



Base Metals Weekly

Monday, December 26, 2016

Market Commentary

Metal prices cracked last week, as investors took profits on long positions ahead of Christmas break as growing doubts about demand growth in top consumer China reinforced the idea that recent gains were overdone. Chinese measures to stimulate its economy have helped to increase industrial metals prices this year, but in recent weeks they have been boosted by funds, which trade using trend-based models. China's imports of refined copper, zinc and nickel fell by double-digit percentages in November, although aluminium shipments into China jumped sharply.

Context

Copper is on track for its biggest annual gain since 2010 on signs of a global economic recovery as investors locked in profits on the final trading day before the Christmas break. Metals lost some ground last week, but the bigger picture is that the prices of most industrial commodities are ending the year significantly higher.

Copper prices are up around 16%, with much of that rise coming after Donald Trump won US Presidential election. US copper demand hardly matters on a global scale - it's about 1.8 million tonnes in a 22 million tonne market

China's copper imports tumbled to 276,730 tonnes in November, down 22.86% from the same month last year, nickel imports plunged 38.8% to 16,919 tonnes and zinc imports slumped 63.5% to 25,424 tonnes.

Copper in recent days has also come under pressure from rising stocks in LME-approved warehouses, which at 335,800 tonnes, are up nearly 62% since December 8. When some global banks are predicting that global copper market is about to tighten, a 62% surge in stocks on LME is a reminder of oversupply industry has faced in recent

Copper- Weekly Market Data			
Exchange	LME	LME	MCX
Contract	Cash	3M	Apr-15
Open	5620	5620	375
Close	5469	5469.5	372.9
Change	-166.5	-170.5	-12.3
% Change	-2.95%	-3.02%	-3.19%
Open Int.			14796
Change			301
Pivot	3631	3630	374.3
Resistance	1843	1840	376.2
Support	1622	1619	371.1

Copper- Weekly Market Data				
Exchange	COMEX	Shanghai	LME	Shanghai
			Inventory	Inventory
Open	2.496	46160	345475	144026
Close	2.4725	44960	334525	134377
Change	-0.0885	-880	10950	9649
% Change	-3.46%	-1.90%	3.17%	6.70%
Open Int.	3145	19010		
Change	2047	-16246		
Pivot	2.48	29883		
Resistance	2.49	15687		
Support	2.46	13317		

LME 3 Month Forwards – Other Metals				
Commodity	Nickel	Zinc	Lead	Aluminium
Open	11200	2721	2245	1714
Close	10430	2577	2067	1715
Change	-750	-156.5	-171.5	-1
% Change	-6.71%	-5.73%	-7.66%	-0.06%

years. The six-day streak of deliveries, which ended last Monday with largest one day inflow since at least 1994, has weighed on prices and given succor to less optimistic forecasters. But closer look at LME inventories reveals a complicated set of supply and demand conditions. Throughout year, unprecedented volume of copper has been delivered on to the exchange, but it has been canceled almost as quickly as it has arrived.

After US Federal Reserve raised its lending rates on December 14 and adopted more hawkish stance on monetary policy next year, industrial metals have come under pressure as funds cut bets on higher prices.

On data front, U.S. new home sales rose 5.2% in November, the highest pace since 2007. University of Michigan's consumer sentiment index rose to 98.2 from 98 earlier this month. However, November's consumer spending rose at slower pace than October, edging 0.2% higher against a 0.4% increase the month ago.

On Nickel front, Indonesia is considering allowing some exports of minerals ores such as bauxite and nickel under certain conditions. Government regulation was being amended in a bid to cushion impact of ban on exports of ore that was implemented two years ago. Traders have been closely watching situation given Indonesia is major producer of metals such as copper and nickel.

In Aluminum, global aluminium output rose in recent months, up 3% MoM in November on higher Chinese output. Supply response from Chinese smelters is materialising, with domestic output hitting a fresh high in November at 93,333 tons per day (tpd) compared with earlier 2016 peak of 21,700 tpd in September and the former record high of 91,867 tpd in June 2015. That soured sentiment towards metals that were already slipping given profit-taking and subdued tone in wider markets.

Outlook

In week ahead, trading volumes are expected to remain light due to Christmas holiday and as many traders already closed books, reducing liquidity in market and increasing volatility. U.S. is to release reports on consumer confidence, pending home sales and jobless claims, as

