

# COMMODITY INSIGHT

8TH JUNE 2021



## ZINC & RM SEED



## News & Development

Global Zinc futures traded bullish in the month of May owing to rising industrial demand in the European Union, China and United States. Although there were some hiccups in the second half of May due to global rise in covid-19 cases; especially in the Asian countries and China's price control, but then prices remained steady due to easing bond yields and falling dollar index. Improved economic data in the western countries and short term scrap buying in the China's base metal markets especially steel sector has improved the sentiments for incline in production during the coming months. This has dramatically strengthened on all base metal prices trading in MCX and LME exchange.

Fundamentally for the month ahead, we expect Global and MCX Zinc futures to trade bullish after the reports of recovering economic data in the Asian markets and United States. This is expected to increase the demand in the international markets as mining work and refined metal production is expected to rise. Moreover, the US Dollar Index could find further weakness that can increase Zinc imports in the global markets. Furthermore, European countries are slowly opening up from the lockdown situation with Indian market facing easing second phase of covid-19 situation. As per ILZSG, global zinc metal production for Mar'21 is reported to have risen to 1159.5 thousand tonnes, higher compared to 1143.4 thousand tonnes of the preceding month. In the case of metal usage of Zinc, it has been reported to be higher at 1157.4 thousand tonnes for Mar'21, compared with 1162.9 thousand tonnes reported during Feb'21. Although earlier months have forecasted decline in production with the fall in demand/usage of metals and ores. But then, we are also forecasting demand to remain strong especially in China and other Asian countries with positive economic reports. Expectancy for higher demand of steel for E-Vehicles to support prices as well.



On a weekly chart, MCX Zinc (June) future has been rising continuously in the **Bullish Channel** from the last couple of weeks. In addition, the price has also taken support of prior supply which indicates positive strength in the near future. Moreover, the price has also been trading above the 21 **Exponential Moving Averages & Ichimoku Cloud**, which suggests bullish strength. Furthermore, an oscillator Stochastic RSI suggested positive crossover, which is again an upside confirmation. In addition, on the daily chart, the price has also taken support of the 21 Exponential Moving Averages with **Hammer** candlesticks, which confirms the continued bullish trend. **Hence, based on the above-mentioned technical structure, one can initiate a long position in MCX Zinc (June) future at CMP 236 or a fall in the price till 234 levels; can be used as a buying opportunity for the upside target of 250. However, the bullish view will be negated if MCX Zinc (June) future closes below the support level of 228.**



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NCDEX Mustard Seed Future price initially traded higher during the month of May owing to reports of higher exports of mustard oil and rapeseed meal in the global markets. However worries of rising covid-19 cases in the Asian Countries during the second half of the last month; brought down the prices with slump domestic market. Price correction by China due to extremely high prices in agriculture and non agriculture sectors has weighed on the RM Seed prices as well. In the first week of June, prices continued to remain lower with sluggish demand for rabi crops in the domestic market. By 7th June, NCDEX Mustard Futures has closed higher by 4.11% at Rs.7145/quintal compared to Rs.6863/quintal reported on 30th April.

For the month ahead, we are expecting NCDEX Mustard seed futures to trade bearish with the estimating of continued lower demand for Mustard Seed in the Kharif sowing season. Domestic arrivals are picking up pace as various mandis in Rajasthan, Haryana and Madhya Pradesh including the main Jaipur Mandi has reopened due to easing covid-19 cases all India. But then, various states are likely to maintain night curfew, weekend lockdown in order to curb the covid-19 cases spike until the end of June month. Lower demand for premium Mustard oil amid falling buying in China and lower exports of vegetable oil; i.e. Crude Palm Oil from Malaysia and Indonesia is expected to add pressure in RM Seed Futures. Currently the RM Seed future prices are trading in the range of Rs.7000-7100 levels, while the spot price at Jaipur Mandi is around at Rs.7200-7300 levels, which far above the MSP of Rs.4650/quintal for the year 2020-21. Sluggish overseas demand in rapeseed-meal for the month ahead could also weigh on the prices, although prices are likely to bounce back from the lower levels in the longer duration; especially during the festive season of India.



On the daily chart, after a long bullish rally, the NCDEX Mustard Seed (July) prices witnessed some correction from the higher levels, and it formed a **Bearish Flag** pattern which indicates a bearish reversal in the counter for the medium term. In addition, the price has also settled below the middle **Bollinger Band**, which also supports the bearish momentum. Moreover, the trend indicator **Parabolic SAR** is also indicating a bearish trend. Furthermore, on a weekly chart, the price has also formed the **Evening Star** candlestick, which points out a negative trend for the near future. **Hence, based on the above-mentioned technical structure, one can initiate a short position in NCDEX Mustard seed (July) future at CMP 7090 or a rise in the price till 7200 levels; can be used as a selling opportunity for the downside target of 6350. However, the bearish view will be negated if NCDEX Mustard seed (July) future closes above the resistance level of 7500.**

## Commodity Insight

Commodity	LTP	Wow (%)	MoM (%)	Open Interest (weekly change)
LME Zinc (\$/tonne)	3016	-1.53	3.25	2015
Shanghai Zinc 2(\$/tonne)	22550	-1.65	3.61	22490
MCX Zinc (Rs./kg)	237.7	-1.25	0.01	2415
NCDEX RM Seed (Rs./quintal)	7119	0.89	4.11	15200

### Seasonality Chart

Commodity	Country	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
RM SEED	India	Red	Red	Red	Green	Green	Green				Blue	Blue	Blue
	EU 27	Red	Red	Red	Green	Green	Green	Blue	Blue	Blue	Blue		
	Canada			Blue	Blue	Red	Red	Red	Green	Green			
	China	Red	Red	Green	Green						Blue	Blue	Blue
	Sowing												
	Growth												
	Harvesting/Arrival												

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