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# Medium term outlook on Zinc

July 2017

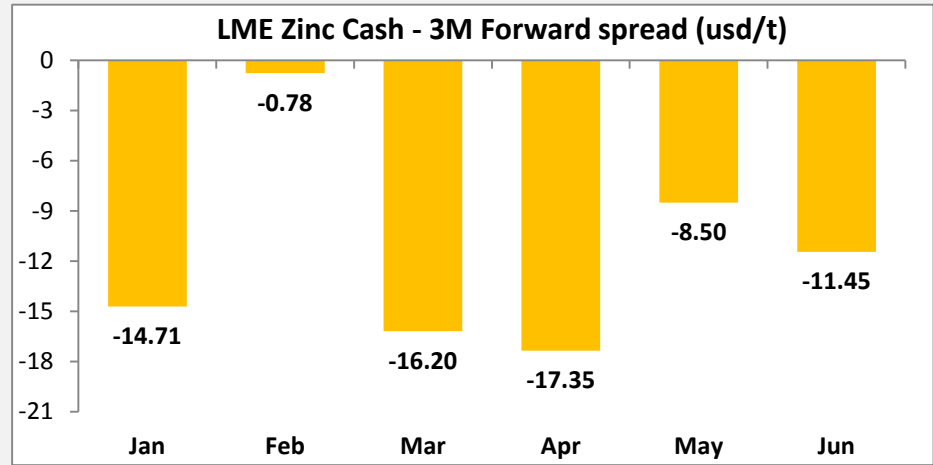
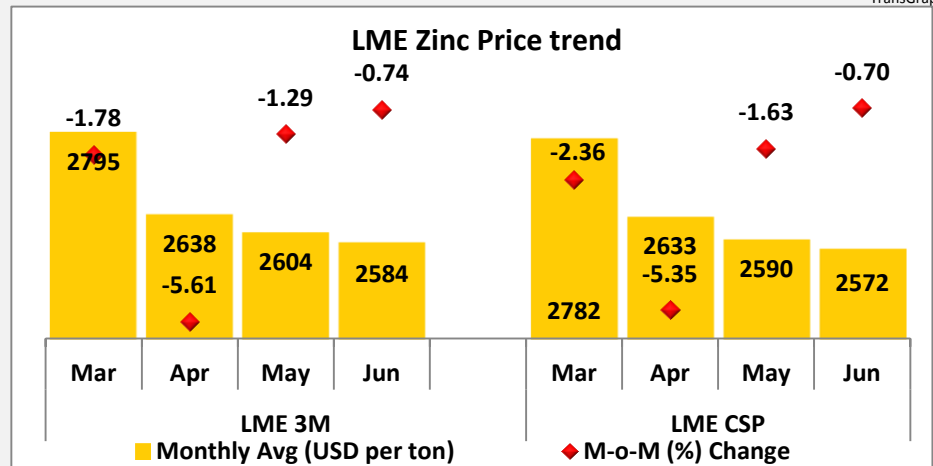


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# Market Recap

- LME Zinc traded higher in June supported by prevailing supply deficit and declining LME stocks.
- Other fundamental reasons behind the price direction
  - Weakness in US dollar
  - ILZSG data showing supply deficit in global market
  - Chinese concentrate imports witness fall in April and May
  - Better than expected Chinese economic data outcome suggest improved demand
  - LME stocks have fallen by around 12% in June leading to rise in prices



