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Weekly Commodity Research Report

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Copper

Copper futures declined to around \$4 per pound in early September, marking a near 3% drop for the month as weak US manufacturing data reignited fears of a recession, dampening the demand outlook for metals like copper. The potential for a US economic downturn has cast a shadow over copper demand, and analysts have also noted declining interest in commodities from top consumer China. Australian mining giant BHP Group recently revised its forecast for China's copper demand downward, citing concerns about the country's economic recovery. Additionally, official data revealed that China's manufacturing activity further contracted in August. On the other hand, expectations that the US Federal Reserve might begin cutting interest rates this month have offered some support to commodity prices. Markets are now focused on an upcoming US jobs report, which could impact the timing and magnitude of the Fed's initial rate cut.

LME Cash Price		
Commodity	Bid	Ask
Copper	8832	8833.5
Aluminium	2370.01	2370.51
Zinc	2733.5	2734.5
Nickel	16011	16021
Lead	1977.25	1976.25

Aluminium

Aluminum futures dropped below \$2,430 per tonne, continuing their decline from the two-month peak of \$2,550 reached on August 27th, as base metals faced broad pressure driven by weakening demand in China. A key factor was the unexpected decline in China's official manufacturing PMI to 49.1 in August, signaling the sharpest contraction in factory activity this year and weakening the demand outlook. Adding to the bearish mood, Beijing has shown reluctance to boost fiscal support for traditional manufacturing sectors, instead prioritizing investment in emerging technologies. At the same time, aluminum supply in China has increased, aided by improved hydroelectric power availability in Yunnan due to better rainfall, which has further weighed on prices.

LME 3M Future			Spread over Cash Price
Commodity	Bid	Ask	
Copper	8961	8962.5	-129
Aluminium	2390.5	2391	-20.49
Zinc	2788	2789	-54.5
Nickel	16275	16285	-264
Lead	2023	2024	-46.75

Nickel

Zinc futures declined to \$2,785 per tonne, retreating from a five-week high of \$2,934, as a supply surplus and weak demand weighed on the market. The global refined zinc market experienced a surplus of 228,000 tons in the first half of 2024, according to the International Lead and Zinc Study Group. Approximately half of the world's zinc demand comes from the construction sector, which has been notably weak in both China and Europe, adding further pressure on prices. In China, the largest producer of refined zinc, smelters have reduced production to manage rising losses caused by falling demand and processing fees that have dropped further below zero. China's primary refined zinc output is estimated to have decreased by 2.8% year-on-year to 3.67 million tons from January to July, partly due to heavy rainfall in Sichuan province.

Zinc

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 resulted in an oversupply, exerting downward pressure on prices. While there was a brief rally earlier this year driven by geopolitical tensions and sanctions, the market has since continued to decline. Analysts foresee ongoing challenges, with primary nickel stocks projected to reach a four-year high in 2024, likely limiting any significant price recovery. In response to the weaker price environment, BHP Group Ltd. has decided to suspend its Nickel West operations and the West Musgrave project in Western Australia.

Lead

LME lead opened at \$2,064/mt but declined to a two-week low of \$2,028.5/mt due to concerns about economic slowdown after the US manufacturing PMI shrank. However, it reversed course towards the session's end, closing at \$2,065/mt, up 0.15%. SHFE lead also faced early bearish pressure, with the most-traded 2410 contract dropping to 17,100 yuan/mt before rebounding to close at 17,205 yuan/mt, down 0.41%. Macroeconomic worries persisted as the US ISM Manufacturing Index remained in contraction, fueling expectations of rate cuts by the Fed and impacting global markets.

