

25 Oct 2024

BULLISH TECHNICAL SETUP

**ZINC M – MCX**  
**CMP : 286.90**  
**(29 Nov 24)**

## **MCX ZINCM near month contract seen LONG CONSOLIDATION AND DOUBLE TOP BREAK OUT IN DAILY CHART**

Zinc is the 4<sup>th</sup> most consumed metals globally which is a fair conductor of heat and electricity and burns with a bright bluish-green flame, giving off zinc oxide fumes. Due to its resistance to non-acidic atmospheric corrosion, zinc plays a vital role in extending the life of buildings, vehicles, ships, and so on. The metal is mainly used as an anti-corrosion agent, and a coat of zinc prevents rusting of galvanized steel. It also finds its use in the automobile, battery, petroleum, paint, fungicide, rubber, and chemical industries and so on.

The main factors to watch while analyse Zinc prices are

- Demand and Supply Scenario
- Global economic health
- China as world largest consumer of many base metals, its economic numbers
- Dollar index movement as well Currency performance of world largest Producer, Consumer, Importer and Exporter
- Exchange warehouse movement especially LME and SHE..... and so on

After a long consolidation between 200 and 280 level between May 23 to June this year price now seen Upper side break out with higher top higher bottom pattern in daily chart as well double top break out recently and also round bottom break out seen from Mid 22 to Oct 24 period. Recently price rally towards its highest level since Feb 23 and backwardation indicates immediate demand outpace supply.

In LME Zinc spot prices seen premium over 3-month contract by more than \$55 which is highest of premium since Sep 22 and sharply turn from discount seen few days ago. The main reason behind this rally attributed by supply disturbance while on demand side some support seen from recent China stimulus offer and that rally prices atleast in short run. While for longer period still demand concern and geopolitical tension as well currency movement will decide price action.

### **Fundamentals likely to support ZINC prices in short term**

- Supply Disturbance - According to Sibanye-Stillwater announcement on Friday, the Century zinc operation in Queensland, Australia, has been suspended due to regional bushfires, and output this quarter is expected to fall short by nearly 9,680 tonnes due to the stoppage, which is likely to last until mid-November. Century produced 76,000 tonnes of zinc last year.

- China Stimulus – very recently China cut CRR and offer lots of Stimulus to revive real estate sector as well economy which turn in more demand for base metals as well Zinc also
- Rate cut by global central bank recently and also projected more rate cut to come in next year supports base metals.
- News of some Ease in geopolitical tension, positive for base metals demand as well prices

### **Fundamentals likely to Restrict ZINC Rally in short term**

- Demand concern due to weak economic data of last few month especially from European countries and also from China, may pressure prices at higher level.
- US election outcome and Dollar index Rally will negative base metals pack as well Zinc also
- Year end activity slowness will also hurt demand for Zinc

However, next clue from US election outcome, FED as well global major central banks to take interest rate decision along with dollar index movement and Geopolitical tension will decide further direction for Base Metals pack as well Zinc in short to medium term.

### **Technically Outlook**

#### **Zinc MINI Daily Chart MCX**



Sources – Ticker Plant and Bonanza Research

ZincM MCX near month contract as seen in above chart fresh swing as well double top break out seen with price to test multi month high. Also price trades above short term as well medium term SMA of 20 & 50 days offer support at every dip in prices. Short term as well medium term trend line channel support prices in past and also act as support level for any correction from here.

RSI 14 period at 57 indicates neither overbought nor oversold position and with increasing slope supports bull view in short term. Other side MACD also above Zero line and histogram in green indicates bull run likely to be continue in near future.

So now Immediate support seen at 274-275 area and strong support seen at 272 and 262 zone, as long hold buy on dips could be an Investment strategy with in medium term price likely to test its previous swing high around 300-305 belt and Sustain above towards 335-340 levels. However scenario turn bearish with any Sustain below 274 immediately and in longer term close below 262 which again force prices towards 242-235 zone.

Support for ZINC MINI MCX 29 Nov seen at 282 – 274 and Resistance at 301 - 306

### **Technical Research Analyst**

Vibhu Ratandhara

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M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate. Walbhat Road,  
Goregaon (E), Mumbai – 400063 Web site: <https://www.bonanzaonline.com>

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| CDSL: a) 120 33500 |

NSDL: a) IN 301477 | b) IN 301688 (Delhi) | PMS: INP 000000985 | AMFI: ARN -0186