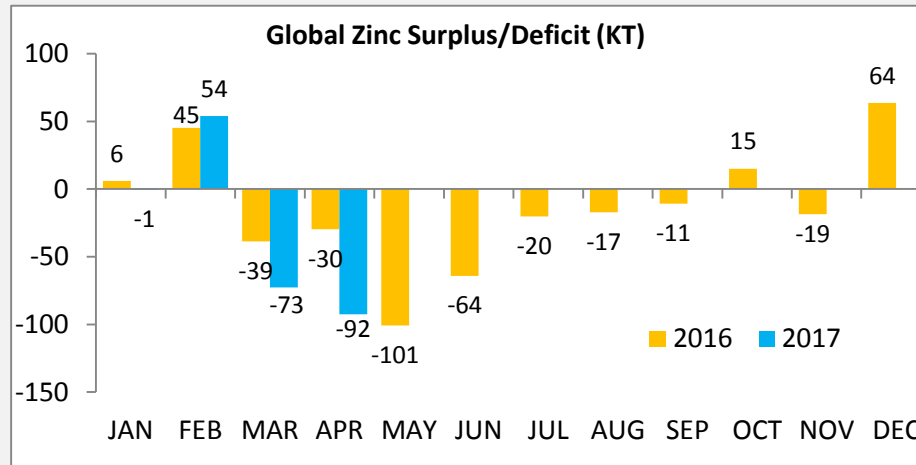
# Zinc Market Analytics



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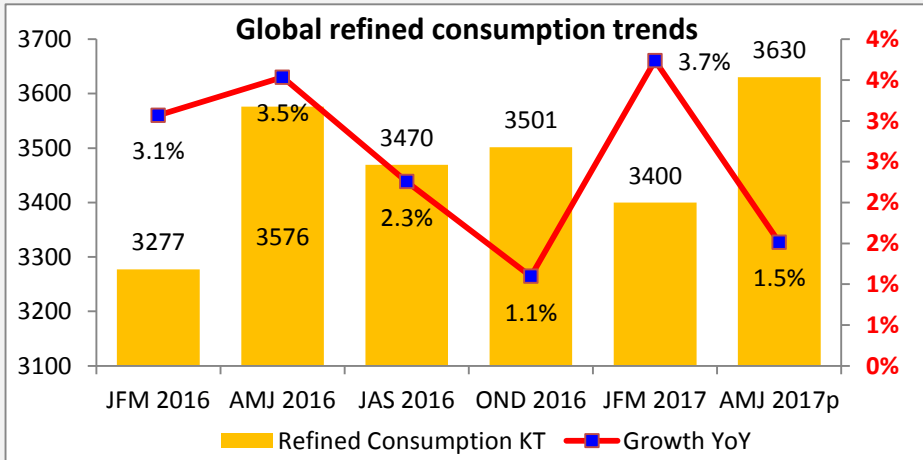
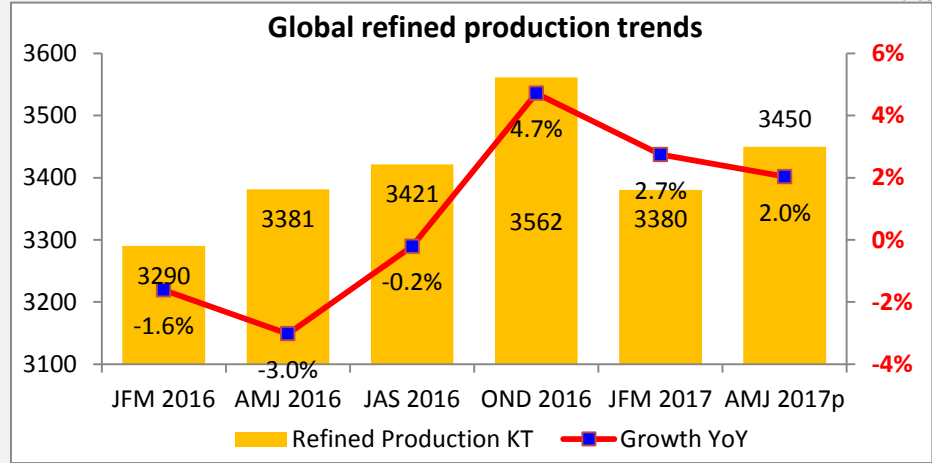
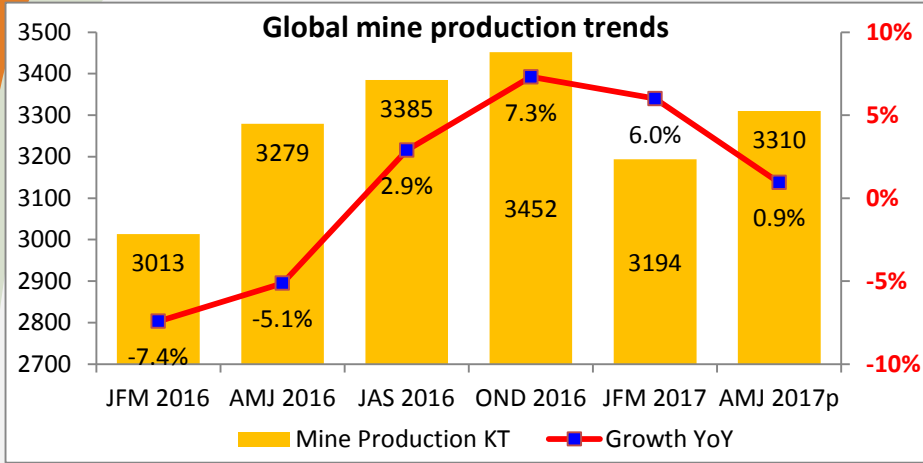
# Despite rise in mine output, supply deficit still persists owing to better demand



	Jan – Apr 2017	Jan – Apr 2016	Change (%)
Global Mine Production	4.269	3.978	7.32%
Global Refined Metal Production	4.494	4.423	1.61%
Global Refined Metal Usage	4.606	4.443	3.67%
Refined Zinc Balance	-0.112	-0.02	

