

BONANZA COMMODITY FUNDAMENTAL RESEARCH



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MCX LEAD

CMP : Rs. 179.30

Lead likely to gain on Battery demand and expected deficit market

Lead prices rally towards fresh 3-year high in global benchmark LME as well domestic market MCX during this month, thanks to jump in demand from lead-acid car batteries & freight problem which creates shortages for metals especially at one of the largest consumer US market added by expectations that lead market to lower its surplus this year due to mismatch in demand-supply situation globally.

Lead is found very rarely in the earth's crust as a metal. Galena is the main lead ore. It is usually found in association with zinc, silver, and copper ores. It is one of the most sustainable and recyclable commodities. It can be recycled indefinitely, without loss of its physical or chemical properties. While other battery metals, such as lithium and cobalt, have been in demand for electric vehicles, replacement batteries for vehicles powered by internal combustion engines account for half of global demand in the 12 million tonne lead market.

Below few points indicates Lead likely to be buy on dips at least for couple of months.

Demand Boost :- Demand for Lead jump sharply after reopening of economy from pandemic as U.S. which accounts for 13% of global lead demand, its consumption has been boosted by the end of COVID-19 lockdowns as motorists seek replacements for lead-acid batteries that have failed after long periods without use. Jump in demand added by transport delays has boosted U.S. lead premium over benchmark LME prices to a record high of \$ 375 a tones. It is to be expected that demand for lead for replacement car batteries to rise 5.9% from 2020 to 6.5 mln tones this year, back to pre pandemic level.

Lower Inventory :- Robust demand and resulting shortages have also triggered draws on stocks in warehouses registered with the LME, the world's biggest exchange for visible lead stocks. Those stocks are down more than 40% this year at 72,250 tonnes.

Deficit Year :- In the first four months of the year, the global refined lead market was in a surplus of 19,000 tonnes, compared with 30,000 tonnes in the same period last year, data from the International Zinc and Lead Study Group showed.

Factors may restrict lead Rally at higher levels

New Delta variant of Covid :- As new variant of Corona Virus Delta which spreads more sharply in many countries which force to again restrict economic activity and may lower economic growth as well demand for metals including Lead.

ShFE Stocks :- While parts of the global supply chain are showing signs of stress, extreme in the case of the U.S. market, metal continues to pile up in China. Stocks registered with the Shanghai Futures Exchange (ShFE) have ballooned by 87,000 tonnes since the start of January to 132,842 tonnes.

Apart from above, strong dollar and switch towards electric vehicles also dampen prices at higher level.

LEAD Technical View :-

LME lead Rally towards fresh 3-year high during 1st week of this month, Rally more than 50% from march last year low, consecutive 4-monthly gain till July and gain of 20% till year to date makes Lead as attractive investment metal globally. Since march last year lead daily chart shows higher top higher bottom pattern with price trading above 50 & 200 days SMA and near positive MACD with upward bias in RSI above 50-mark suggest more room for upside in days to come.



Sources – Ticker plant and Bonanza Commodity Research

MCX lead trading near its exchange all time high which was hit on Nov 2016 with higher top higher bottom pattern in daily chart along with price far above 50 & 200 days SMA and positive MACD and upward move in RSI indicates counter is in bull's hand. Since last 2-months price consolidate between tight range of 175 – 182 and either side break-out will resulted in sharp Rally for days to come.

So, for Sep contract, immediate Resistance seen at 181-182, above seen 185-186 belt. Sustain Close above 186 will fly prices towards 202 – 205 range in short to medium term. While on down side Support seen at 177 & 174. Only Sustain fall below 174 dampen party to force price towards 168 – 160 in medium terms.

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