
China price curb fears continue to keep pressure on Copper prices
A positive trend is likely to continue in Silver

CHINA PRICE CURB FEARS CONTINUE TO KEEP PRESSURE ON COPPER PRICES

- ▲ Copper prices are currently trading near \$9,960 which is marginally up from Friday's low of \$9,848 on the back of weakness in the US dollar. Albeit, Copper prices have corrected from the recent high of \$10,746 registered on May 10th. Last week, China said it would strengthen its management of commodity supply and demand to curb "unreasonable" increases in prices and prevent them from being passed on to consumers.
- ▲ China's market regulators also warned industrial metal companies to maintain "normal market order" during talks on the significant gains in metal prices this year.
- ▲ Copper prices are likely to be affected by political uncertainty in Peru and Chile which may affect the global supply of red metal. In Chile, a market-orientated constitution is underway and the country is debating whether to increase royalties on miners. Meanwhile, Peru is heading for a polarised June presidential election. Peruvian presidential election front-runner, socialist Pedro Castillo, said on Saturday he would, if elected, review contracts with foreign miners in the copper-rich country. Chile is the number one Copper producer in the world and followed by Peru.
- ▲ However, copper prices cooled down after, BHP's Cerro Colorado mine in Chile signs a labor deal with supervisory staff on Monday. The mine, which produced 68,900 tonnes of copper in 2020, has faced problems in its attempt to obtain environmental permits that would allow it to remain in operation.
- ▲ A recent uptick in global manufacturing activity is supportive of copper prices. The U.S. May Markit manufacturing PMI unexpectedly rose +1.0 to 61.5, stronger than expectations of a decline to 60.2 and the fastest pace of expansion since the data series began in 2018. Also, the Eurozone May Markit manufacturing PMI fell -0.1 to 62.8, stronger than expectations of 62.5. In addition, the UK May Markit manufacturing PMI unexpectedly rose +5.2 to 66.1, stronger than expectations of a decline to 60.8. The increase of manufacturing activity in the US, UK, and Eurozone is supportive of energy demand.
- ▲ Meanwhile, The International Copper Study Group said in a report that the global world refined copper market showed a 111,000 mt surplus in February, compared with a 20,000 mt surplus in January.
- ▲ LME warehouse stock for copper now stands at 125,825 mt as of 24 May 2021 which has dropped by 29,925 mt in the last 30 days however, SHFE warehouse stock now stands at 160,051 mt as of 24 May 2021, which have increased by 34,308 mt in the last 30 days.

Outlook

- ▲ China's price curb fears are keeping pressure on Copper prices, LME 3M Copper prices are likely to find immediate support \$9,891 and \$9,750 meanwhile it is likely to face stiff resistance near \$10,083-\$10,173.

A POSITIVE TREND IS LIKELY TO CONTINUE IN SILVER

- ▲ Silver prices are holding in a tight range near \$27.54-\$28.10 however, weakness in the US dollar is likely to support precious metals. Silver prices are still trading higher from the recent low of \$23.785 registered on March 31st. The dollar index future continued to trade near 90.00 from last six trading session and sharply lower from 93.47 registered on March 31st. Weakness in US bond yield is also supportive for precious metals. US 10 year bond yield is currently trading near 1.593 which is sharply lower from the last 1.692.
- ▲ Precious metals found support when Fed Governor Brainard said inflation expectations remain "extremely well-anchored," and inflation should start to fall later this year as "base effects" subside. Also, ECB Vice President Guindos said the June ECB policy decision would be data-dependent, but "we have to maintain very accommodative monetary policy conditions."
- ▲ Liquidity in Japan continues to grow and is supportive of precious metals. The BOE has increased its asset purchase facility by +0.4% to a record 823.6 billion pounds in the week ended May 19.
- ▲ According to the CFTC Commitments of Traders report for the week ended May 18, net long for silver futures sank by 1,862 contracts to 50,981 for the week. Speculative long position increased by 243 contracts, while shorts were added by 2,105 contracts.

Outlook

- ▲ Silver prices are likely to trade firm while above the key support level of 20 days EMA of \$27.44 and 50 days EMA of \$26.90 meanwhile immediate resistance is seen around \$28.28-\$28.56.

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