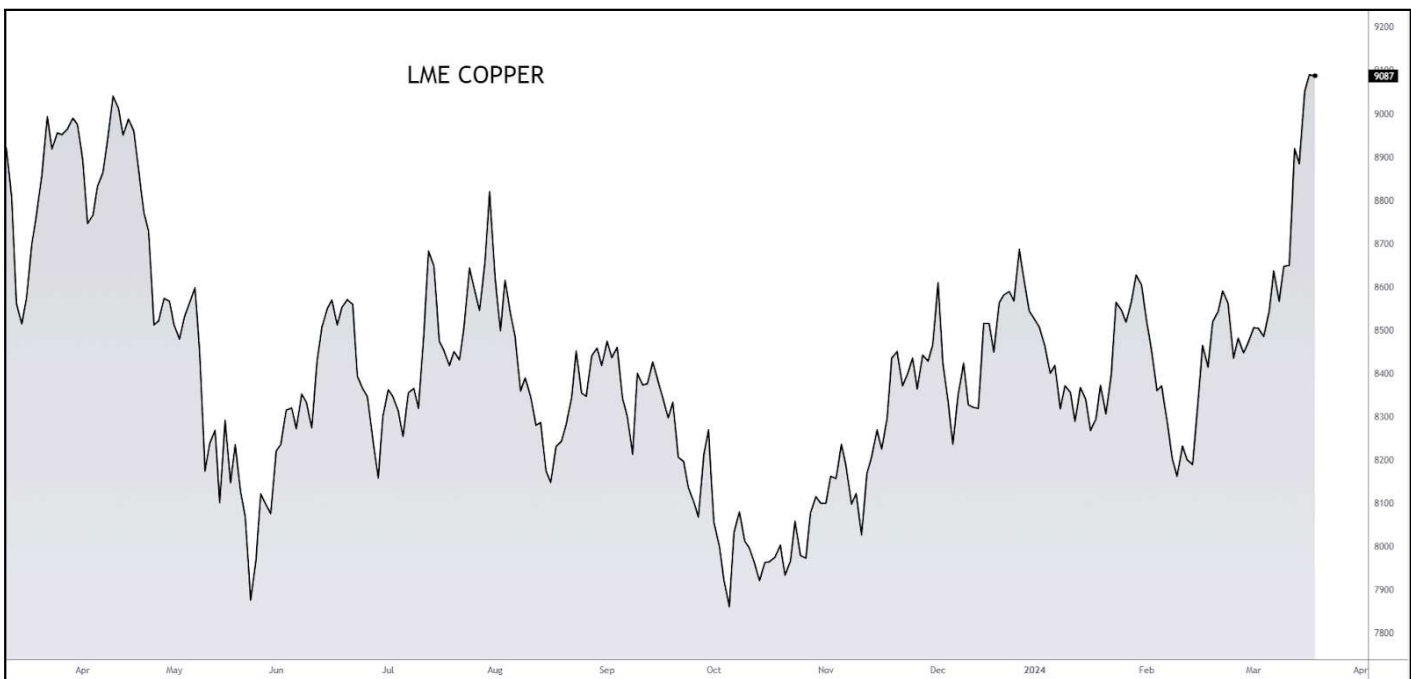




Price Performance

Commodity	Price	Period (% Change)					
		1 Week	1 Month	3 Month	6 Month	1 Year	Ytd
MCX Copper	759.05	3.03	5.40	5.31	6.31	0.09	3.90
LME Copper	9026.00	4.36	7.10	6.56	8.07	3.62	5.42





