

Market Recap and Summary Outlook for next 3days

LME Zinc prices, during yesterday's session, traded in a positive range, after the U.S. central bank chief Janet Yellen said it was preparing to consider rate rises on a meeting-by-meeting basis echoing a likely accommodative policy measures in the next few meetings, Greece secured a bailout extension for a four month period and oil prices rebounded.

Going ahead, positive sentiment amidst soothing concerns over Greece and mildly dovish FED chair Janet Yellen's comments is likely to extend in to the coming couple of days with the resumption of Chinese trade and physical activity. Key factors for the coming days are:

- ❖ Weakness in Chinese manufacturing and housing sectors and holiday period
- ❖ Indications of accommodative policy measures
- ❖ Decline in inventory and mine closures

Price outlook Summary					
LME / SHFE / MCX as on 24 th Feb, 2015	LME 3M: USD 2071.5 (+1.30%) SHFE 3M: CNY 16370 (-0.06%) as on 17 th Feb, 2015 MCX Feb'15: INR 128.20 (+1.22%)				
Price outlook summary	Concisely, LME Zinc prices are likely to trade lower towards USD 2000 upon holding below 2110 on the coming 2-3 sessions.				
Price Range for next 5 days	Range			Price Bias	
	2000 – 2110			Bearish	
Physicals strategy (LME Cash)	50% of Mar'15 buying requirements was completed at USD 2130 on Jan 27, 2015. 25% of Mar'15 buying requirements was completed at USD 2110 on Feb 17, 2015. Remaining 25% of Mar'15 buying requirements completed at USD 2080 on Feb 18, 2015.				
Futures Strategy Review	For fresh positions, traders should consider below mentioned strategy.				
Trading Strategy	Filled on	Position	Entry	Objective	Stop Loss
LME	--	Short	USD 2095	USD 2020	USD 2115

Fundamental Analytics

- ❖ In the macro economic front, China has resumed trade after the New Year week long holiday period and is likely to induce volatility into the trade. Seasonally, trade resumes on negative note with Chinese resumption post the holiday period. Chinese HSBC flash manufacturing PMI for February came in at 50.1 higher than expectations and prior couple of months. Expansion in the factory sector resumed during February presumably due to the increase in orders amidst holiday season.
- ❖ The US Federal Reserve chairwoman Janet Yellen said before the senate committee that the FOMC is preparing to consider rate rises on a meeting-by-meeting basis indicating that a likely accommodative policy measures in the next few meetings could prevail amidst weakness in some of the sectors primarily in housing.

- ❖ Earlier, U.S. home resales fell sharply to their lowest level in nine months in January amid a shortage of properties on the market undermining the struggling housing despite strong labor growth. Existing home sales declined 4.9% to an annual rate of 4.82 million units, the lowest level since last April, in January despite the 30-year mortgage rate falling to a 20-month low. U.S. central bank has consistently described the housing recovery as "remaining slow" and prompted them to remain patient in raising rates as indicated in the last FOMC meeting minutes.
- ❖ From Euro Zone, Greece and EU finance ministers agreed on a four-month extension on Greece's bailout plan. The Greek government submitted a reform and budget plan on Tuesday and was accepted by the finance ministers' council for deferring the 240 billion Euros debt repayment scheduled for at the end of February. This indicates that Greece has temporarily emerged from defaulting risks, which soothed market concern slightly.
- ❖ Zinc inventories at LME continue to witness drawdown trend after having increased towards the end of last month. Currently, stocks are at 572,400 tons after having declined by 4,400 tons from the previous day. Meanwhile, cancelled warrants also declined by 4,400 tons from the previous day to 179,875 tons from the previous day after having sharply increased during the last week by 85 thousand tons. The sharp increase in cancelled warrants resulting in sharp decline in on warrant stocks while continuous drawdown is witnessed in overall stocks is expected to lend support to the prices in the short term. Meanwhile, stocks at SHFE warehouses have increased marginally to 102,787 tons from 97,171 the prior week.
- ❖ ILZSG reported that global refined zinc market was in a 296,000-tonne deficit in 2014, compared with a 97,000 ton deficit in 2013. Meanwhile, ILZSG data showed producer stocks were 366,000 tons in December, up from 354,100 tons in November.
- ❖ Reports indicate that Lead-Zinc mines in Chinese Guangdong province have been closed for ongoing safety inspections after a flooding accident happened one of the mine. There are five mines in the specified region, albeit smaller in size, would affect production of Zinc concentrates to the tune of 25 thousand tons as the inspections are going to continue till the end of March and should bode well for prices. Guangdong produced 69,000 tons of lead concentrate and 139,000 tons of zinc concentrates in 2014.
- ❖ Meanwhile, Zinc production at Bayannur Zijin Nonferrous Metal Co., – subsidiary of Zijin Mining in Inner Mongolia – hit a record 19,927.3 tons in January, the company reported. The company's two 100,000 tpy production lines likely have accelerated operation in January, with output during the month rising 5.82% from a year ago.
- ❖ Reports indicate that production at galvanizers in Foshan and Guangzhou, two regions in Guangdong Province, is now being affected by the ongoing safety inspections. The round of inspections, following one production accident in Foshan, is expected to continue into the Chinese New Year holiday in mid February affecting the refined Zinc consumption and may exert pressure on the prices.

