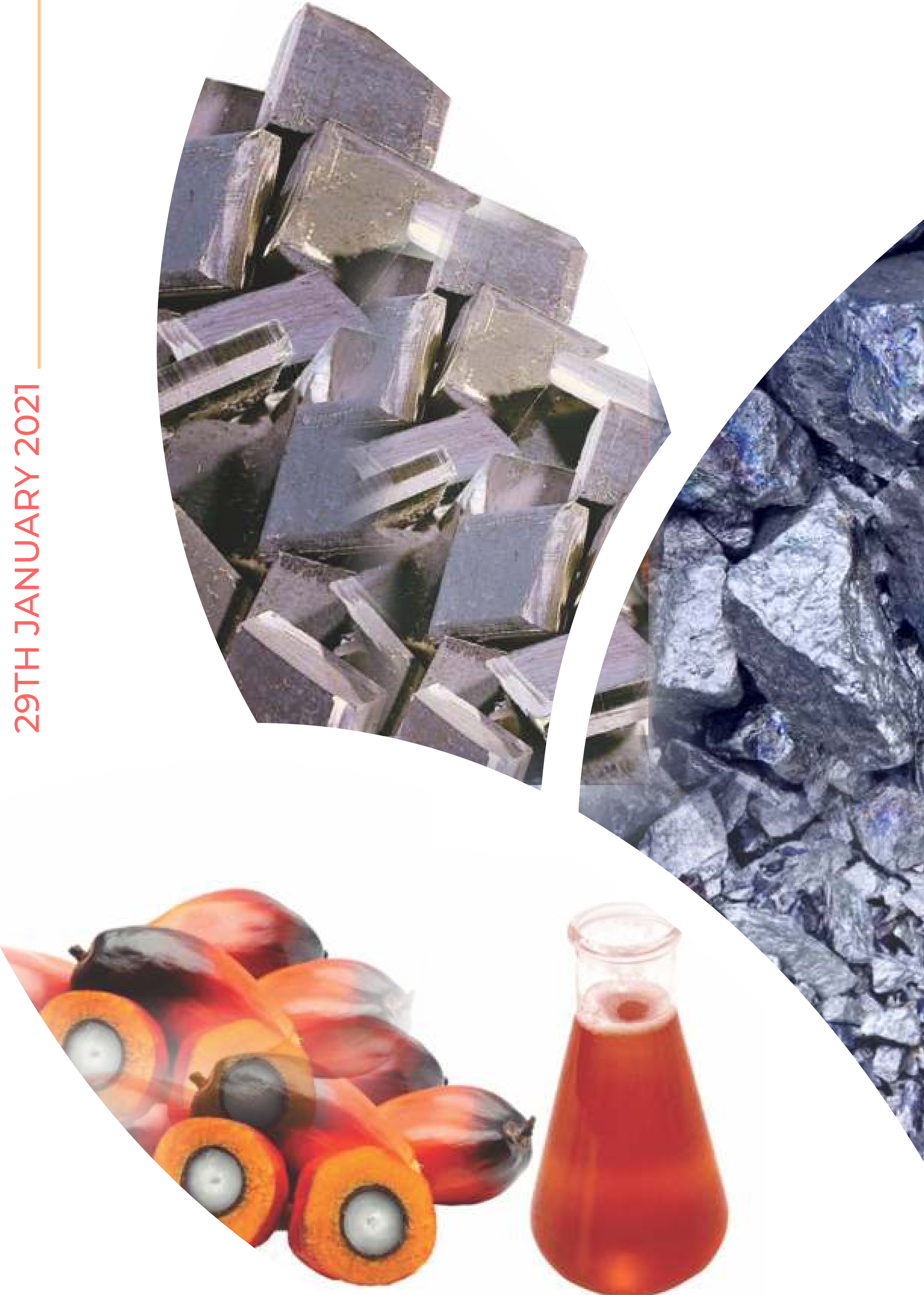
COMMODITY INSIGHT

29TH JANUARY 2021

Choice

NICKEL & CPO



NICKEL

News & Development

LME and MCX Nickel futures initially traded higher and later witnessed decline during the month of January so far, as demand has once again witnessed decline in China and other Asian countries. This has also reduced the raw material/output demand in the manufacturing sectors from Philippines and Indonesia for its electronic vehicles car manufacturing sector. Moreover, the demand from the western countries has been relatively sluggish in the past two weeks with reports of rise in covid-19 cases that has brought another round of lockdowns along the on-going Christmas holiday season. By 28th January, MCX Nickel prices inclined by 7.01% closing at Rs.1297/kg.