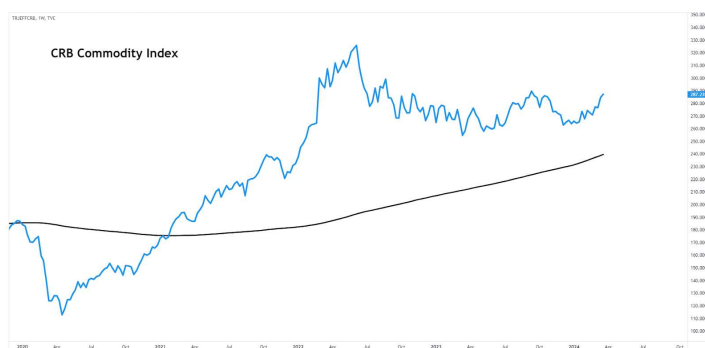
Highlights

- Copper rallied to its highest level in 11 months on bets that a pick-up in global manufacturing activity will push up demand for industrial commodities.
- Chinese copper smelters agreed to reduce production at unprofitable facilities due to shortages of raw materials.
- Copper rose as global mined supply is tightening and Chinese demand is slowly recovering.
- China's industrial output soared by 7% annually throughout January and February, exceeding expectations.
- The global refined copper market showed a 20,000 metric tons surplus in December, compared with a 123,000 metric tons deficit in November, the International Copper Study Group (ICSG) said in its latest monthly bulletin.
- The rapid decline in spot copper concentrates treatment and refining charges (TC/RCs) exceeded market expectations, falling 38.87% month on month to a record low in February.
- Chinese top copper smelters agree to jointly undertake production cuts at loss-making plants to manage raw material shortage. No specific rates or volumes have been set for the cuts, each smelter will assess reductions.
- Copper prices hit their highest in seven months due to joint production cuts by Chinese smelters. Shortages have intensified competition for mined copper concentrates, causing a sharp fall in income for smelters.
- Kutch Copper Ltd (KCL) is set to become operational by the end of the current fiscal in Gujarat and is expected to double India's copper production by 63%.
- In 2023, global production of recycled-content secondary copper saw a significant increase of 9.58%, reaching over 4.55 million metric tons (mmt), representing 16.9% of global output.
- Primary copper production also experienced growth, with more than 22.3 million metric tons produced, marking a 5.3% increase compared to the previous year.
- Despite this, the mined output of copper grew at a slower rate, with preliminary data indicating only a 1% increase in 2023, primarily from concentrate production and solvent extraction-electrowinning (SX-EW).
- World apparent refined copper usage saw a notable growth of about 4% in 2023, fueled by increased demand from China's manufacturing and export sectors, although demand declined in the European Union, Japan, and the United States.
- Chinese apparent demand for copper (excluding changes in bonded/unreported stocks) grew by around 9%, with refined production increasing by 14%, although net refined copper imports declined by 5%.
- The global refined copper balance for 2023 faced a deficit ranging from 87,000 to 113,000 metric tons, depending on how Chinese inventories are measured, indicating tight market conditions.



Copper Leads CRB Commodity Index Surge Amid Central Bank Policy Speculation

The CRB Commodity Index surged to its highest level in over four months, stabilizing near 320, buoyed by expectations of interest rate cuts from major banks. Driving this rally was the metals sector, notably highlighted by copper's fresh 11-month high in London, reaching \$9,164.50 a ton on the London Metal Exchange. The surge in copper prices came amidst a rally in US equity markets and a generally positive global economic outlook. Investors are closely monitoring central bank policy meetings for signals on the timing of potential interest rate cuts. Despite mixed economic data from China, which showed industrial output rising but property investment falling, the overall sentiment remains optimistic. However, concerns linger about muted copper demand in China, as evidenced by the surge in stockpiles.



Copper and Iron Ore are Diverging Fast

Supply risks boost copper while demand doubts rise in iron ore market



Copper Smelter Cuts Reflect Growing Ore Shortage in China:

The recent announcement of smelter cuts in China due to a shortage of copper ore signals a significant development in the global metals market. This shortage has been long-awaited and is now materializing, driven primarily by plummeting treatment and refining charges. These charges, which have dipped to near-zero levels, serve as a key indicator of the tightness in the market, compelling smelters to curtail production. The