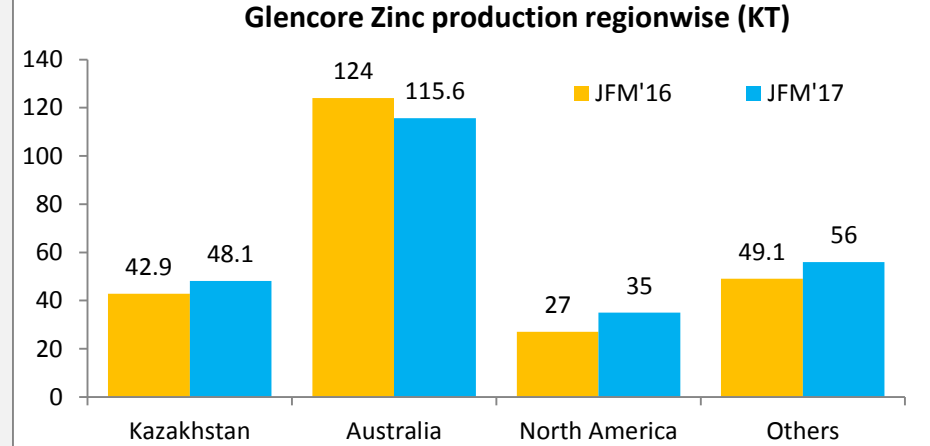
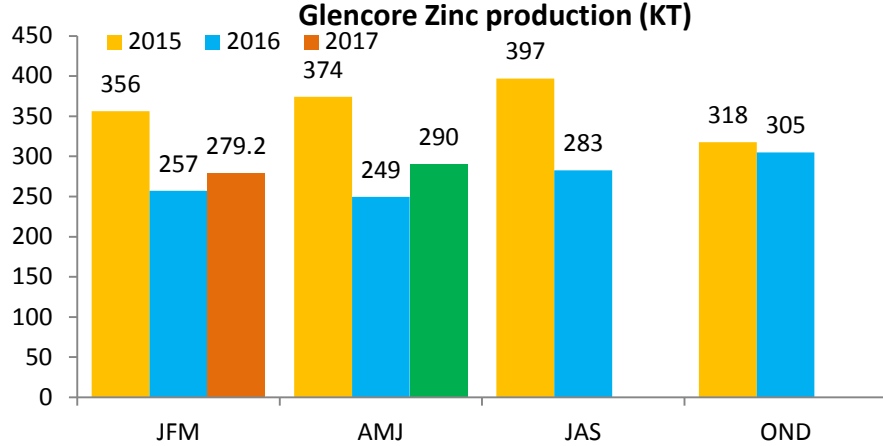
\*All units in million tons, Source : ILZSG

# Global refined metal demand witnesses rise despite a fall in Chinese demand



- Zinc mine production has risen due to higher output in China, Eritrea, India, Peru and Turkey.
- Refined metal production remained marginal as increases in France, India and Kazakhstan partially balanced by reductions in Canada, Peru and Korea.
- Despite a drop in China and Europe usage, refined metal demand has risen due to 42.9% recovery in usage of metal in the US.

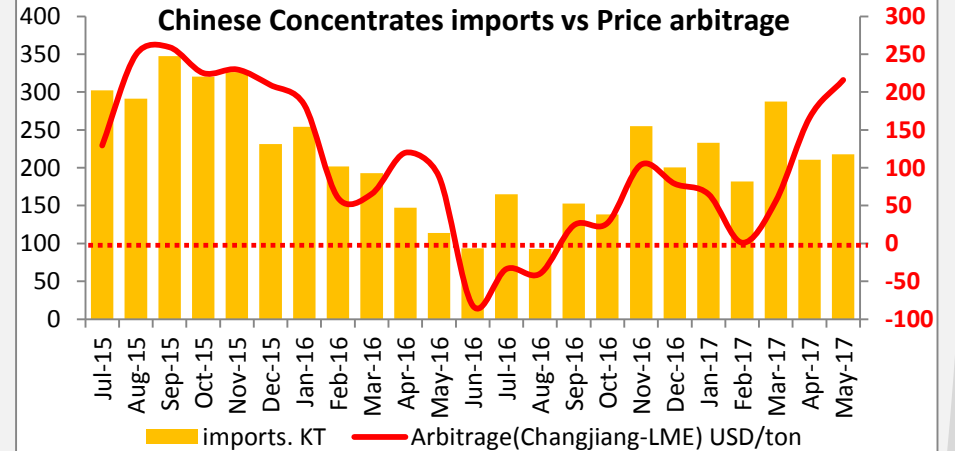
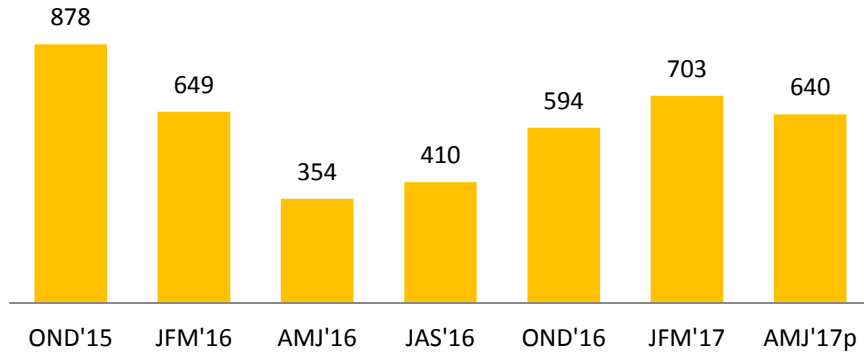
# Glencore's Q1 mine output rises lower than expected due to weather impact



