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Weekly Commodity Research Report

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Copper

Copper futures have fallen, weighed down by weak economic data from major economies and ongoing demand concerns, particularly in China. Despite a slight uptick in China's physical copper demand, market sentiment remains cautious due to weak factory output and low confidence in the struggling property sector. An unexpected surge in Chinese copper exports triggered a significant sell-off, pushing prices down 16% from May's record highs. In June, China exported 158,000 metric tons of refined copper, with first-half exports totaling 302,000 tons, surpassing any full calendar year since 2019. However, this surge is tapering off, with July shipments dropping to 70,000 tons. SHFE stocks have been declining since early July, now 75,000 tons below the June peak at 262,206 tons. Expectations of U.S. Federal Reserve rate cuts in September have also lifted sentiment, offering some support to commodity prices.

LME Cash Price		
Commodity	Bid	Ask
Copper	9103.25	9104.25
Aluminium	2438.75	2438.25
Zinc	2832.25	2830.75
Nickel	16742	16732
Lead	2014.5	2013

Aluminium

Aluminum futures were above \$2,480 per tonne in August, marking a six-week high driven by increased fund buying as markets shift towards a more positive outlook. The recent uptick is seen as a correction towards fair value after aluminum's significant drop last month. Additionally, China's aluminum imports unexpectedly rose by 11.5% year-on-year in July, despite strong domestic production. The market is also facing pressure from a rising cost of alumina, the key raw material for aluminum production, as cuts in Australian refineries have tightened supply. This shortage has led to a significant drawdown in alumina inventories, further supporting the price rally. Furthermore, LME aluminum inventories have dropped 22% over the past three months to 877,950 tons, the lowest since early May. Meanwhile, China, the world's largest aluminum producer, saw primary aluminum output surge 6% year-on-year in July to 3.68 million metric tons, the highest monthly output since 2002. This increase is driven by new projects in Inner Mongolia and strong production from other major regions, despite recent price declines.

LME 3M Future			Spread over Cash Price
Commodity	Bid	Ask	
Copper	9230	9231	126.75
Aluminium	2471	2471.5	-32.75
Zinc	2877.5	2879	-46.75
Nickel	16980	16990	-248
Lead	2056.5	2058	-43.5

Nickel

Nickel prices have rebounded to \$17,050 per tonne, recovering from a six-month low, though they remain well below the highs seen in 2022 and 2023. The rapid expansion of Indonesia's nickel industry has created an oversupply, pushing prices down. Although prices briefly rose earlier this year due to geopolitical tensions and sanctions, the market has continued to decline since. Analysts anticipate ongoing challenges, with primary nickel stocks expected to reach a four-year high in 2024, likely preventing any significant price recovery. As a result, BHP Group Ltd. has suspended its Nickel West operations and the West Musgrave project in Western Australia due to the weaker price environment.

Zinc

Zinc prices declined, driven by concern over weak demand from China and a rebound in the U.S. dollar, which led to selloffs by funds and producers. The ongoing weakness in China's factory output and low confidence in the struggling property sector have raised doubts about the sustainability of zinc's recent upward momentum. The recovery of the U.S. dollar from its one-year low added further pressure on metals prices as traders awaited key economic data that could influence the Federal Reserve's upcoming September policy meeting. Additionally, any positive developments in China's property sector could provide additional support for zinc. Meanwhile, a rise in zinc mine supply is expected, particularly from new projects in Africa and South America, which could push the market into surplus by 2025. However, analysts remain cautious, indicating that the expected growth in supply may not be as strong as anticipated.

Lead

LME lead prices fell sharply, dropping more than 2% overnight, driven by a rebound in the US Dollar Index and ongoing concerns over demand. Despite this recent decline, lead prices have risen by 1.89% since the start of 2024. Additionally, warehouse stocks for lead continued to decline throughout August. Overall, lead prices have rebounded from the low of \$1,958 reached on August 6, 2024, supported by lower inventory levels and increasing expectations of a rate cut by the Federal Reserve.