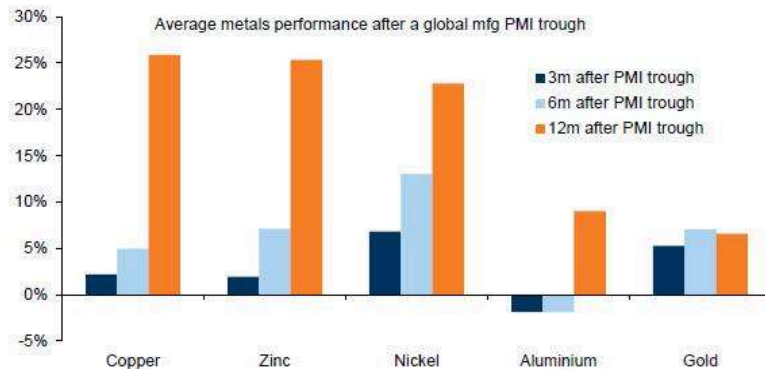
root of this shortage can be traced back to overcapacity issues within China's copper smelting sector. Despite warnings from industry associations about the risks associated with excessive expansion, smelting capacity continued to grow, outpacing expectations of demand. Consequently, the imbalance between supply and demand has reached a critical point, prompting smelters to take drastic measures to align their operations with the available ore. The impact of these cuts extends beyond the confines of China's borders, potentially affecting global copper prices and supply chains. While other metal sectors like steel and aluminium can absorb shocks by offloading excess inventory onto the international market, the unique nature of the copper market leaves smelters particularly vulnerable to raw material shortages. As nearly 19 companies have already initiated measures such as maintenance outages, reduced output rates, and deferred new operations, it underscores the severity of the situation. With demand for copper on the rise, addressing this supply shortage will be imperative to ensure stability in the global metals market and support industries reliant on this essential resource.



China's "Green Policy Put" and Global Supply Shock Drive Bullish Outlook for Metals, Particularly Copper:

Goldman Sachs' analysis underscores China's commitment to a green economy, bolstering demand for metals despite limited property support. The focus on green initiatives acts as a policy cushion for metals demand, with potential initiatives like a 'cash for clunkers' program further boosting prospects. Meanwhile, Snowden emphasizes the ongoing global supply shock in copper, predicting a substantial deficit in refined copper this year. With supply constraints tightening and demand momentum remaining strong, the outlook for copper prices remains bullish, with projections of significant price increases in the coming years.

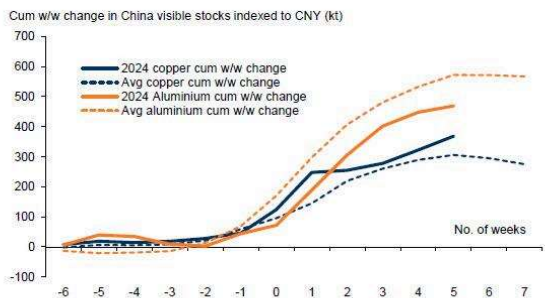
Exhibit 1: Troughs in global manufacturing cycles are typically associated with subsequent significant industrial metals upside



Average cross-asset performance in the 3/6/12 months following a global manufacturing PMI trough (Data since 1985)

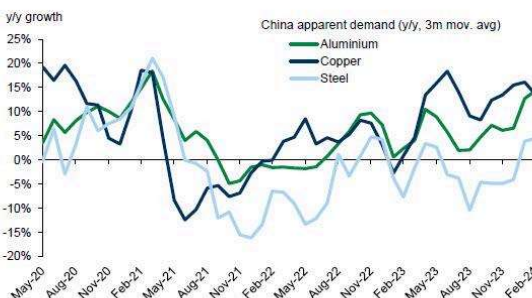
Source: Goldman Sachs Global Investment Research, Eikon Datastream

Exhibit 4: China's seasonal stock build is close to an end, with deficits set to emerge from late March