- Although Glencore Q1 mine production witnessed YoY compared to JFM'16, it remained lower compared to OND'16 due to some weather related impacts, including Cyclone Debbie in Australia, flooding in Peru and higher than average rainfall in the DRC and Hunter Valley.
- Mine production was up 9% YoY due to production rise in NA, SA and Kazakhstan. Glencore has also announced in its latest report that there are currently no plans to restart idled capacity in Australia and Peru.

# Chinese concentrate imports witness moderate rise in Q1

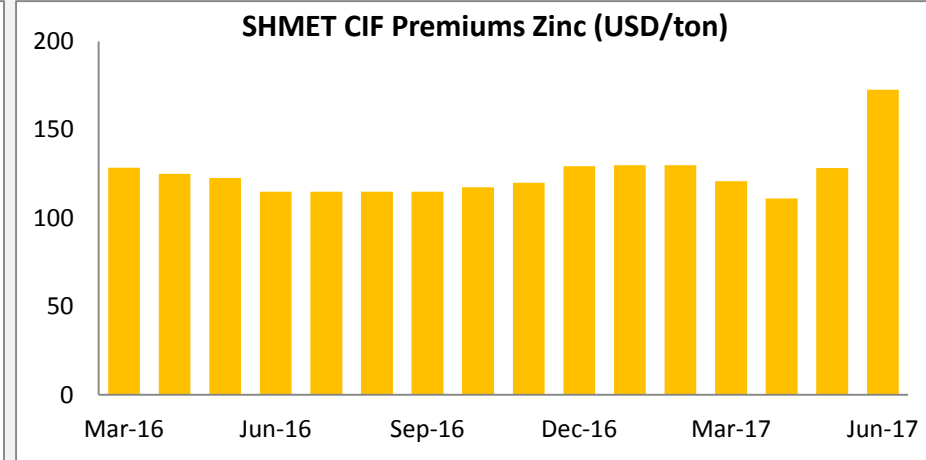
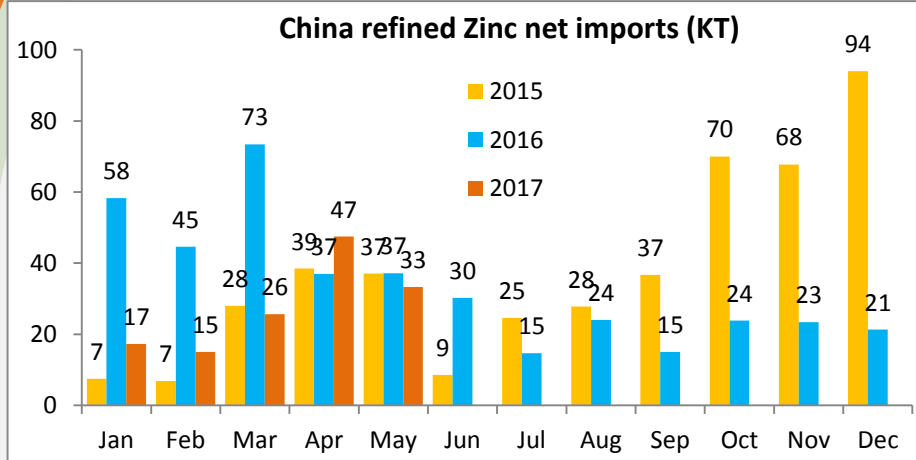
## Chinese Zinc conc. imports (KT)



- Chinese concentrate imports seen rising in JFM as price parity remains supportive. However, the rise is lesser than expected amid mine closures in Australia and Ireland.
- With availability of concentrates likely to improve, TC/RC charges are expected to revive in the coming weeks further leading to import demand.

