



# Base Metals Weekly

Monday, July 17, 2017

## Market Commentary

Base metals traded with a positive bias over the last week, with much of the action seen in Nickel and Aluminium. Copper prices gained with encouraging import data from China and improved prospects for the global economy supporting prices.

## Context

Copper prices have been holding to gains accumulated over the last couple of weeks. Last week import data shows China's imports of copper ore and concentrate rose 4.44% on a yearly basis to 1.41 million tonnes in June. Total copper ore and concentrate imports were 8.28 million tonnes in the first six months of this year, a rise of 3.6% a yearly basis. The strike concerns seems to be abetting as workers at the Zaldivar copper mine in Chile will resume talks with Antofagasta after voting to strike earlier last week.

Large speculators decreased their net positions in the Copper futures markets last week following two weeks of gains.

On the data front, Chinese data have been better than expected and will be supportive for base metals. China's economy grew 6.9% in the second quarter from a year earlier, faster than expected and in line with the first quarter's growth. Chinese Industrial output grew at 7.6%, as against expectation of 6.5%. Fiscal spending jumped 19.1% in June from a year earlier, quickening sharply from a 9.2% rise in May and signaling government efforts to cushion a gradual slowdown in the economy.

Copper- Weekly Market Data			
Exchange	LME	LME	MCX
Contract	Cash	3M	
Open	5926	5838	381.3
Close	5969	5928	383.65
Change	43	97	3.55
% Change	0.73%	1.66%	0.93%
Open Int.			13568
Change			474
Pivot	3980	3941	382.8
Resistance	2050	2089	385.1
Support	1974	1948	381.3

Copper- Weekly Market Data				
Exchange	COMEX	Shanghai	LME	Shanghai
			Inventory	Inventory
Open	2.6575	46720	319975	182804
Close	2.684	46890	313300	181632
Change	0.0465	-430	6675	1172
% Change	1.76%	-0.92%	2.09%	0.64%
Open Int.	5384	58650		
Change	24919	-30560		
Pivot	2.68	31060		
Resistance	2.69	15720		
Support	2.67	14910		

LME 3 Month Forwards – Other Metals				
Commodity	Nickel	Zinc	Lead	Aluminium
Open	8960	2787	2295	1929
Close	9535	2791	2318	1926
Change	555	3	18	-5
% Change	6.18%	0.11%	0.78%	-0.26%

On the US data front, U.S. CPI slowed to 1.6% in June from 1.9% in May. Unemployment benefits fell last week for the first time in a month and producer prices unexpectedly rose in June. In testimony before Congress, Fed Chair Janet Yellen said the economy is on a strong enough footing for the Fed to raise rates, but she also reiterated that inflation is below target and noted that it is a particular “uncertainty” that could affect monetary policy. The U.S. dollar index was under pressure for much of the week and was around the lowest since October.

China churned out record amounts of steel and aluminium in June as producers rushed to cash-in on rallying prices in the wake of a drive by Beijing to crack down on output of low-grade metal. Iron ore futures were under pressure last week as strong import data added to concerns about surplus supply. China's steel output rose 5.7% in June to a record 73.23 million tonnes, as mills in China ramp up production due to fat profits from rallying prices. Chinese data and weaker dollar is positive for metals.

Nickel rallied as support seen after encouraging economic reports from China. Philippine President Rodrigo Duterte promised to resolve an impasse caused by a ministerial order to close more than 20 mines in the world's top source of nickel ore.

Aluminium rose on concerns over potential supply curbs in number one producer China sparked a rally in the metal. Talk that more capacity cuts were on the way in China fed into broader-based concerns over slowing output to push prices higher. There is speculation that China will launch a crackdown to curb illegal expansion of aluminium capacity. Aluminium LME warehouse stocks continues to slide again taking them back towards near nine-year low.

Russian aluminium giant Rusal expects the global aluminium deficit to widen to between 1.7 million

tonnes and 1.8 million tonnes in 2018 from 1.3 million tonnes in 2017. Alcoa has announced plans to partially restart operations at Warrick Operations aluminum smelter in Evansville, Indiana, after almost a year of closure.

Zinc prices have moved sharply higher over the past month, spurred by tight supply amid tougher Chinese environmental regulations. Last week zinc prices were subdued as warehouse inventories on the ShFE jumped 16.2% last week to 77,786 tonnes. Also, LME data showed a 28,500 tonne, or 41 percent, daily increase in "on-warrant" or available inventory.

Spot treatment TC/RC for Chinese zinc smelters were \$55-60/mt in July, up from \$45-55/mt in June, due to higher supply, though it is not as high as two years ago. April they were even lower at \$20-30/mt. China's imports of zinc concentrates over January-May hit 1.13 million mt, up 25% YoY.

## Outlook

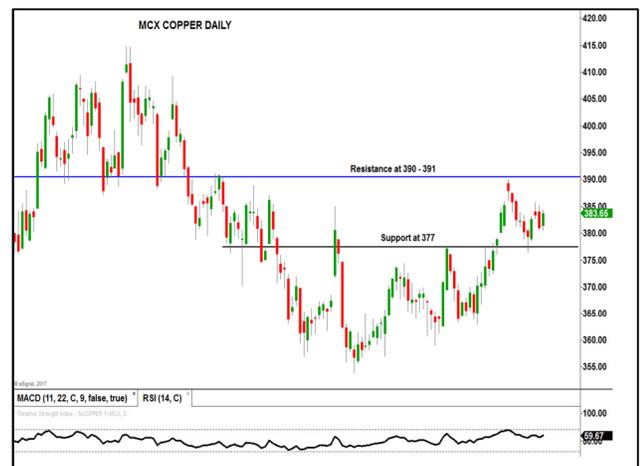
In the week ahead, investors will be turning their attention to the outcome of Thursday's ECB meeting for fresh clues on when the central bank will shift away from its ultra-easy policy. The U.S. is to release data on manufacturing activity in the New York region. BoE Governor Mark Carney is to speak at an event in Hampshire. The U.S. is to produce reports on building permits and housing starts.

## MCX Zinc

MCX Zinc also unstoppable and has reversed from key technical levels. We expect prices to take resistance at 183.5, sustaining above which to inch towards 185.75 and 189. Supports on the downside are placed at 180/177.35 and 175.

## MCX Copper

MCX Copper price have trading form over the last couple of weeks and has been holding gains. MCX Copper faces resistance at 391/394 and 397.5, and bias remains bullish. Strong supports on the downside are placed at 382.8/378 and 374.



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