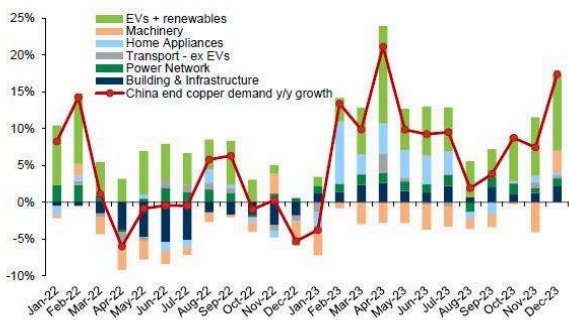
Source: Goldman Sachs Global Investment Research, SMM, Wind

Exhibit 5: China's apparent demand for aluminium and copper has risen strongly so far this year



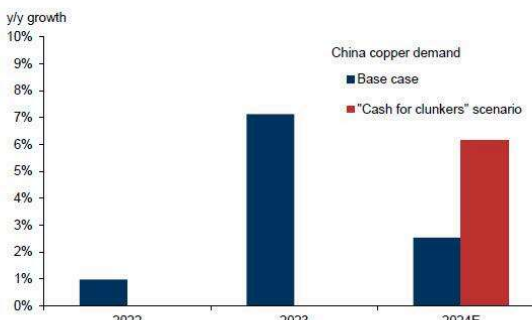
Source: Goldman Sachs Global Investment Research, Wind, SMM

Exhibit 6: Green demand continued to drive copper demand growth into year-end



Source: Goldman Sachs Global Investment Research, Wind, SMM

Exhibit 7: Cash for clunkers could generate significant upside to China's copper demand if enacted



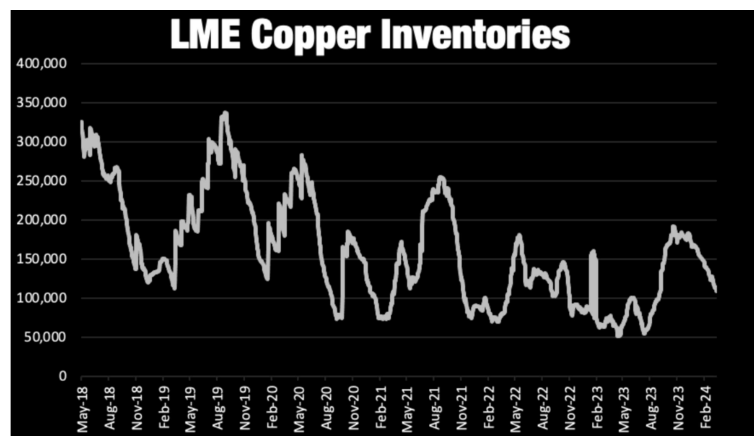
Source: Goldman Sachs Global Investment Research

Bullish Outlook: Copper Price Forecast Signals Surge": "Anticipating a bullish trajectory, our forecast predicts copper prices to soar, reaching \$15,000/t by 2025 on the back of robust demand and supply dynamics."



Copper Supply Crunch: Challenges in Mining Sector Spark Concerns":

The global copper market is grappling with a myriad of challenges, ranging from supply disruptions at key mines to the spectre of Chinese smelter overcapacity. The closure of major mines such as Peru's Las Bambas and First Quantum's Cobre Panama due to community protests and environmental concerns has sent shockwaves through the industry. These closures, coupled with output constraints and lower ore grades in recent years, have exacerbated supply woes. As a result, smelters in China are facing a shortage of raw materials, putting pressure on global copper ingot supply.



The decline in LME copper inventories since late last year, though not directly correlated with prices, has heightened concerns over a widening supply deficit projected shortly. Despite remaining above 2023 lows, the downward trend in inventories underscores the seriousness of the situation. With rising demand for copper in various industries, including renewable energy and electric vehicles, the prospect of a supply shortfall looms large. Stakeholders in the copper market must navigate these challenges to ensure a stable supply chain and mitigate potential disruptions to global industries reliant on this essential metal.