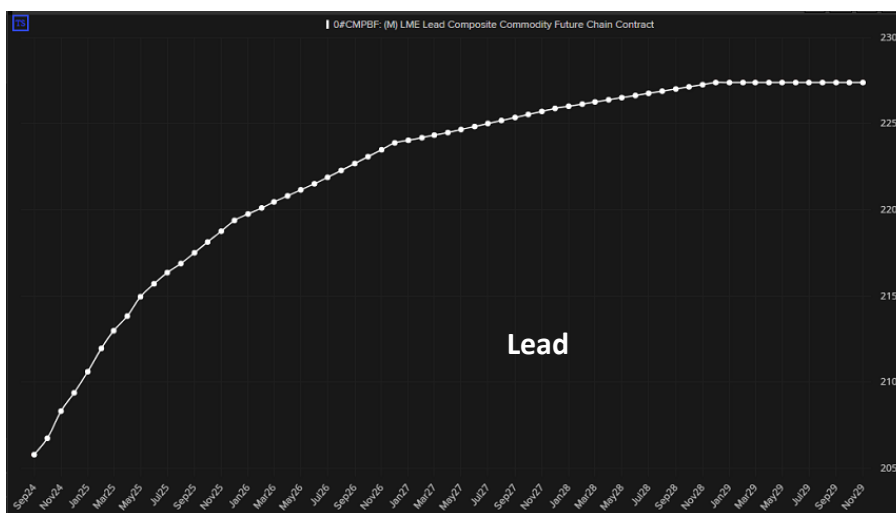
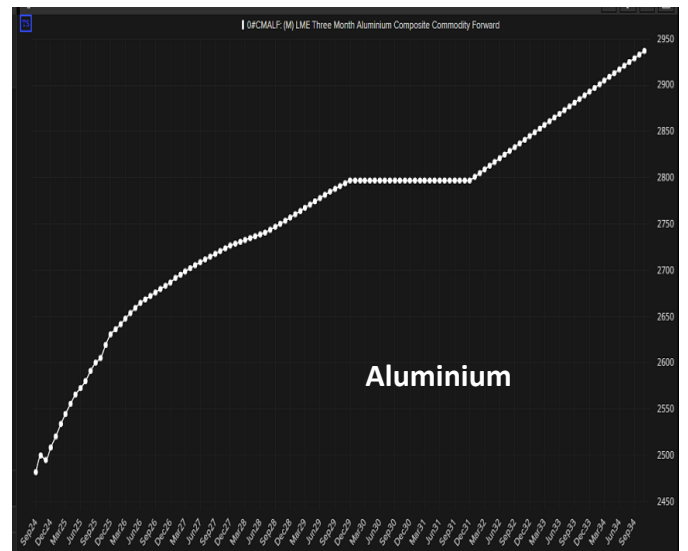
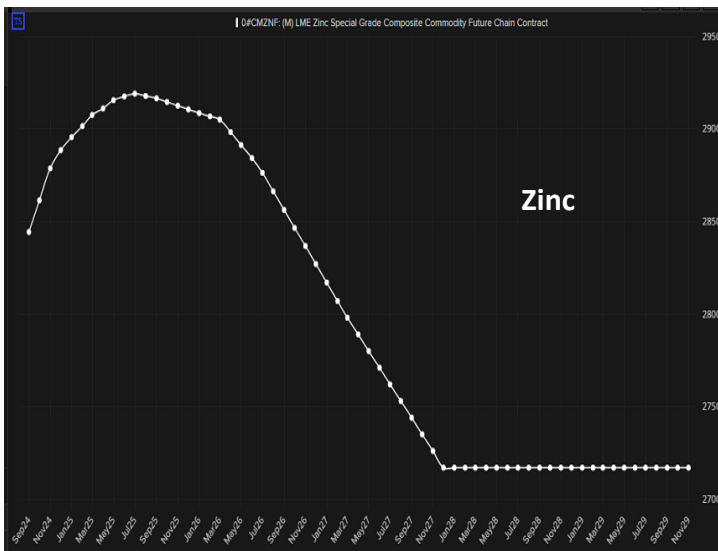
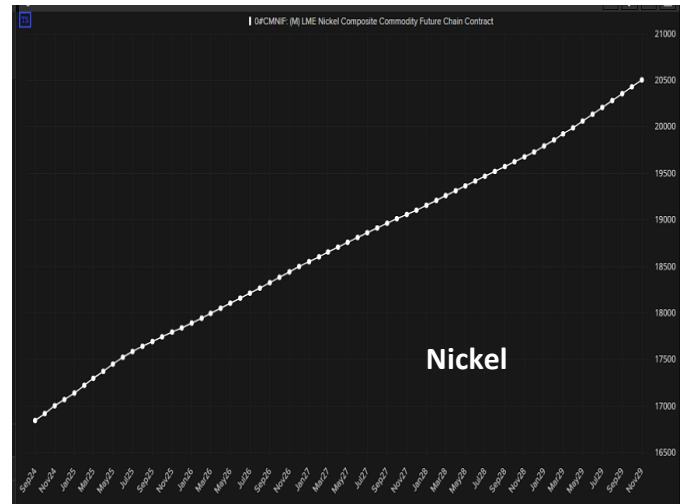
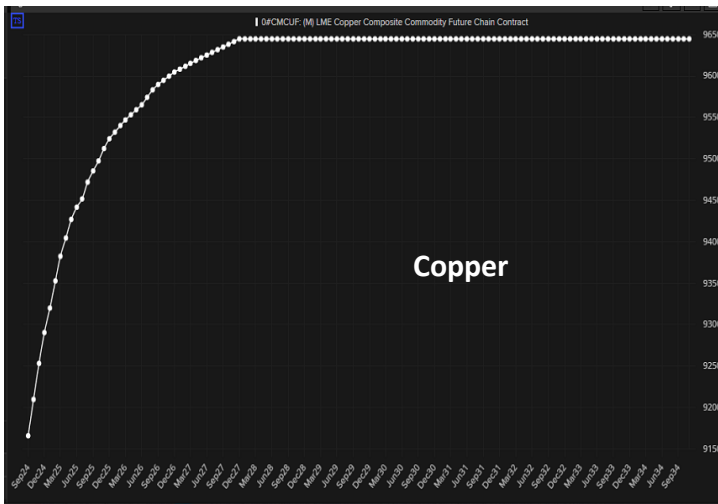
MCX Spot Price		
Commodity	Bid	Ask
Copper	793.65	796.6
Aluminium	0	230.65
Zinc	264.5	271.8
Nickel	0	0
Lead	181.5	188

