

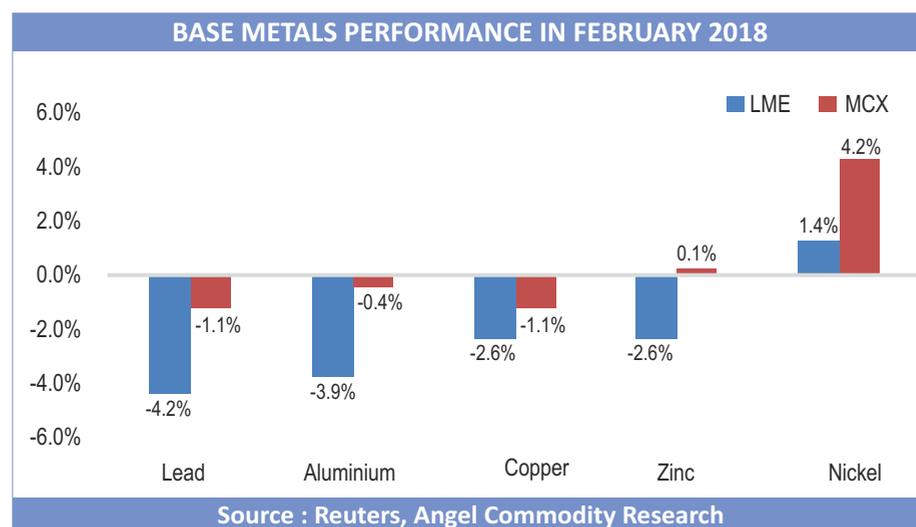
# Price Performance Base Metals

reflected in other exchanges as well.

In the earlier half, Dollar's plunge to 88.15, lowest since Dec'14 citing soft US retail sales and industrial production despite decent inflation numbers supported dollar denominated commodities. Besides, stable US equities pushed investors to riskier assets, hurting demand for the greenback.

Talking about inventories, Aluminium stocks at the LME warehouses surged the most by around 23percent while Zinc stocks plunged by 22 percent. At Shanghai exchange, Zinc stocks jumped by a whopping 59 percent while Leadplunged by the most10 percent in Feb'18.

Overall, recovery in the DX along with sluggish manufacturing activity in China weighed on the metals complex in February 2018.



plunged to 50.3 in February 2018, lowest since August 2016.

Besides, data from the General Administration of Customs showed China's scrap metal imports fell to 490,000 tonnes, the lowest level in nearly two years in Jan'18. While on the other hand, Refined Copper imports rose 13 percent to 314,525 tonnes in Jan'18.

Inventory has also been a grave cause of concern as stocks at LME and Shanghai warehouses surged by 8 and 51 percent respectively, adding to supply.

However, sharp losses were

restricted as China's top steelmaking city of Tangshan proposed to extend restrictions on production between 16th March and 14th November 2018 once the current curbs expire in March in order to improve air quality. Major mills including Tangsteel Company and privately-owned Tangshan Guofeng Iron & Steel Co Ltd will be ordered to cut production by as much as 15 percent while others will have to curb 10 percent.

Also, latest numbers released by the International Copper Study Group (ICSG) showed the global refined copper balance for the first eleven months of 2017 witnessed a deficit of



**B**ase metals except Nickel traded lower in February 2018 owing to sharp recovery in dollar index to five week high of 90.65 after the new Fed chief Jerome Powell reaffirmed gradual increases in US interest rates despite added stimulus of tax cuts and government spending. This fueled views that the U.S. central bank would raise rates four times this year rather than three.

However, sharp losses were cushioned as build-up of new positions on Shanghai Futures exchange ahead of weeklong Chinese Lunar New Year holiday,

## Copper



In Feb'18, Copper prices continued their negative momentum and fell by 2.6 percent on the LME to close at \$6931 per tonne, while on the MCX, the metal traded lower by 1.1 percent at Rs. 445.95/kg.

The leader metal came under pressure in Feb'18 hit by recovery in the dollar index following hawkish comments by the incoming Federal Reserve chief Jerome Powell.

Further, sluggish manufacturing activity citing Chinese Lunar New Year holiday weighed on the demand side. China's official manufacturing PMI

**Technical Levels (30 Days)**

Commodity	Support 1	Support 2	CMP	Resistance 1	Resistance 2
LME Copper (\$/tonne)	6700	6450	6972	7200	7450
MCX Copper (Rs./kg)	437	421	455	470	486
LME Aluminium (\$/tonne)	2080	2020	2141	2200	2260
MCX Aluminium (Rs./kg)	136	132	138.7	143	147
LME Nickel (\$/tonne)	12900	12000	13555	14500	15300
MCX Nickel (Rs./kg)	850	790	880	935	973
LME Lead (\$/tonne)	2410	2330	2435	2600	2720
MCX Lead (Rs./kg)	158	152	158.75	170	178
LME Zinc (\$/tonne)	3320	3200	3311	3580	3730
MCX Zinc (Rs./kg)	217	210	216	234	242

about 195,000 tonnes.

Overall, strong dollar coupled with persistent surge in LME and Shanghai stocks hurt the leader metal in February 2018.

**Aluminium**

In Feb'18, LME Aluminium prices fell by around 4 percent to close at \$2132 per tonne, while on the MCX, the metal traded lower by 0.4 percent at Rs.140.5/kg.

The light metal witnessed sharp volatility for second month in a row in Feb'18 as latest data from China's General Administration of Customs showed Primary Aluminium imports plunged 75.5 percent in January 2018 to 6624 tonnes. This bothered investors regarding demand prospects of the metal in the world's biggest consumer.

Amidst falling demand, burgeoning supply weighed heavily on the metal. International Aluminium Institute (IAI)

data showed global primary aluminium output rose to 5.557 million tonnes in January from a revised 5.398 million tonnes in December. Daily average primary aluminium output increased to 179,300 tonnes in January from a revised 174,100 tonnes in December. Chinese production climbed to 2.877 million tonnes from 2.714 million in December, while China's estimated unreported output in January was unchanged versus December at 310,000 tonnes.

Aluminium however, got support from import curbs announced by US President Trump. The Commerce's "Section 232" national security reviews of Steel and Aluminium industries comprised of global tariff options of at least 24 percent on all steel products from all countries, and at least 7.7 percent on all aluminum products from all countries. This sparked uncertainty in the global arena inviting concern and restraint advice from China and EU, in turn protecting Aluminium so far this week.

Stock scenario too indicates excessive supply in the global markets. LME stocks have surged around 23 percent in Feb'18 while Shanghai stocks currently stand at record high levels of 811,000 tonnes.

Persistently high buildup of stocks at both LME and Shanghai warehouses

coupled with weak import numbers from China weighed on the metal in February 2018.

**Outlook**

Rising trade war prospects following formal announcement of tariffs on Steel and Aluminium imports in the US will be supportive for some metals but will broadly limit risk appetite. Besides, Chinese growth target for 2018 has been set at a modest 6.5 percent citing financial risks. However, uncertainty on the supply side will continue as winter curbs that were expected to end on 15th Mar'18 are likely to be extended for some metals and so we expect Copper prices to be range bound between Rs.440-460 levels.

Aluminium prices are likely to decline in March 2018 as China's output curbs are due to be lifted on March 15, will add to already oversupplied market. Also, China's Ministry of Industry and Information Technology (MIIT) has pledged to monitor excessive price speculation in nonferrous metals. However, uncertainty regarding a trade war after Trump announced steep tariffs on steel and aluminium imports by US President Trump will provide a cushion.

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