Copper Balance Sheet

Copper Balance Sheet ('000 MT)						
Particulars	2019	2020	2021	2022	2022 (Jan-Dec)	2023
World Copper Mine Production (Concentrates & SX-EW)	20,669	20,768	21,301	21,950	21,950	22,063
World Copper Mine Capacity	24,328	25,197	26,247	27,041	27,041	28,247
Mine Capacity Utilization Rate(%)	85	82.4	81.2	81.2	81.2	78.1
Primary Refined Copper Production	20,152	20,829	20,815	21,248	21,248	22,375
Secondary Refined Copper Production	4,007	3,843	4,149	4,153	4,153	4,551
World Refined Copper Production	24,159	24,672	24,964	25,401	25,401	26,927
World Copper Refinery Capacity	29,565	30,216	30,733	31,426	31,426	32,263
Refinery Capacity Utilization Rate (%)	81.7	81.7	81.2	80.8	80.8	83.5
World Refined Copper Usage 1/	24,321	24,953	25,216	25,835	25,835	27,013
World Refined Copper Stocks	1,215	1,236	1,210	1,373	1,373	1,534

Source: ICGS



Technical



In the monthly chart of LME Copper, the Relative Strength Index (RSI) currently sits at 56.25. This suggests that the uptrend may continue. Our analysis indicates that the trend is moving upward, so traders should avoid short positions and consider bullish strategies. The Moving Average Convergence Divergence (MACD) is trading above the baseline and trending upwards. This indicates bullish momentum, with a bullish crossover as the MACD crosses above the signal line. This suggests strength in the bullish move, with prices expected to continue rising. Traders should watch for buying opportunities and steer clear of short positions. The Choppiness Index, at 64.89, indicates that prices may soon experience high volatility as the trend strengthens. Traders should be cautious at this point, as a strong momentum shift is likely to occur soon.

From a technical standpoint, LME Copper appears poised to test the 9500 level, and sustaining above this could lead to a test of 10800 levels. Support is expected at 8100 levels. This suggests that the overall outlook for Copper is positive, with potential for further gains.



The current outlook for copper, as depicted by the weekly chart analysis, presents a compelling case for bullish sentiment in the commodity market. Copper prices are demonstrating a robust stance, trading above both the 50 and 200 moving averages, signalling a bullish trajectory. This alignment above key moving averages, with prices hovering at 761, denotes strength in the market, surpassing the significant thresholds of the 50 (726.27) and 200 (691.82) moving averages.

Moreover, the Ichimoku cloud further validates this bullish sentiment, with prices comfortably positioned above it. Despite the potential for heightened volatility, as indicated by the descending Choppiness Index, the overall trend remains bullish, supported by the Relative Strength Index (RSI) standing above 52, indicating positive momentum.

Furthermore, the bullish crossovers observed in both the Moving Average Convergence Divergence (MACD) and the Vortex indicator accentuate the prospective bullish momentum shortly. Additionally, the Fisher indicator, portraying a fresh bullish crossover, reinforces this sentiment, suggesting sustained bullish momentum on the horizon.