For the month ahead, we are expecting LME and MCX Nickel futures to witness downtrend with reports of lower demand from the battery sector in Europe. Rising covid-19 worries in the European Union , China and United States is expected to weaken the demand for Cobalt, Lithium and Nickel. Moreover, rising US Dollar Index has made the imports of raw material imports more expensive eventually weakening the demand for base metals in the global markets. Upcoming spring season in China is also expected to lower the demand for Nickel in the industrial sector during the month of February. Peak winter season in United States is also another factor that could cap any major upside movement in global nickel prices. On-going strain virus issues in United Kingdom is also expected to bring pressure in global base metal markets. Japan's economy is also likely to witness another wave of recession and situation has not yet normalized, with local people reducing the retail demand and emphasising on higher saving. However, extreme bearishness can be capped in MCX Nickel futures due to easing lockdown situation in India and huge demand for iron ore and steel in various industries.

On the daily chart, MCX Nickel (Feb) has been trading below its **"Parabolic SAR"**, which confirms weakness in the counter. Moreover, price has closed below its **20 Days "Simple Moving Average"** which can act as a strong resistance in the near term. Also, momentum indicator **RSI (14)** has sustained below its 50 level, which confirms negative momentum. Additionally, **Super Trend (7,1)** has given a sell signal which confirms bearish influence in the counter. Also, momentum indicator **Stochastic (6)** is in a sell signal which signals control in the hands of the bears. **So, based on the above technical structure one can initiate a short position in MCX Nickel (Feb) future at CMP 1290 or a rise in the prices till 1292 levels can be used as a selling opportunity for the downside target of 1230. However, the bearish view will be negated if MCX Nickel (Feb) closes above the resistance of 1320.**

CPO

News & Development

MCX CPO prices had traded lower during month of January month so far, as there had been decreased buying in the domestic market for vegetable oils including Mustard and Refined Soy Oil. Stronger rupee with respect to dollar had led to support higher imports of vegetable oil. According to Solvent Extractors Association (SEA), CPO Imports rose by 24.59% in Dec'20 to 7.70 lakh tons from 6.18 lakh tons in Nov'20. Similarly, imports in Crude Palm Oil for the year (November 2019-October 2020) were reported higher by 2.02% at 66.66 lakh tons compared to 65.34 lakh tons in corresponding period last year. Moreover, the Government of Malaysia has raised the export duties of Crude Palm Oil from 5.5% to 8% which had dampened the global demand. By 28th January, MCX CPO futures closed at Rs.960.3/kg, lower by 1.79% compared to Rs.977.8/kg reported on 31st December.

Fundamentally for the coming month, we expect MCX CPO futures to be bearish as the Government of Indonesia will charge an export duty of USD 93 per ton on crude palm oil for February, up from $74/Ton tax in January. Moreover, domestic markets which was witnessing higher supplies as domestic market after the duty reduction by the government of India. Elsewhere, the global demand for Palm Oil has shown decline amid falling exports by 24% from Malaysia in the January month so far as compared to the exports of 1,624,692 tonnes. As per MPOB data, CPO production has been reported at 19,136,929 tonnes for Jan-Dec'20, lower compared to 19,858,367 tonnes reported in Jan-Dec'19. Correspondingly, production for the month of Dec'20 in the said country has been reported at 1,333,637 tonnes, similar compared to 1,333,094 tonnes of the corresponding period of the proceeding year. Rising US Dollar index could also dampen demand from China and Europe. Overall, we expect bearish trend in MCX Crude Palm Oil prices for the coming month.

On the daily timeframe, MCX CPO (Feb) gave a breakdown of its **"Upward Sloping Trend Line"** which will act as a strong resistance in the near term. Moreover, price is trading near its **61.8% "Fibonacci Retracement Level"** which can create pressure in the counter for the days to come. Furthermore, **MACD (9,11,25)** has given a sell signal, which indicates bearish control. Also, **ADX line** has been falling, which confirms that the rally didn't have strength. **So, based on the above technical structure one can initiate a short position in MCX CPO (Feb) future at around 980 and up to 983 levels for the downside target of 930. However, the bearish view will be negated if MCX CPO (Feb) closes above the resistance of 1010.**

Choice

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Commodity	LTP	Wow (%)	MoM (%)	Open Interest (weekly change)
LME Nickel ($/tonne)	17590	-3.35	6.04	1320
MCX Nickel (Rs./kg)	1288.8	-1.26	7.01	3650
MCX CPO (Rs/kg)	969.4	-4.98	1.79	2345

Research Team

Mr. Sumeet Bagadia : Executive Director

Sunand Subramaniam
Sr. Research Associate

Sachin Gupta
Sr. Research Associate

Ian Gonsalves
Research Associate

Diksha Mhatre
Research Advisor

Sunandh Subramaniam