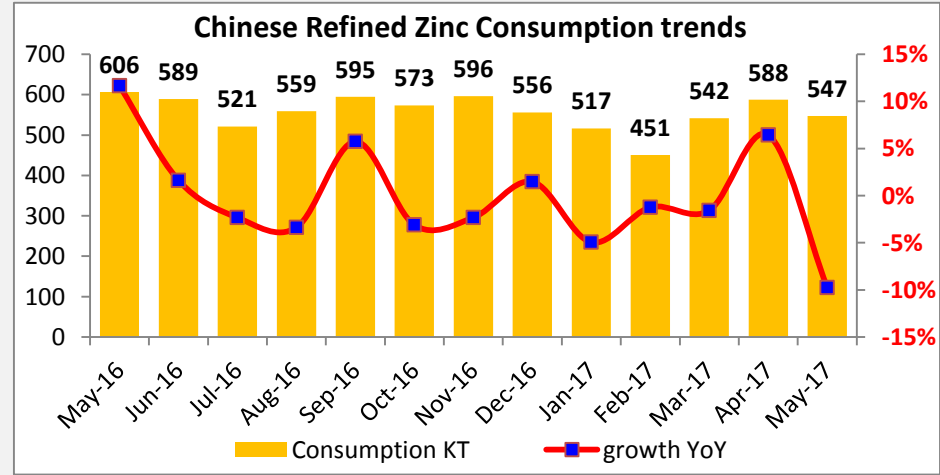
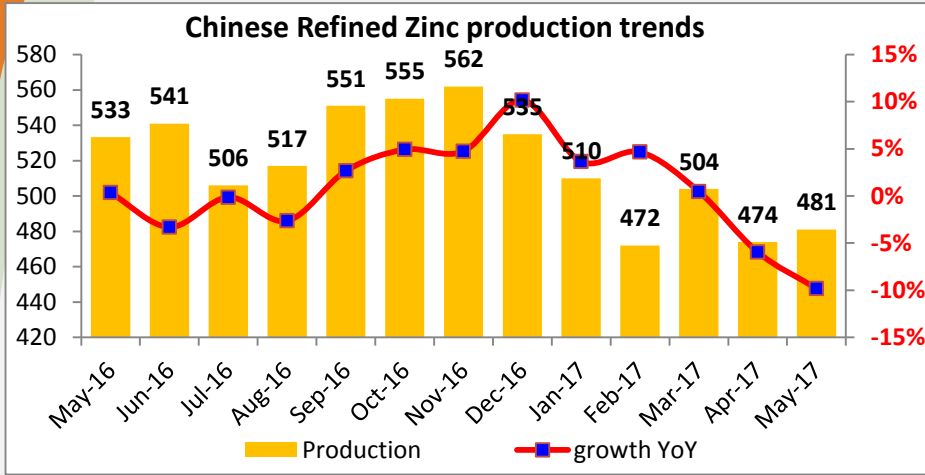


# SHMET premiums rise to record high levels as inventories fall



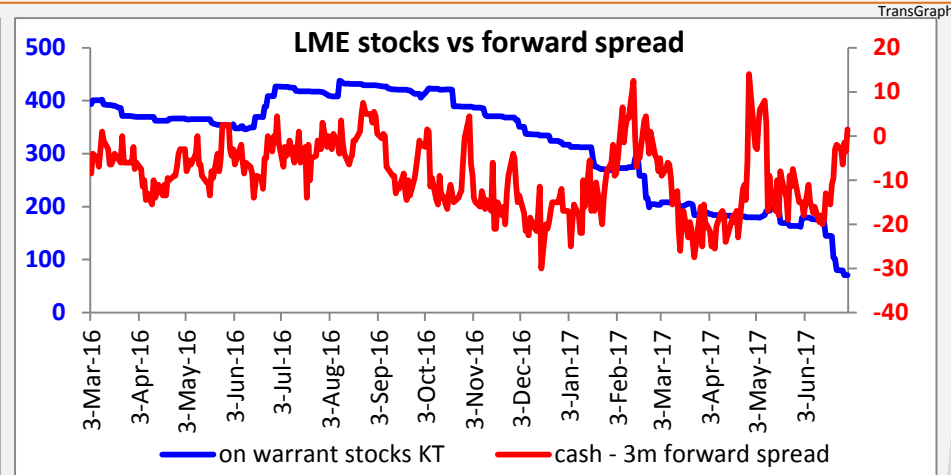
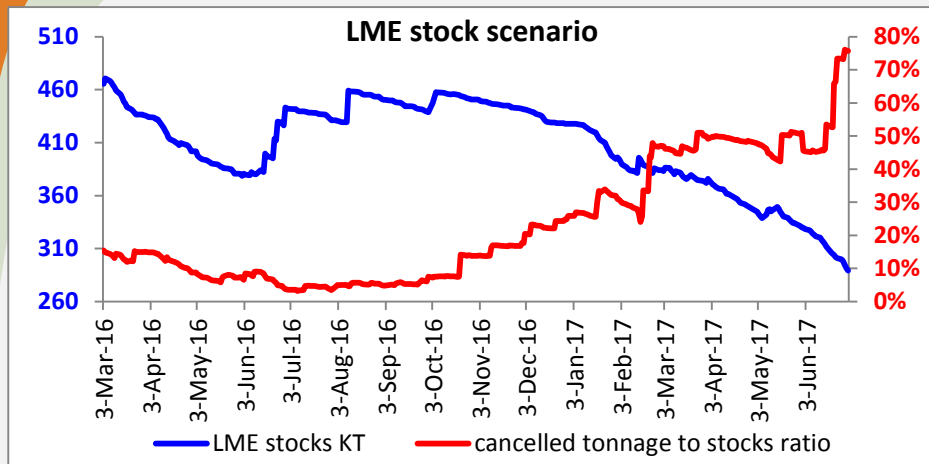
- Chinese refined zinc production witness fall in JFM'17 compared to last year due to fall in concentrate supplies following the closure of Australia's giant Century mine and Ireland's Lisheen mine in 2016 has started impacting the Chinese market. However, imports are seen rising over the last two months owing to higher supply.
- Also, with LME stocks decline leading to price rise, SHMET premiums have risen to record high levels of around USD 195 in June.

