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July 28, 2017

MARKET ANALYSIS

Base metals noted volatile movement yesterday with most metals ending modestly lower. Prices came under pressure amid rebound in US Dollar however hopes of improvement in demand from top consumer China cap the downside.

Base metals on LME trade sideways to lower today after a choppy move yesterday. Weighing on the prices is rebound in US Dollar and weakness across Asian equity markets.

US Dollar Index trades little changed today but has come off the 13 month low hit yesterday. The currency has risen following upbeat Durable goods data from US yesterday. Durable goods jumped by 6.5% in June as against market expectation of 3.9% rise and 0.1% decline in May. However on weaker note, initial jobless claims rose by 10,000 to 244K in week ended 22nd July. Focus now shifts to US Q2 GDP data due later in the day today. The initial reading for Q2 GDP is expected to show that US economy grew at a faster pace of 2.7% as against Q1's 1.4% growth.

The downside may however be capped amid demand optimism from top consumer China. Focus now shifts to factory activity data for the month of July due on 31st July. Market expects July PMI to witness modest slowdown from June's three-month high indicating momentum in the economy remains strong.

Meanwhile on fundamental front the downside may be capped amid falling stocks and signs of deficit in physical market in case of most metals.

The metals pack has turned volatile after noting sharp rally earlier during the week. Despite the general fundamentals and outlook from China supportive of prices supported we expect metals to note choppy movement today with bias being sideways to negative for most metals amid rebound in US Dollar and weekend profit booking especially in metals like Copper.

July 27, 2017

MCX India (Rs/kg)

| Commodity | Contract | High | Low | Close | Change | % Change |
|-----------|-----------|--------|--------|--------|--------|----------|
| Aluminium | 31-Jul-17 | 124.30 | 122.90 | 123.15 | -0.40 | -0.32% |
| Copper | 31-Aug-17 | 411.20 | 407.00 | 408.00 | -0.10 | -0.02% |
| Lead | 31-Jul-17 | 148.55 | 146.25 | 146.75 | -0.75 | -0.51% |
| Nickel | 31-Jul-17 | 652.70 | 638.20 | 649.50 | 10.10 | 1.58% |
| Zinc | 31-Jul-17 | 181.75 | 178.85 | 179.40 | -0.85 | -0.47% |

Shanghai (Yuan/MT)

| Commodity | Contract | High | Low | Close | Change | % Change |
|-----------|----------|-------|-------|-------|--------|----------|
| Copper | Jul-17 | 50240 | 49780 | 49970 | 290 | 0.58% |
| Copper | Aug-17 | 50420 | 49910 | 50150 | 310 | 0.62% |
| Copper | Sep-17 | 50550 | 50040 | 50280 | 300 | 0.60% |

COMEX (USD cents/lb)

| Commodity | Contract | High | Low | Close | Change | % Change |
|-----------|----------|--------|--------|--------|--------|----------|
| Copper | Jul-17 | 289.30 | 287.00 | 287.40 | 0.50 | 0.17% |
| Copper | Aug-17 | 289.75 | 286.20 | 287.75 | 0.55 | 0.19% |
| Copper | Sep-17 | 291.65 | 288.45 | 289.85 | 0.60 | 0.21% |

LME (USD/tonne)

| Commodity | Contract | High | Low | Close | Change | % Change |
|-----------|----------|---------|--------|---------|--------|----------|
| Aluminium | 3 Month | 1957.5 | 1932.0 | 1938.0 | -4.0 | -0.21% |
| Copper | 3 Month | 6378.0 | 6300.5 | 6330.0 | 1.0 | 0.02% |
| Lead | 3 Month | 2334.0 | 2297.5 | 2309.0 | -4.0 | -0.17% |
| Nickel | 3 Month | 10220.0 | 9980.0 | 10130.0 | 90.0 | 0.90% |
| Zinc | 3 Month | 2835.0 | 2788.0 | 2801.0 | -7.0 | -0.25% |

