at \$2133 per tonne, while MCX prices declined 3.4 percent at Rs.148.55/kg as further losses were restricted by Rupee depreciation.

Aluminium prices were distressed in June'18 hit by intensified trade tensions between the US and China. This pushed Aluminium prices to two month lows on both LME and MCX. Aluminium witnessed a one way downside in June'18 as tariff war between the US and China touched another high after war of words ensued between the two resulting in retaliation from both ends. Not only this, US did not spare its allies EU, Canada and Mexico either and imposed Steel and Aluminium import tariffs on them as well, inviting fury and reaction from the nations.

Talking about supply, latest data from International Aluminium Institute (IAI) data showed Global primary aluminium output in May rose to 5.441 million tonnes from a revised 5.303 million tonnes in April while estimated Chinese production in May'18 increased to 3.09 million tonnes from 3.007 million tonnes in April'18.

**Aluminium**

However, ongoing trade war tensions have definitely raised an alarm on supply. As a result, premiums for Japanese aluminium shipments for July to September were set at \$132 a tonne, 2 percent higher

than the current quarter on rising spot premiums in the United States and supply uncertainty caused by sanctions on Rusal.

LME stocks plunged by 7 percent in June'18 while Shanghai stocks fell by 4 percent during the same period. Overall, pessimistic macroeconomic situation citing trade war concerns weighed on the metal while falling stocks failed to provide some relief.

**Outlook**

Base metals are likely to continue their negative momentum in July'18 as risk aversion is likely to be dominant in July'18 since trade war situation has worsened after the US imposed on \$34 billion of Chinese imports, and is likely to follow up with another \$16 billion in the next two weeks, inviting immediate retaliation from the mainland nation.