# Chinese refined zinc production declines amid lower conc. supplies

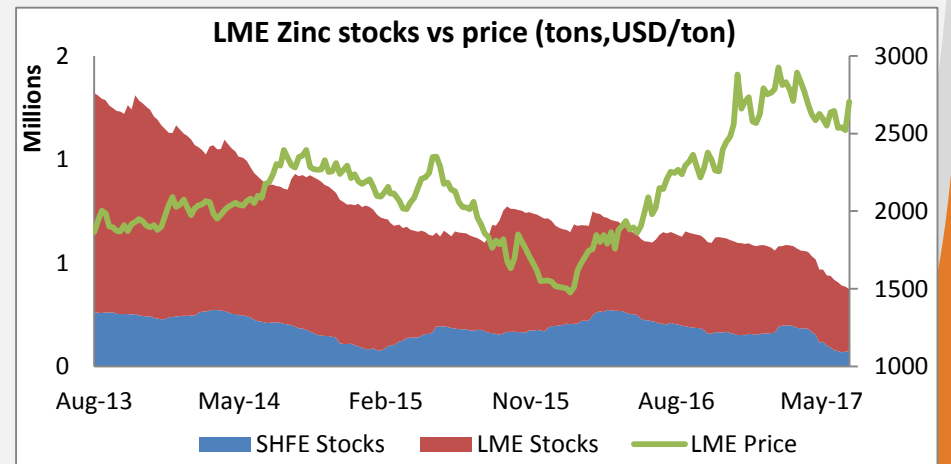


- Chinese refined supply has fallen YoY terms during much of 2016 due a fall in concentrates imports.
- Refined zinc production has fallen during April and May amid fall in conc. supplies after witnessing a rise in March.
- On the other hand, zinc consumption, after rising steadily over the past three months has fallen in May.