LME Inventories

| Commodity | Opening Stocks | Closing Stocks | Net Change | Total C/W* | C/W Ratio* |
|-----------|----------------|----------------|------------|------------|------------|
| Aluminium | 1372250 | 1367875 | -4375 | 304125 | 22.23% |
| Copper | 303250 | 302125 | -1125 | 86000 | 28.47% |
| Lead | 154175 | 154475 | 300 | 64575 | 41.80% |
| Nickel | 376038 | 376080 | 42 | 128544 | 34.18% |
| Zinc | 266525 | 266300 | -225 | 141350 | 53.08% |

*C/W- Cancelled Warrants

Major Currencies

| Currency | Type | Close | PCP | Change | % Change |
|-----------|------|--------|---------|--------|----------|
| USD Index | Spot | 93.864 | 93.672 | 0.19 | 0.20% |
| EUR USD | Spot | 1.1664 | 1.1627 | 0.004 | 0.32% |
| GBP USD | Spot | 1.3068 | 1.3047 | 0.002 | 0.16% |
| USD JPY | Spot | 111.32 | 112.15 | -0.83 | -0.74% |
| USD INR | Spot | 64.11 | 64.3687 | -0.259 | -0.40% |



Outlook

Copper- MCX Copper may note some decline today tracking cues from international exchange. LME Copper trades lower in early trades today following flat close yesterday. Weighing on prices is recovery in US Dollar from 13 month low hit yesterday along with weakness in Asian equity markets. Also putting pressure on the prices is profit booking after prices rallied to more than 2 year high earlier in the week. The downside may however be capped amid demand optimism from top consumer China along with decline in stocks at LME. Copper stocks at LME fell 1125 tonnes yesterday. We expect the metal to witness volatility trade today amid mixed cues however bias for the day may be weak. Further cues will come from US data along with development related to Trump and its impact on general sentiment and on US Dollar.

Aluminum- MCX Aluminum may witness mixed trade today tracking cues from international exchange however bias may be weak. LME Aluminum trades modestly lower today following 0.2% decline yesterday. Weighing on prices is retreat across base metals complex tracking rebound in US Dollar and weakness in equity market. Meanwhile on fundamental front, the metal may come under pressure amid signs of rising output from China despite talks of production cuts. The downside may however be capped amid lower stocks at LME and growth optimism from China. Aluminium stocks at LME fell by 3425 tonnes yesterday.

Zinc- MCX Zinc may note some decline today tracking cues from international exchange. LME Zinc trades lower in early trades today following 0.25% decline yesterday. The metal has come under pressure tracking rebound in US Dollar and weakness in equity markets. Also putting pressure is news of rise in Glencore's production. Glencore's zinc production rose 13% year-on-year to 570,800 tonnes in the first half of 2017, which it attributed to increased output at Antamina and generally solid performances across its assets. The downside may however be capped amid hopes of improving demand from top consumer China along with lower stocks at exchange warehouses and signs of tightness in physical market. Zinc stocks at LME fell by 225 tonnes yesterday. The metal may note mixed trade today amid mixed cues however bias for the day may be weak.

Nickel- MCX Nickel too may note some decline today tracking cues from international market however the downside

remains capped. LME Nickel trades marginally lower today following 0.9% gains yesterday. The metal has come under pressure tracking retreat across base metals tracking recovery in US Dollar and weakness in equity market. Also putting pressure is high inventory overhang. Nickel stocks at LME rose by 42 tonnes yesterday. The downside may however be capped amid signs of rising demand from China's stainless steel sector and supply uncertainty from Philippines. Nickel prices may note mixed movement today amid mixed cues however overall bias remains positive.

Lead- MCX Lead may note some decline tracking weakness in international exchange. LME Lead trades lower following 0.2% decline yesterday. Putting pressure on the prices is recovery in US Dollar and weakness in equity markets. However lower stocks at exchange warehouses and signs of deficit in physical market may cap the downside. Lead stocks rose by 300 tonnes yesterday. Overall we expect the metal to note mixed movement however bias for the day may be weak.

| Commodity | Support | Resistance | Trend |
|-----------|---------|------------|----------|
| Aluminium | 122 | 124 | Sideways |
| Copper | 401 | 411 | Sideways |
| Lead | 145 | 148.5 | Sideways |
| Nickel | 635 | 655 | Sideways |
| Zinc | 177 | 181 | Sideways |

Note: - Levels mentioned above, except for copper, are for July contract. Copper levels are for August Contract.




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