
Supply concern to keep Aluminum and Zinc prices supported

SUPPLY CONCERN TO KEEP ALUMINUM AND ZINC PRICES SUPPORTED

- LME 3 months Copper is hovering around 9728, down 0.41 percent from yesterday, Nickel is at 20780, down 1.69 percent from yesterday, while Lead and Zinc are both down 0.35 percent and 0.67 percent from yesterday. The rise in the dollar index has a negative impact on metals prices. The US Dollar index future is currently trading at 96.21, up from Monday's low of 95.60, but still below the recent high of 96.895 set on December 15th. The sharp recovery in the US 10-year bond yield is supportive of the US dollar index's gain. The 10-year bond yield in the United States is now at 1.642, up from a previous low of 1.335 on December 3rd.
- The metals market was concerned about the rapid spread of COVID-19 variant Omicron, as well as the Federal Reserve's tightening monetary policy. According to Johns Hopkins University, the global coronavirus caseload has surpassed 295 million, with over 5.45 million deaths and over 9.24 billion vaccines. With 57.04 million illnesses and 8.3 lakh deaths, the United States is the worst-affected country in the world.
- Due to a supply disruption, aluminium and zinc prices are anticipated to find support. Indonesia halted coal shipments in January, also high electricity prices and disruptions were a problem in China. Wind speeds in Europe were lower than typical, resulting in less electricity generated by wind turbines, exacerbating a crisis that brought power prices to new highs last year, as utilities were forced to buy more coal as well as limited and expensive natural gas. High coal and electricity costs are anticipated to affect smelter output and support prices.
- Base metals prices are likely to find support from positive economic data and increasing manufacturing activity in China. The Caixin/Markit Manufacturing Purchasing Managers' Index (PMI) rose to 50.9 in December - its highest level since June. Economists in a Reuters poll had expected the index to rise to 50.0, which separates growth from contraction on a monthly basis, from November's 49.9.
- However setback from other countries PMI is likely to keep a cap on prices. IHS Markit's final manufacturing Purchasing Managers' Index (PMI) for Eurozone dipped to 58.0 in December from November's 58.4, matching an initial "flash" estimate and still comfortably above the 50 mark separating growth from contraction. The seasonally adjusted IHS Markit India Manufacturing Purchasing Managers' Index (PMI) eased to 55.5 in December, from November's ten-month high of 57.6. The final reading of the U.S. manufacturing purchasing managers index from IHS Markit was adjusted slightly downward, to a reading of 57.7 from the "flash" reading of 57.8. This is below November's level of 58.3.
- On economic data front, US Nov JOLTS job openings fell -529,000 to a 5-month low of 10.562 million, showing a weaker labor market than expectations of 11.079 million. German Nov retail sales unexpectedly rose +0.6% m/m, stronger than expectations of -0.3% m/m. Also, the German Dec unemployment rate unexpectedly fell -0.1 to a 21-month low of 5.2%, showing a stronger labor market than expectations of no change at 5.3%.

- Aluminum stock has dropped by 32900 mt in the last five trading sessions, and now stands at 926800 mt. In the last five trading sessions, zinc stock has declined by 5050 mt, to 197925 mt, while copper stock has dropped by 2150 mt, to 86950 mt (as on 5 Jan 2022)

Outlook

- LME 3 M Copper prices are likely to face stiff resistance around 20 days EMA at \$9602 and 50 days EMA at 9552 while immediate resistance could be seen around \$9788-\$9841. Zinc prices are likely to trade firm while above likely support level of \$3583 meanwhile immediate resistance level is seen near \$3800. Aluminium prices are likely trade firm while above key support level of 20 days EMA at \$2753 & 100 days EMA at \$2704 while important resistance level could be seen near \$2904-\$3001

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