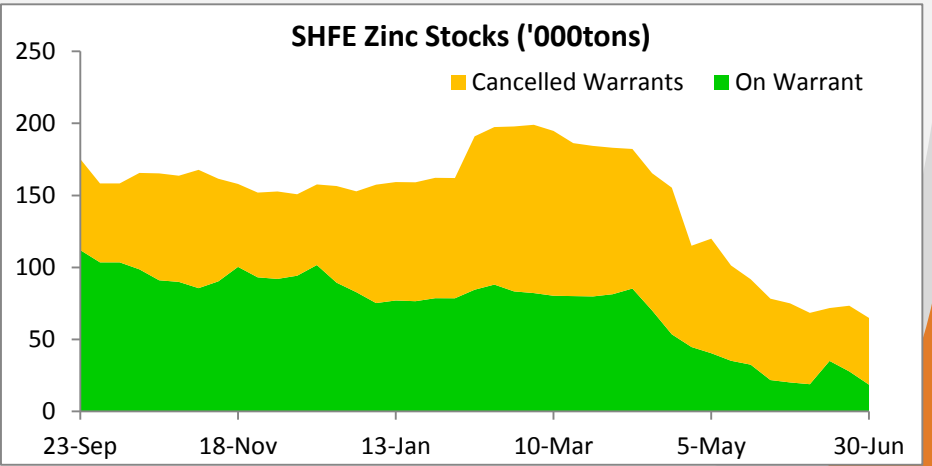
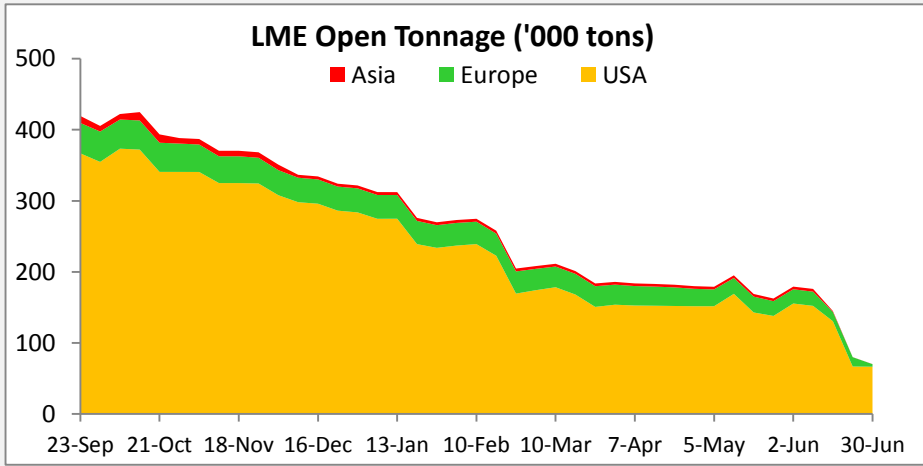
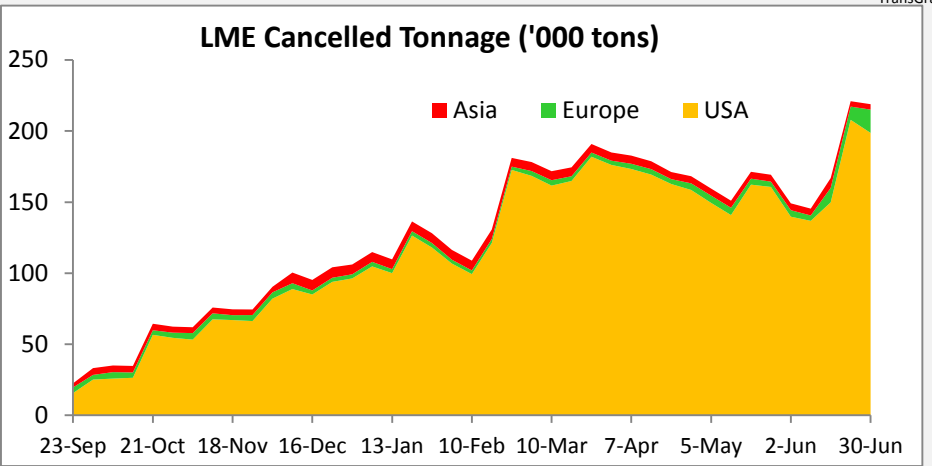
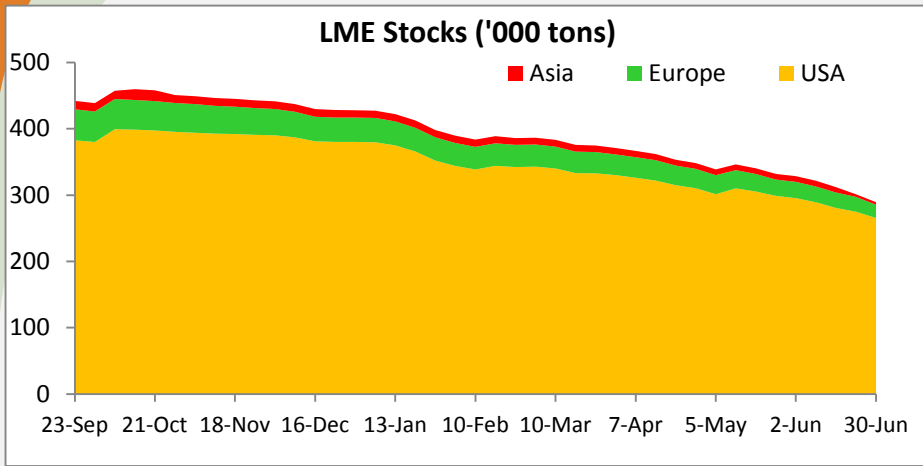
# Stocks continue to decline narrowing the forward spread further



- LME inventory continued to fall with on warrant stock declining to around 70KT levels by the end of June. This has led to tightness in forward spread during June.
- While any further decline in on warrant stock shall support cash prices and tighten the spread, reversal in cancelled warrants may keep the contango intact in the forward spread.