MCX 1M Futures Price		
Commodity	Bid	Ask
Copper	804.7	804.8
Aluminium	226.65	226.75
Zinc	267.5	267.6
Nickel	0	0
Lead	186.1	186.3

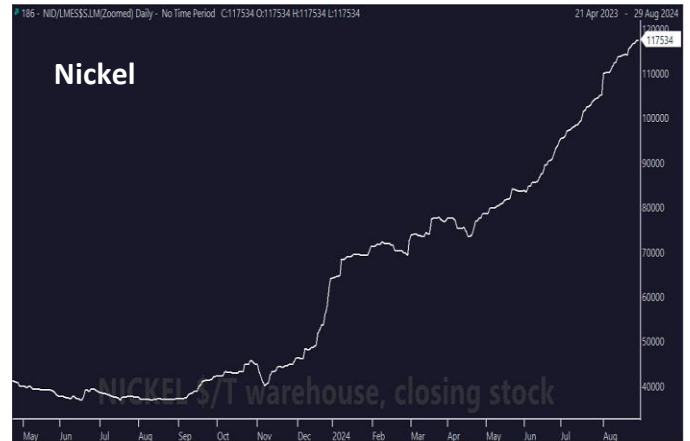
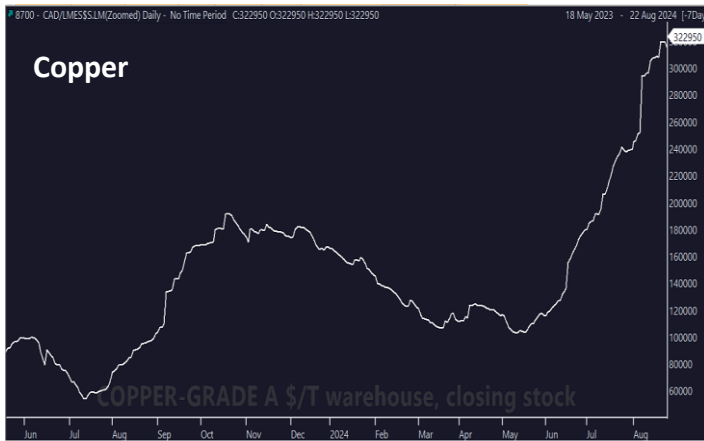
LME Warehouse Stock (Tonnes)		
Commodity	Closing Stock	Net Change
Copper	322950.00	8700
Aluminium	856725	-3500
Zinc	246325	-3300
Nickel	117534	186
Lead	182750	-725

Data Source: Reuters, LME, KITCO

Forward Curves



LME Warehouse Stock (In Tonnes)



Technical Analysis

1. Copper

LME 3M Copper \$9289: Copper is holding its ground and seems to be heading towards monthly closing with no gain/loss scenario. The long legged doji candle implies that entire sell off in the market was absorbed, that too while withstanding the uptrend. This is positive for the unit. As of now, in absence of any contrary signals, we expect Copper prices to stay in uptrend, drawing support from weak USD going forward.

We suggest end users to buy the metal on dips toward \$8900-\$9000 range to stay with the trend. Traders can hold on to the long positions with stops at \$8600.



2. Nickel

LME 3M Nickel \$17030: Nickel prices have been inching upwards from the low of 16K seen earlier this month. The price is now at 23.6% fib resistance and 3 months moving average, which can offer some resistance to buyers. However the broader oversold market conditions could mean further gains for the metal 18K-18.5K range, especially if supported by overall gains in base metals space.

From risk management perspective, it would be prudent to buy at least 1-2 months requirement at current prices.



2. Zinc

LME 3M Zinc \$2890: Zinc prices gained during the month in line with other base metals and managed to stay within the larger uptrend which started in March this year. This is positive for the metal. Overall we see the metal prices are still within the lower quarters in comparison with other asset classes and therefore look set to enjoy the USD weakness in medium term.



3. Aluminium

LME Aluminium 3M Futures \$2473: Aluminium prices are seeing some profit taking after sharp rally from the lows of \$2172 to peak of \$2553 seen this month. While the metal may see some more selling towards \$2385-\$2425 in a bid to resolve the overbought conditions, it would be prudent to maintain the buying stance in a gradual manner to bring down the average holding price. Traders can hold on long positions with stops below \$2300.



4. Lead

LME 3M Lead \$2072: The lead futures have been trading in familiar range of \$2020-\$2120 over last few weeks after recovering from heavy losses seen in first week of this month. Given the otherwise positive outlook for metals, it would be prudent to keep buying the metal in current range to meet the procurement targets. Bulk buying can be done around \$2000 mark if seen.



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