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April 10, 2018

MARKET ANALYSIS

Base metals noted mixed movement yesterday with most metals closing on a higher note. Prices sought support from weakness in US Dollar however lingering trade worries between US and China capped the upside.

Base metals trade higher in early trades today amid improving risk appetite as is evident from gains in equity markets and weakness in US Dollar.

Global risk sentiments seems to be improving after Chinese President Xi Jinping struck a conciliatory tone. Xi in his keynote speech to the Boao Forum for Asia today said Cold War and zero-sum mentalities were "out of place," and backed free trade and dialogue to resolve disputes. This has led to rise in US futures indices and also Asian equity indices.

Meanwhile US Dollar Index trades in a narrow range today following 0.3% decline yesterday. Focus now shifts to FOMC Meeting minutes due tomorrow. US Fed at its 21 March meeting raised rate by 25 basis points in line with market expectation. The central bank further indicated two more rate hikes for 2018 disappointing hawks expecting four hikes for the year.

The gains may however be capped as worries relating to trade war between US and China are far from over. Also capping the upside is demand uncertainty tracking recent spate of mixed to negative data from top consumers China and US.

Most metals may trade sideways to higher today amid improving global sentiments however gains in metals like Lead, Zinc and Copper may be limited due to weak fundamentals. Further cues will come in from economic data from US along with developments related to trade talks between US and China and its effect on global risk sentiment and US Dollar.

April 9, 2018

MCX India (Rs/kg)

Commodity	Contract	High	Low	Close	Change	% Change
Aluminium	30-Apr-18	139.70	133.55	139.30	6.30	4.74%
Copper	30-Apr-18	442.85	437.70	442.25	4.00	0.91%
Lead	30-Apr-18	156.20	154.65	155.00	-0.55	-0.35%
Nickel	30-Apr-18	874.50	852.50	872.60	11.70	1.36%
Zinc	30-Apr-18	210.40	208.50	208.85	-2.45	-1.16%

Shanghai (Yuan/MT)

Commodity	Contract	High	Low	Close	Change	% Change
Copper	Apr-18	50700	50140	50370	-90	-0.18%
Copper	May-18	50650	50060	50330	-30	-0.06%
Copper	Jun-18	50810	50220	50500	-10	-0.02%

COMEX (USD cents/lb)

Commodity	Contract	High	Low	Close	Change	% Change
Copper	Apr-18	308.55	303.55	307.70	1.85	0.60%
Copper	May-18	310.35	305.60	309.55	1.75	0.57%
Copper	Jun-18	312.00	307.80	311.30	1.65	0.53%

LME (USD/tonne)

Commodity	Contract	High	Low	Close	Change	% Change
Aluminium	3 Month	2144.0	2059.5	2139.0	97.0	4.75%
Copper	3 Month	6855.0	6750.5	6830.0	61.0	0.90%
Lead	3 Month	2396.5	2371.0	2385.0	-8.0	-0.33%
Nickel	3 Month	13500.0	13095.0	13435.0	165.0	1.24%
Zinc	3 Month	3276.5	3205.0	3211.0	-21.0	-0.65%

LME Inventories

Commodity	Opening Stocks	Closing Stocks	Net Change	Total C/W*	C/W Ratio*
Aluminium	1260900	1254125	-6775	257250	20.51%
Copper	370750	372175	1425	68300	18.35%
Lead	129225	129175	-50	50500	39.09%
Nickel	317328	315870	-1458	119892	37.96%
Zinc	205350	203225	-2125	37175	18.29%

*C/W- Cancelled Warrants

Major Currencies

Currency	Type	Close	PCP	Change	% Change
USD Index	Spot	89.838	90.108	-0.27	-0.30%
EUR USD	Spot	1.2318	1.2281	0.004	0.30%
GBP USD	Spot	1.4135	1.4092	0.004	0.31%
USD JPY	Spot	106.94	106.93	0.01	0.01%
USD INR	Spot	65.0275	64.9762	0.051	0.08%



Outlook

Copper- MCX Copper may note some gains today tracking cues from international exchange. LME Copper trades 0.8% higher in early trades today following 0.9% gains yesterday. Lending support to the prices is improving risk appetite as is evident from gains in global equity market along with choppiness in US Dollar. The gains may however be capped amid signs of ample supplies as is evident from higher stocks at exchange warehouses along with easing worries over labour unrest in top producer Chile. Copper stocks at LME rose by 1425 tonnes yesterday and hovered near highest level since 2013. We expect the metal to trade sideways to higher today further cues coming in from US PPI data along with comments by Fed official and its impact on US Dollar. Also focus will be on any new development related to trade policies by US and China and its impact on general sentiment.

Aluminum- MCX Aluminum may trade with positive bias today tracking cues from international exchange and hence buying on dips is suggested. LME Aluminum trades 0.5% higher today following 4.75% rally yesterday. The major factor lending support to the prices is supply worries after US impose sanctions on Russia's Rusal; one of the world's largest Aluminum producer. The move is expected to create tightness in the market as Rusal accounts for 7% of global supply. Reflecting early signs of tightness, the spread between LME Cash to three months, that hovered near -\$20 rose to +\$16 yesterday; highest since Dec 2017. Also supporting prices is gains in global equity market and weakness in US Dollar.

Zinc- MCX Zinc may note some decline tracking cues from international exchange however the upside may be capped. LME Zinc trades 0.7% higher today erasing yesterday's decline. Lending support to the prices is gains across base metals complex amid improving risk appetite along with weakness in US Dollar and falling stocks at exchange warehouses. However the upside may be capped amid signs of easing tightness as is evident from loosening of spreads between LME Cash to Three month. The Zinc Cash to three month spread which was trading at a premium move to discount of \$5 yesterday the biggest discount since 21 Dec 2017. The metal may note some gains in sync with other metals however sell on rise is suggested.

Nickel- MCX Nickel may note some gains today tracking cues

from international exchange and buying on dips is suggested. LME Nickel trades 0.8% higher today extending yesterday's 1.2% gains. Supporting prices is improving global risk appetite along with gains in equity market and weakness in US Dollar. Meanwhile on fundamental front falling stocks at exchange warehouses too may support the prices. Nickel stocks at LME fell by 1458 tonnes yesterday hitting lowest level since 2014.

Lead- MCX Lead may note some gains today tracking cues from international exchange however the upside may be capped. LME Lead trades modestly higher today following 0.3% decline yesterday. Lending support is gains across metals amid gains in equity market and weakness in US Dollar. The gains may be capped amid rise in stocks ta SHFE and easing tightness in physical market. The metal may note mixed movement today amid mixed cues however overall bias remains weak.

Commodity	Support	Resistance	Trend
Aluminium	138	142.5	Positive
Copper	441	449	Sideways
Lead	154	157.5	Sideways
Nickel	865	890	Positive
Zinc	209	212	Sideways





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