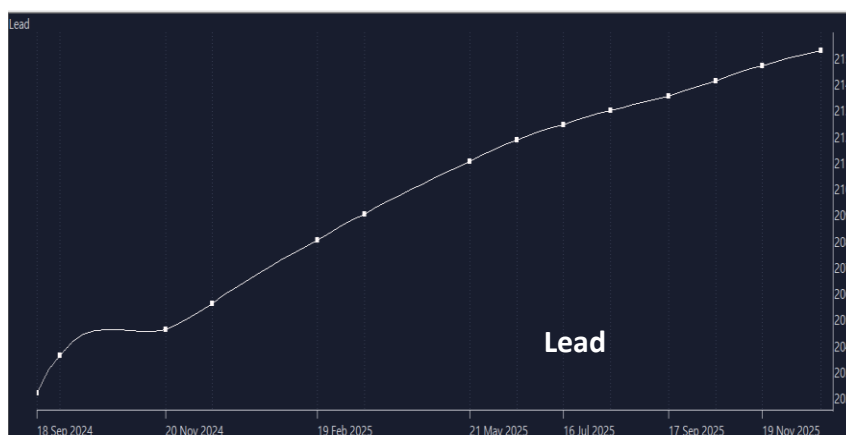
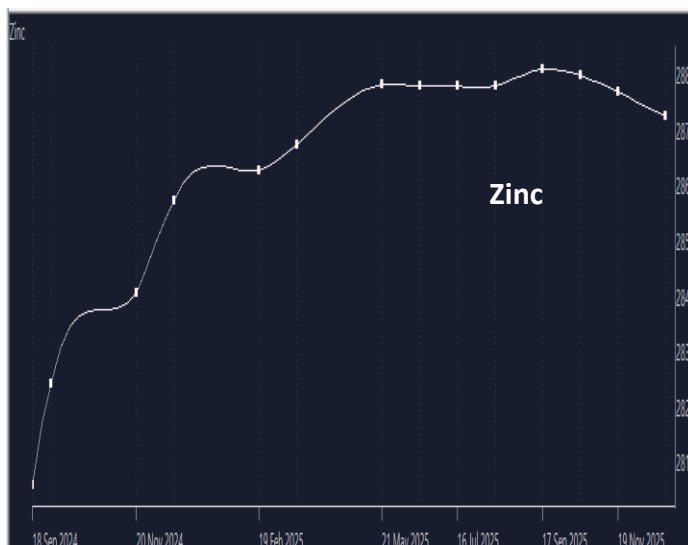
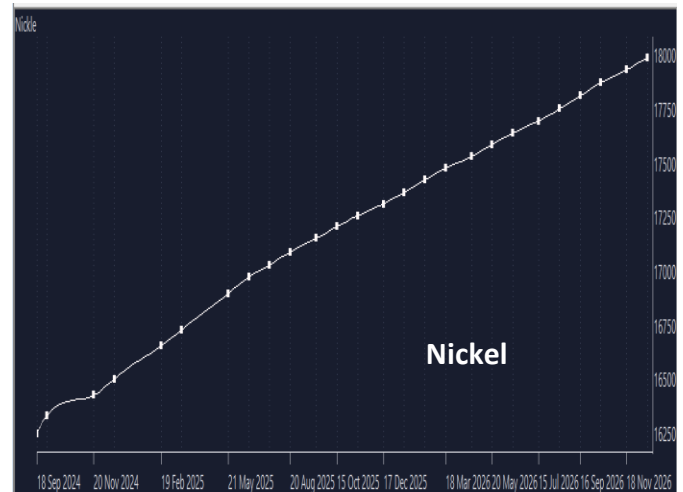
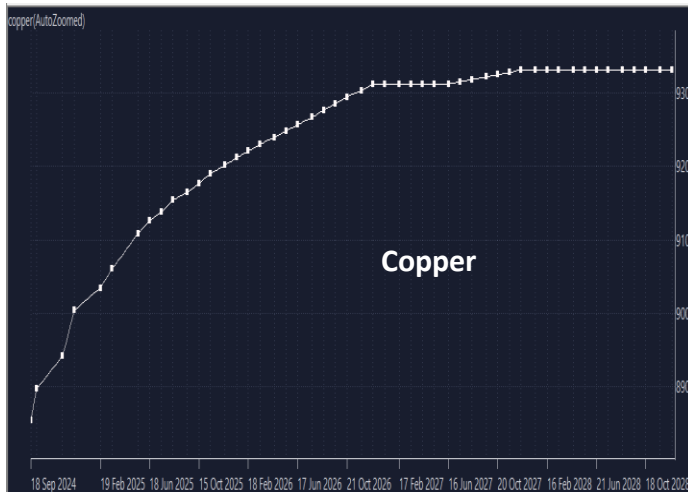
MCX Spot Price		
Commodity	Bid	Ask
Copper	786.2	786.3
Aluminium	219.95	220.05
Zinc	261.65	261.75
Nickel	0	0
Lead	183.45	183.6

MCX 1M Futures Price		
Commodity	Bid	Ask
Copper	793.8	794.2
Aluminium	221.6	221.9
Zinc	262.55	263.2
Nickel	0	0
Lead	183.6	184.05