Concisely, although Zinc is likely to remain pressured by weak Chinese economic data and refined Zinc net trade, expectations of stimulus measures from China coupled with ECB's QE and reports of Chinese mine closures keep the prices supported in the short term keeping the downside limited.

Technical Outlook

- ❖ LME 3 Month forward Zinc prices have traded with positive momentum and closed at USD 2071 in the last session.
- ❖ The corrective zigzag momentum has broken down the minor trend line support around USD 2100 levels where the bearish trend confirmed to continue to retest the momentum low of USD 2000 levels.
- ❖ The zigzag gradual recovery from USD 2005 has placed minor top at USD 2171 and resumed the major bearish trend which travelling in falling channel from July'14.

- ❖ On the daily technical set up, RSI (9) has turned positive from oversold region of 30 levels suggesting possible consolidation.
- ❖ On the down side, momentum low and bottom line of the channel could hold price fall around USD 2000 levels.
- ❖ On the higher side, high of the recent Doji candle could act as immediate resistance around USD 2100.



Concisely, LME Zinc prices are likely to trade lower towards USD 2000 upon holding below 2110 on the coming 2-3 sessions.

Zinc Commodity Price & Risk Parameter Chart Links

http://www.transgraph.com/commodityupdates_metals.aspx
http://www.transgraph.com/commodityupdates_zinc.aspx

Facts and Figures

Spot market prices and fundamental data - Zinc				
Market and details	24-Feb-2015	23-Feb-2015	Change	%Change
LME Zinc CSP, USD per ton	2050.00	2032.00	18	0.89%
Changjiang Zinc Spot, Yuan per ton	16770	16770	0	0.00%
HZL Zinc Ex Chanderiya, INR per ton	198369	198369	0	0.00%
Mumbai Zinc Spot, INR per ton	127650	126350	1300	1.03%
LME warehouse stocks (In tons)*	572400	576800	-4400	-0.76%

*LME releases stocks data for the prior day a day later by 09:00 hrs (London Time)

Futures and forwards prices - Zinc							
Market and details As on 24 Feb,2015	Open	High	Low	Close	Previous Close	Change	%Change
LME Zinc 3 Month Forward, USD per ton	2049.00	2082.50	2041.00	2071.50	2045.00	26.50	1.30%

SHFE Zinc 3M Forward, Yuan per ton	16420	16450	16305	16370	16380	-10	-0.06%
MCX Zinc futures (Feb '15), USD per ton	127.00	128.70	126.40	128.20	126.65	1.55	1.22%
MCX Zinc futures (Mar '15), USD per ton	127.75	129.50	127.30	128.95	127.50	1.45	1.14%
Euro-USD	1.1335	1.1361	1.1289	1.1343	1.1335	0.001	0.07%
USD/INR	62.182	62.370	62.080	62.180	62.173	0.008	0.01%

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