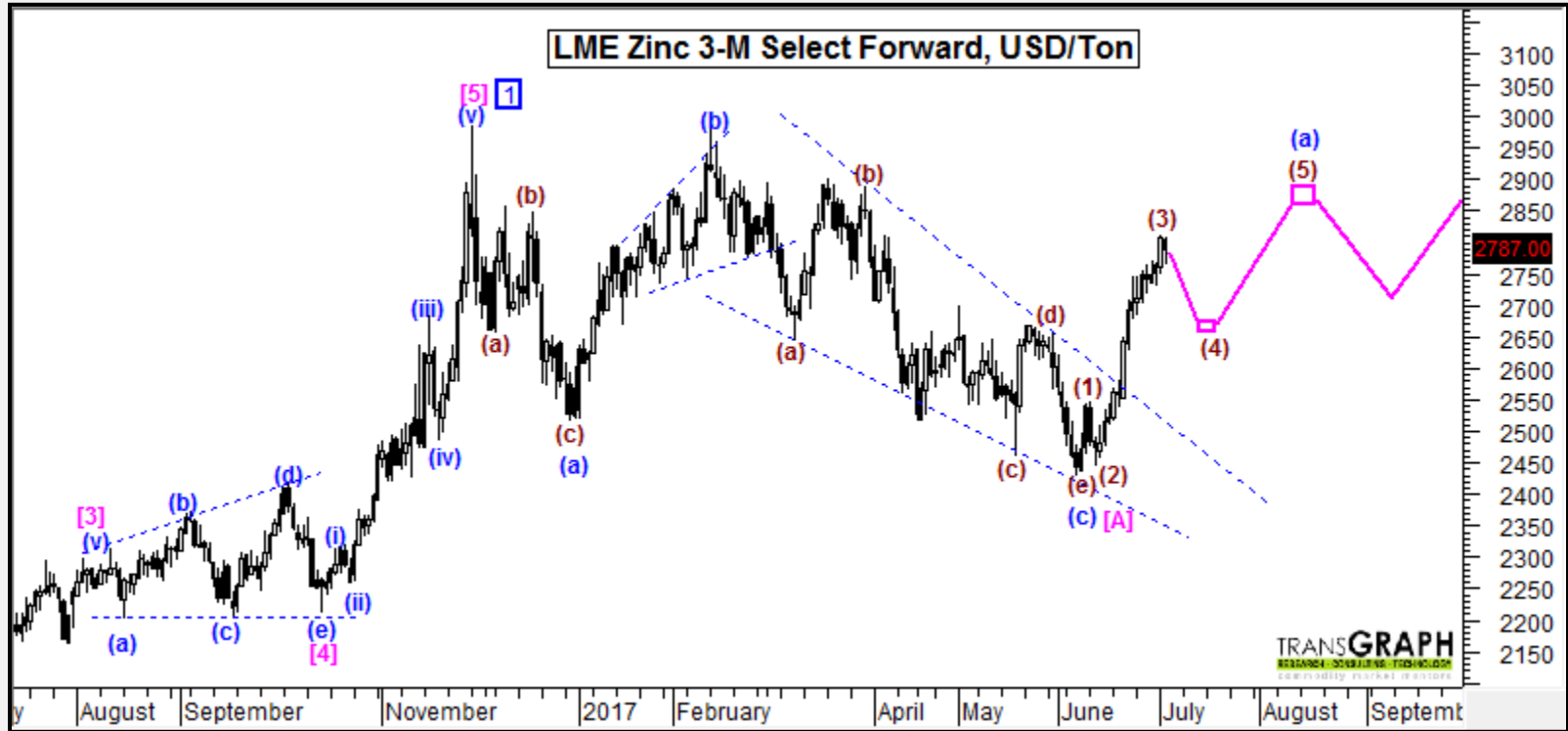
# Lower exchange inventory scenario leading to price rally in June



# Technical Analysis



# LME Zinc SELECT 3 – Month Forward Elliott wave analysis



LME Zinc 3 Month forward prices after placing Intermediate wave “A” at USD 2427 are unfolding in Intermediate Wave “B” since June’17. Prices are unfolding in an impulsive structure within minor wave “a” of Intermediate Wave “B” which is likely to show weakness towards USD 2650/2630 and turn higher towards USD 2900 ahead of turning lower again in coming 2 to 3 months.

# Price outlook summary

Commodity	Last Closing (USD/ton) (as on July 04, 2017)	Price outlook summary for next 2-3 months	
		Range	Direction
LME Zinc 3- month forward	2787	2600 – 2900	Prices are likely to show weakness towards USD 2650/2600 and turn higher towards USD 2900 ahead of turning lower again in coming 2 to 3 month.

*Note: Prices breaching below USD 2550 shall call for further extension of weakness towards prior swing low of USD 2427.*



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