
Supply fears pushed Aluminium prices higher
Precious metals found support from weakness in the dollar and dovish fed comments

SUPPLY FEARS PUSHED ALUMINIUM PRICES HIGHER

- ▲ Supply cut possibility in China and anti-dumping duties in the US pushed Aluminium prices higher. Aluminium prices on LME now stand at \$2,213 per mt which is the highest level since Nov 2018.
- ▲ China's Inner Mongolia, a major aluminium producing region, will stop reviewing new projects in industries that consume large amounts of energy including aluminium. Supply fears in the largest consumer China have pushed Aluminium prices higher.
- ▲ The U.S. Commerce Department on Tuesday issued final anti-dumping duties on common alloy aluminium sheet from 18 countries, including up to 242.8% on imports from Germany and 4.83% on imports from Bahrain. The duties will come on top of 10% US tariffs imposed on most aluminium imports by the Trump administration under national security law.
- ▲ Additionally, Metals prices edged higher in anticipation that a more imminent US stimulus will energise the global economic recovery and will be supportive of industrial metals demand.
- ▲ SHFE warehouse inventory for Aluminium now stands at 110,910 mt as of 2nd March 2021, which has dropped nearly 106,027 mt in the last one year. Meanwhile, LME warehouse inventory for Aluminium now stands at 1,307,125 mt which has increased near 235,250 mt in the last one year, however, we have observed a drop of 114,600 mt in the last one month, which is indicating robust physical demand in the near term.
- ▲ Base metals prices are also likely to find support from global PMI data which is indicating progress in energy demand from the corona hit economy. The US Feb ISM manufacturing index rose +2.1 to 60.8, against expectations of +0.2 to 58.9. The Eurozone Feb Markit manufacturing PMI was revised upward to 59.9 from the previously reported 57.7, the Japan Feb Jibun Bank manufacturing PMI was revised upward to 51.4 from the previously reported 50.6.
- ▲ However, the China Feb manufacturing PMI fell -0.7 to 50.6, against expectations of -0.3 to 51.0, which is negative for metals prices as China is the leading consumer of base metals. Also, China's services sector had its worst month on record in February. The Caixin/Markit services Purchasing Managers' Index (PMI) fell to 51.5, the lowest since April, from 52.0 in January.

Outlook

- ▲ Supply fears and robust demand post covid era is likely to support Aluminium prices. LME 3M contract is likely to find support near \$2,188-\$2,163 per mt while it may find stiff resistance near \$2,260-\$2,305 per mt.

PRECIOUS METALS FOUND SUPPORT FROM WEAKNESS IN THE DOLLAR AND DOVISH FED COMMENTS

- ▲ Silver prices have recovered from early losses and posted moderate gains yesterday. Silver prices are now trading near \$26.85 moderately higher from the recent low of \$25.82. Dovish central banks comments, weakness in the dollar index have supported the positive move in silver.
- ▲ Global economic data on Tuesday were bearish for silver and other industrial metals. German Jan retail sales unexpectedly fell -4.5% m/m, against market expectations of +0.3% m/m. German Feb unemployment unexpectedly rose +9,000, showing a weaker labour market than expectations of a decline of -10,000. Additionally, Japan Q4 capital spending fell -4.8% yy/, against expectations of -2.0% y/y. Finally, Japan Q4 capital spending ex-software fell -6.1% y/y, against expectations of -3.0% y/y.
- ▲ However, precious metals found support from dovish Fed comments. Fed Governor Brainard said, "The economy remains far from our goals in terms of both employment and inflation, and it will take some time" before the Fed begins tapering bond buying. Also, San Francisco Fed President Daly said the Fed needs to be "patient" in its new policy strategy going forward and support the economy by "avoiding pre-emptively tightening monetary policy."
- ▲ Dovish comments from ECB also supported the positive move in gold and silver after he said that officials are "totally open" to recalibrating the asset-purchase program, including the Pandemic Emergency Purchase Program (PEPP) envelope. Also, ECB Executive Board member Panetta said, "we are already seeing undesirable contagion from rising U.S. yields into the Eurozone yield curve, which is unwelcome and must be resisted. Bond yield has retraced back a little after his comments and supported bullion.

Outlook

- ▲ Silver prices are likely to trade firm while above the key support level at 100 days EMA at \$26.15 and 200 days EMA at \$24.58 while immediate resistance level is seen around \$27.72 and \$28.46

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