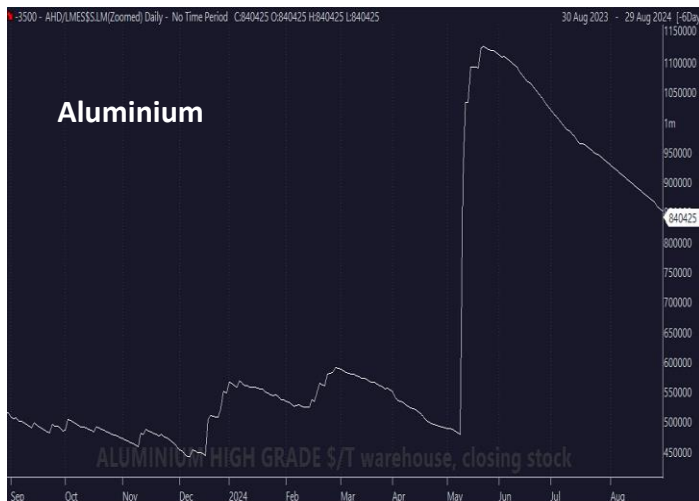
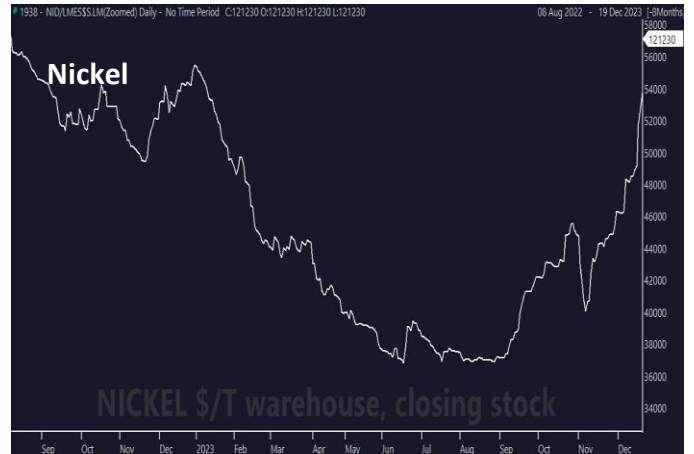
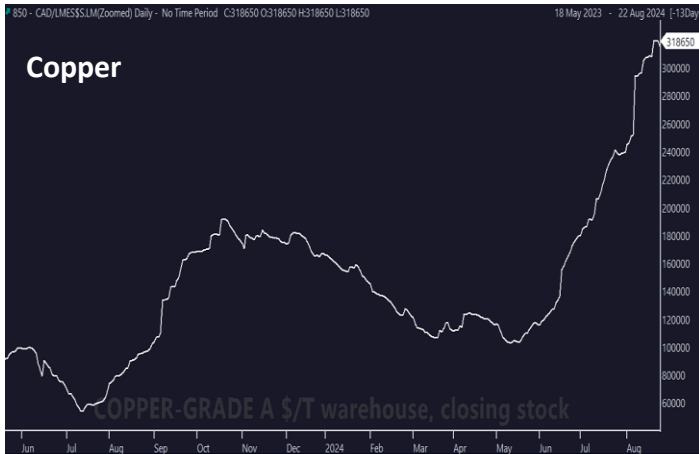
LME Warehouse Stock (Tonnes)		
Commodity	Closing Stock	Net Change
Copper	318650.00	850
Aluminium	840425	-3500
Zinc	239750	-1575
Nickel	121230	1938
Lead	177500	-375

Data Source: Reuters, LME, KITCO

Forward Curves



LME Warehouse Stock (In Tonnes)



Technical Analysis

1. Copper

LME 3M Copper \$8974: Copper prices fell from 3 months moving average at \$9490 as expected in an erstwhile overbought market. The price is however trading above the long term trend line support in \$8600-\$8700 range. As of now, the selloff should be seen as a correction to resolve the overbought condition. Trend remains positive as long as \$8600 support is not breached. Last week we had advised end users to buy around \$8900 mark which has since been achieved. Accordingly next 1 month requirement may be bought at current prices. Traders can build further long positions in \$8700-\$8900 range with stops at \$8600.



2. Nickel

LME 3M Nickel \$16325: Nickel prices witnessed profit taking from \$17K resistance in line with overall sell off in base metal space. Support is placed at \$16K and the overbought condition is under resolution. Fresh buying can be undertaken around \$16K mark. Larger trend still remains elusive!!



2. Zinc

LME 3M Zinc \$2793: The daily engulfing pattern underway as per today's trade indicates that more selling is in store for Zinc which has been the best performer in this CY. The metal is currently trading below 38.2% Fib support at \$2802. Next support is at \$2758 where some value buying can be seen. End users are advised to wait and buy at aforesaid support. Traders can also initiate long positions around that support.



3. Aluminium

LME 3M Aluminium 2393: Alu prices found support at key fib and 200 DMA level at \$2386. Next support shall be at \$2347 which is not much further away, given the limited downside, the metal has entered into buy territory. End users are advised to buy in \$2350-\$2390 range to meet their current requirements. Traders can go long on metal with stops below \$2340.



4. Lead

Lead 3M LME \$2030: Lead prices are trading weak, tracking weakness in Zinc and other base metals. The selling pressure would increase below \$2000 mark, in which situation a retest of earlier low of \$1960 is expected. Accordingly end users are advised to go slow on purchases and should carry out only minimum procurement necessary of running ops.



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