Ratio Charts

GOLD/COPPER



COPPER/ZINC





CRUDE/COPPER

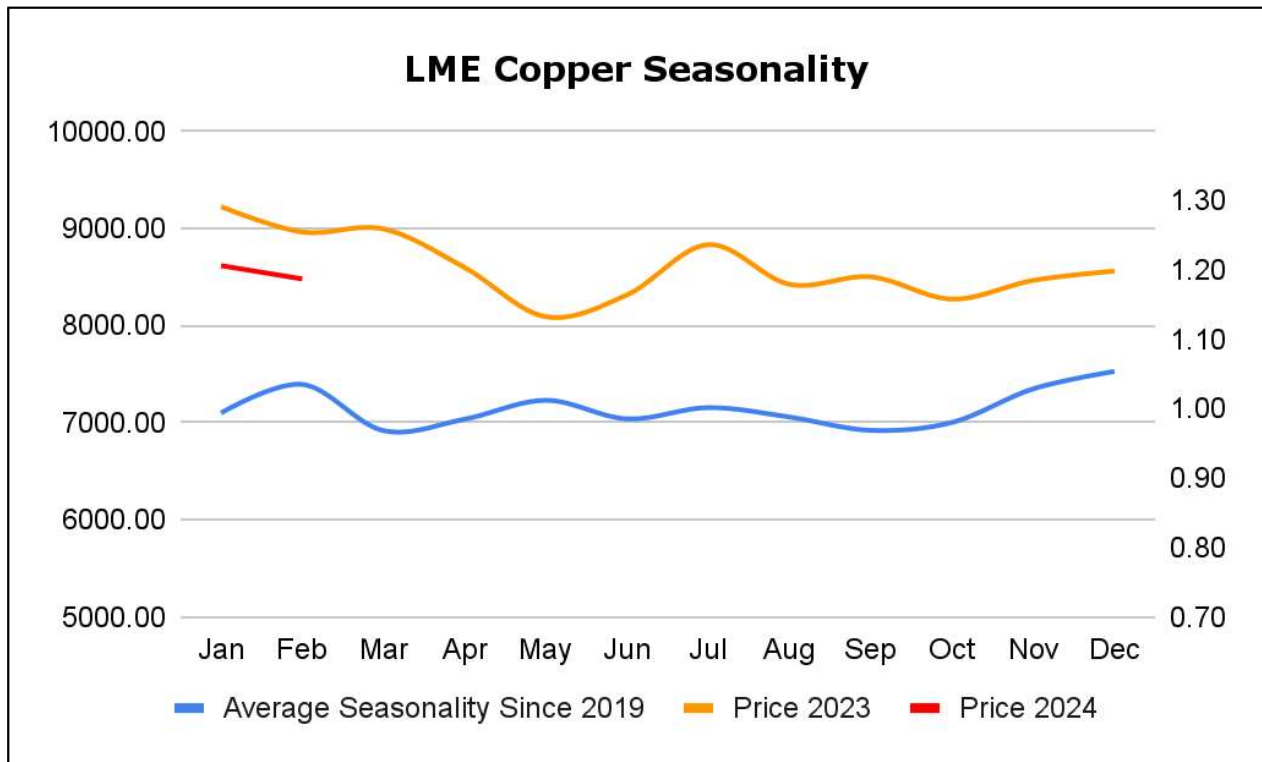
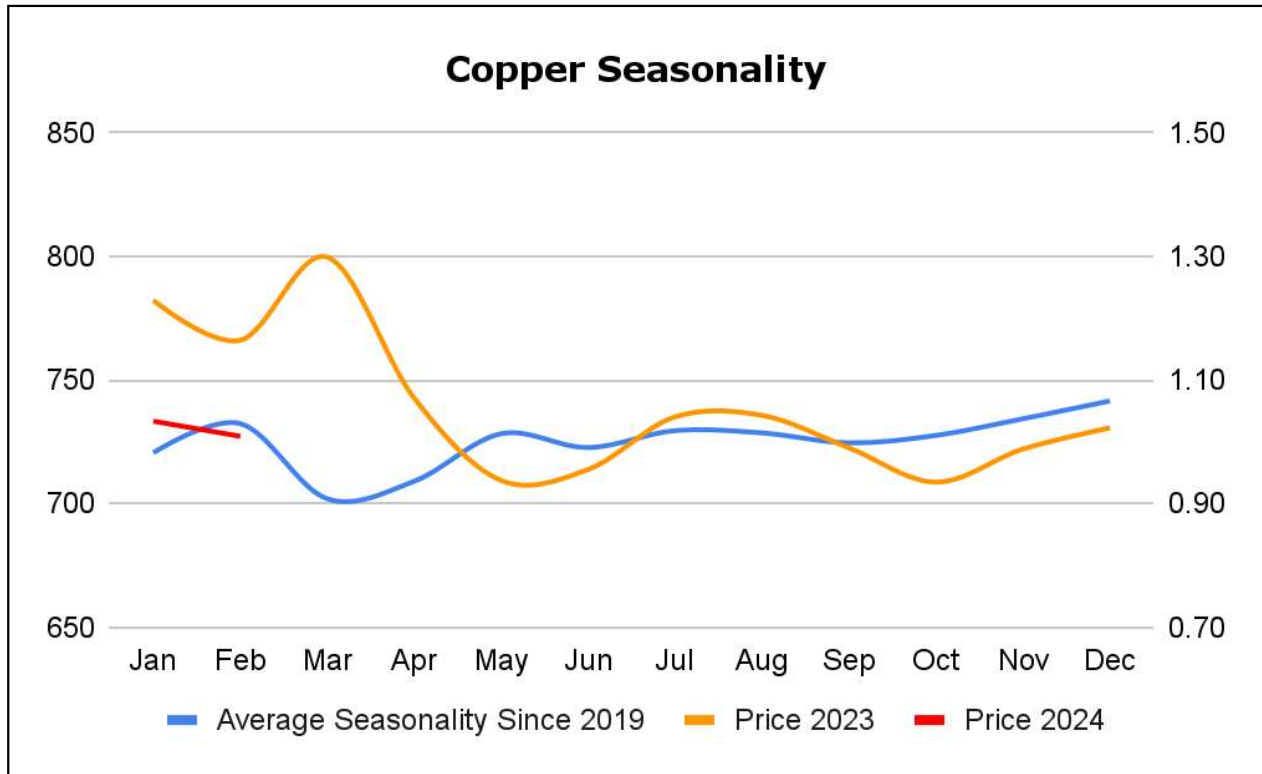


