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December 26, 2017

MARKET OUTLOOK

LME is closed today for Boxing Day holiday.

Basemetals on LME ended largely higher last week supported by optimism about US economy and weakness in US dollar. US policymakers approved tax reform bill while government shutdown was also averted.

Industrial metals got to a weaker start this week. Basemetals on SHFE are trading lower today on concerns about China, mixed US economic data and choppiness in equity markets. In its blueprint for 2016 to 2020, China set a minimum annual growth target of 6.5% for the five-year period. Officials from Communist Party committee overseeing economic policy were however quoted saying that annualized growth of 6.3% in 2018-2020 would be acceptable. Iron on futures in China slumped nearly 3% on record high port stockpiles. This dented market sentiment to some extent.

Equity markets are choppy on concerns about Spain and geopolitical tensions relating to North Korea. Concerns about Spain rose as pro-independence party won majority in Catalonia region. UN last Friday approved fresh sanctions on North Korea fuelling retaliation concerns.

Meanwhile on fundamental front, weighing on Copper prices is recent rise in stocks at LME and easing worries over supply disruption from Chile. However widening deficit in physical market may cap the downside. As per reports, smelters in China cut production amid natural gas shortages in some parts of the country. In other metals, Lead and Zinc prices may come under pressure amid easing backwardation in physical market. However signs of widening deficit in physical market and decline in stocks at LME may cap the downside. Also Aluminium prices may come under pressure tracking record high stocks on SHFE and rebound in stocks at LME however decline in Chinese production due to winter related cuts may cap the downside. Aluminum inventory in SHFE warehouses rose for the 25th week to record level of 741324 tonnes.

With LME closed, basemetals are likely to witness choppy to rangebound movement. Weaker risk sentiment will be offset by choppiness in US dollar. We however recommend going long in most industrial metals on general optimism about US economy. Focus today will be on US economic data which will affect demand outlook and trend in US dollar.

December 22, 2017

MCX India (Rs/kg)

| Commodity | Contract | High | Low | Close | Change | % Change |
|-----------|-----------|--------|--------|--------|--------|----------|
| Aluminium | 29-Dec-17 | 140.20 | 136.05 | 139.60 | 2.80 | 2.05% |
| Copper | 28-Feb-18 | 460.35 | 453.85 | 460.00 | 3.25 | 0.71% |
| Lead | 29-Dec-17 | 160.55 | 158.30 | 158.55 | -1.00 | -0.63% |
| Nickel | 29-Dec-17 | 779.00 | 763.20 | 770.00 | 4.40 | 0.57% |
| Zinc | 29-Dec-17 | 209.75 | 206.30 | 209.45 | 2.35 | 1.13% |

Shanghai (Yuan/MT)

| Commodity | Contract | High | Low | Close | Change | % Change |
|-----------|----------|-------|-------|-------|--------|----------|
| Copper | Jan-18 | 55070 | 54230 | 54730 | 570 | 1.05% |
| Copper | Feb-18 | 55280 | 54380 | 54810 | 490 | 0.90% |
| Copper | Mar-18 | 55400 | 54540 | 54970 | 520 | 0.96% |

COMEX (USD cents/lb)

| Commodity | Contract | High | Low | Close | Change | % Change |
|-----------|----------|--------|--------|--------|--------|----------|
| Copper | Dec-17 | 321.85 | 318.45 | 321.45 | 2.00 | 0.63% |
| Copper | Jan-18 | 325.00 | 319.55 | 323.85 | 1.90 | 0.59% |
| Copper | Feb-18 | 326.05 | 321.00 | 325.20 | 1.80 | 0.56% |

LME (USD/tonne)

| Commodity | Contract | High | Low | Close | Change | % Change |
|-----------|----------|---------|---------|---------|--------|----------|
| Aluminium | 3 Month | 2204.0 | 2130.0 | 2192.0 | 44.0 | 2.05% |
| Copper | 3 Month | 7139.0 | 7034.5 | 7125.0 | 39.0 | 0.55% |
| Lead | 3 Month | 2514.5 | 2476.0 | 2485.0 | -20.0 | -0.80% |
| Nickel | 3 Month | 12220.0 | 11940.0 | 12130.0 | 60.0 | 0.50% |
| Zinc | 3 Month | 3275.0 | 3222.0 | 3265.5 | 23.5 | 0.72% |

LME Inventories

| Commodity | Opening | Closing | Net | Total C/W* | C/W Ratio* |
|-----------|---------|---------|--------|------------|------------|
| | Stocks | Stocks | Change | | |
| Aluminium | 1106025 | 1104950 | -1075 | 213425 | 19.32% |
| Copper | 201650 | 201600 | -50 | 36200 | 17.96% |
| Lead | 141875 | 141950 | 75 | 42825 | 30.17% |
| Nickel | 373410 | 374136 | 726 | 120756 | 32.28% |
| Zinc | 188225 | 186675 | -1550 | 22350 | 11.97% |

*C/W- Cancelled Warrants

Major Currencies

| Currency | Type | Close | PCP | Change | % Change |
|-----------|------|---------|---------|--------|----------|
| USD Index | Spot | 93.347 | 93.278 | 0.07 | 0.07% |
| EUR USD | Spot | 1.1862 | 1.1868 | -0.001 | -0.05% |
| GBP USD | Spot | 1.3363 | 1.3371 | -0.001 | -0.06% |
| USD JPY | Spot | 113.29 | 113.46 | -0.17 | -0.15% |
| USD INR | Spot | 64.0425 | 64.0625 | -0.020 | -0.03% |

| Commodity | Support | Resistance | Trend |
|-----------|---------|------------|----------|
| Aluminium | 136 | 139 | Sideways |
| Copper | 454 | 463 | Sideways |
| Lead | 159 | 162.5 | Sideways |
| Nickel | 750 | 773 | Sideways |
| Zinc | 198 | 203 | Sideways |

The levels mentioned are for December contract. Benchmark contract for Copper is February contract





Aurobinda Gayan- Vice President Research

aurobinda.gayan@kotakcommodities.com

Fundamental Team

| | | |
|------------------------------------|------------------|--|
| Faiyaz Hudani- DVP | Oilseeds; Pulses | faiyaz.hudani@kotakcommodities.com |
| Madhavi Mehta- AVP | Bullion; Energy | madhavi.mehta@kotakcommodities.com |
| Priyanka Jhaveri- AVP | Base Metals | priyanka.jhaveri@kotakcommodities.com |
| Sunandh Subramaniam- Asst. Manager | Spices | sunandh.subramaniam@kotakcommodities.com |

Technical Team

| | |
|-------------------------------|--|
| Ashok Kamrani- Senior Manager | Ashok.kamrani@kotakcommodities.com |
| Karan Shah- Manager | shah.karan@kotakcommodities.com |

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