

# Price Performance Base Metals



**B**ase metals traded higher in May 2018 as consistent favorable economic numbers from China boosted demand prospects from the world's biggest consumer.

Chinese trade figures for April were encouraging with imports rising 21.5 percent and exports 12.9 percent while PPI showed an uptick to 3.4 percent y-o-y while CPI rose a modest 1.8 percent in April. Home prices too gained at the quickest pace in 10 months in April while industrial output jumped from seven month low in March to 7 percent in April.

However, further upside was limited

## Copper



Copper prices continued with its positive momentum in May'18 and gained 0.7 percent on the LME to close at \$6852 per tonne, while MCX prices surged around 2 percent on the MCX to Rs.457.05/kg.

Favourable economic numbers from China including trade, home prices, industrial output, manufacturing activity, inflation buoyed Copper prices in May'18.

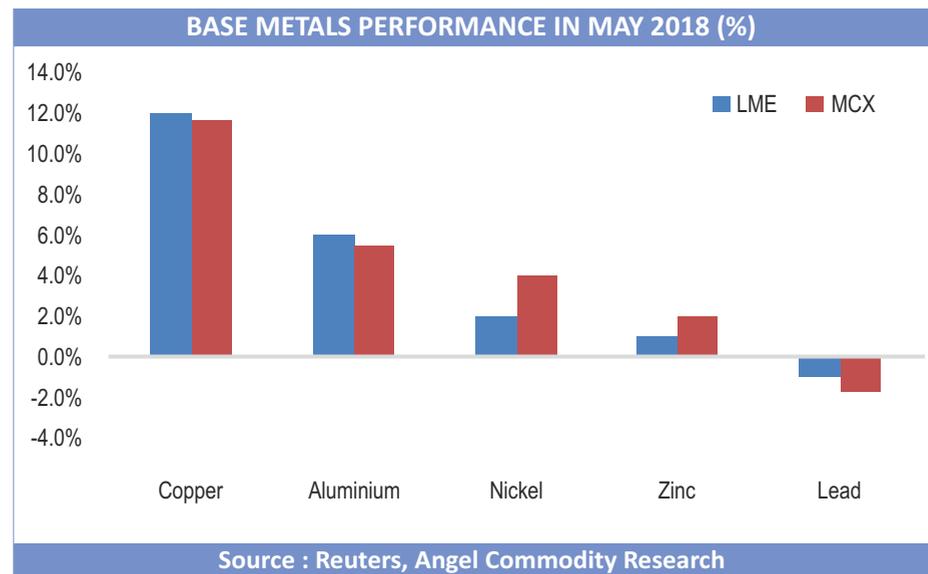
Besides, latest customs data showed Chinese unwrought copper imports in April touched 442,000

tonnes, the highest monthly total so far in 2018. Also, 9 percent plunge in LME inventories over the month has been supportive. Sharp decline in Copper on warrants on the LME warehouses to the lowest since January'18 was an added positive.

However, sharp upside was limited as dollar index surged to five month high levels boosted by surge in 10-year Treasury yield above 3 percent. Moreover, optimism regarding US China talks faded much sooner than expected after US President Trump expressed his disappointment over the

trade talks. Not only this, decision by Trump to cancel talks with North Korea exerted pressure on global market sentiments.

Besides, latest report from the International Copper Study Group showed global world refined copper market witnessed a surplus of about 110,000 tonnes in the first two months of 2018 compared with a small surplus of 33,000 mt in January. Supply surplus is likely to continue as latest data from National Bureau of Statistics showed China's refined copper output in April



**Technical Levels (30 Days)**

Commodity	Support 1	Support 2	CMP	Resistance 1	Resistance 2
LME Copper (\$/tonne)	6700	6550	7099.0	7140	7320
MCX Copper (Rs./kg)	449	436	474.8	476	487
LME Aluminium (\$/tonne)	2210	2120	2316.5	2380	2490
MCX Aluminium (Rs./kg)	148	142	156.6	163	170
LME Nickel (\$/tonne)	14400	13700	15755.0	16000	16700
MCX Nickel (Rs./kg)	965	890	1057.3	1110	1190
LME Lead (\$/tonne)	2350	2230	2503.0	2640	2760
MCX Lead (Rs./kg)	159	149	168.5	177	186
LME Zinc (\$/tonne)	3020	2930	3192.0	3270	3420
MCX Zinc (Rs./kg)	206	199	215.6	218	226

jumped 12.3 percent compared to same period last year to 778,000 tonnes.

Positive signals from China in terms of housing and manufacturing activity cushioned the metal off global risk a version in May'18.

**Aluminium**

In May'18, LME Aluminium prices gained 1.6 percent to close at \$2292 per tonne, while MCX prices surged 3.4 percent at Rs.153.7/kg boosted further by Rupee depreciation.

Aluminium witnessed a volatile performance in May'18 as prices spiked in the earlier half citing sharp stock withdrawals from LME warehouses after news that the US extended deadline to October 23 from June 5, to wind down contracts with Rusal. As a result, LME Aluminium stocks plunged 9 percent while Shanghai inventories fell by 1.4

percent in May'18.

Also, latest data from the International Aluminium Institute (IAI) showed Global primary aluminium output fell to 5.256 million tonnes in April from a revised 5.372 million tonnes in March while estimated Chinese production fell to 2.96 million tonnes in April from 2.99 million in March'18.

Besides, latest data from World Bureau of Metal Statistics (WBMS) showed calculated market balance for primary aluminium for January to March witnessed a deficit of 141 kt following a deficit of 1130 kt for the whole of 2017. Demand for primary aluminium for January to March 2018 was 14.9 million tonnes, 343 kt less than in the same quarter of 2017. Import figures for April have not been released yet by China' General Administration of Customs until further notice.

The persistent trade tensions between the US and China weighed further on the light metal. The discussions between the two superpowers so far, have not been fruitful and have limited the global risk sentiment. This hurt the Aluminium prices in the second half of the month and pushed prices to near one month low of \$2239/t and

Rs.152/kg on the LME and MCX respectively.

Overall, pessimistic macroeconomic situation citing trade war concerns weighed on the metal while falling stocks provided some respite.

**Outlook**

Global risk aversion citing trade tensions and likely US rate hike at the FOMC meeting due June 13th will lend support to dollar index. However, ongoing wage negotiations between worlds' biggest Copper mine Escondida and its workers union have sparked major supply concerns and so we expect Copper prices to trend higher towards Rs.485/kg in June'18.

Aluminium prices are likely to trade higher in June'18 as tariff imposed by the US on steel and aluminum imports from Canada, Mexico and EU with effect from June 1, 2018, have spurred supply issues. Further, global aluminium producers have offered Japanese buyers a premium of \$159-160 per tonne for primary metal shipments for the July-September quarter, up 23-24 percent from the current quarter.