COPPER/ALUMINIUM





Seasonality





Conclusion

Copper, often referred to as the "red metal," has witnessed a remarkable rally in recent times, with prices reaching 11-month highs. Analysts at Citi are optimistic about further upside potential in copper prices, attributing this bullish sentiment to tightening supply dynamics. Reports of potential output cuts by China's largest copper smelters have sparked concerns over a supply deficit in refined copper, adding to the bullish narrative. Moreover, persistent mining disruptions in key copper-producing countries like Chile and Peru have exacerbated supply concerns, further supporting the upward trajectory of copper prices.

The surge in copper futures on both the London Metal Exchange and the U.S. market underscores the robustness of the current rally. Three-month copper futures on the LME soared over \$9000 per metric ton, their highest level since April 2023, while U.S. copper futures hit a near one-year peak of \$4.0810 per pound. Copper's breakout above \$8,600 per tonne as a significant milestone, signalling the potential for more upside in the red metal's price.

Furthermore, bullish not only on the supply side but also on the demand outlook for copper. They anticipate an improvement in global manufacturing activity, indicating signs of bottoming out in the manufacturing cycle. Additionally, expectations of increased consumption stemming from a "building equity bubble" further bolster the demand outlook for copper. China, the world's largest consumer of metals, is no longer viewed as a negative signal for copper markets, with the Chinese government demonstrating support for industries tied to metal demand, particularly automobiles.

The buoyant Chinese economic data has provided additional tailwinds to copper prices, with industrial output and retail sales surpassing expectations. However, concerns linger over the real estate sector, as property investment continues to decline, albeit at a slower pace compared to previous months. Despite these challenges, leading Chinese copper smelters have opted to curtail production at unprofitable facilities due to raw material shortages, reflecting the severity of the supply-side constraints.

Taking into account these factors, the outlook for copper remains bullish. The combination of supply tightening and improving demand dynamics suggests continued upward pressure on copper prices. As the rally in copper futures extends, reaching levels not seen since April 2023, investors and market participants are closely monitoring developments in both supply and demand fundamentals.

In conclusion, based on the current inputs, copper is expected to trade bullishly in the foreseeable future. The metal is likely to test the 800 mark followed by 860 levels, with strong support anticipated at around 680 at MCX and over 9500 followed by 10200 levels in LME with support of about 8100. However, market participants should remain vigilant for any shifts in supply dynamics or economic indicators that could potentially impact copper prices.



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