

COMMODITY INSIGHT

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LEAD & CHANA



News & Development

MCX Lead futures initially traded bullish during the April month owing to rising demand in the Asian countries especially China. Exports in dollar terms surged 32.3% from a year earlier to \$263.92 billion, China's General Administration of Customs said recently, beating analysts' forecast of 24.1% and the 30.6% growth reported in March. China's export growth again surprised on the upside," said recently Zhiwei Zhang, chief economist at Pinpoint Asset Management, adding that two factors, the booming U.S. economy and the COVID-19 crisis in India, causing some orders to shift to China; likely contributed to the strong export growth. By 6th May, MCX Lead prices closed at Rs.175.5/kg, higher by 6.72% compared to closing of Rs.164.45/kg reported on 31st March.

Looking forward for the coming month, we expect MCX Lead futures to trade bullish as the Chinese, U.S. and Japanese PMI Manufacturing Data has been reported to positive recently, which is expected to bring huge boost for the industrial sector. China extended its impressive trade performance in April, with exports unexpectedly accelerating and import growth hitting a decade high, in a boost to the world's second-largest economy. A brisk U.S. economic recovery and stalled factory production in other countries hit by coronavirus have propped up demand for goods made in China. As per International Lead and Zinc study Group (ILZSG), global refined lead production for the month of Feb'21 has reported at 940.4 thousand metric tonnes(MT), lower by 5.31% compared to previous month's production of 993.2 thousand metric tonnes. On the other hand, metal usage during Feb'21 has been reported at 933 thousand tonnes, lower by 6.47% compared to previous month's usage of 997.6 thousand tonnes. Mining activities in South America is reported to be lower in the coming months with rising Covid-19 cases especially in Chile, Peru, Mexico countries. Hence, we expect bullish trend in MCX Lead futures for the month ahead.



On a weekly chart, MCX Lead (May) future has been rising continuously in bullish channel with **Higher Highs and Higher Lows** formation from last couple of weeks. In addition, the Price has also taken support at **21 Exponential Moving Average** which indicates a bullish reversal in the counter for the near term. Moreover, on four hourly charts it has formed Cup and Handle pattern with larger volume which supports the bullish trend. An oscillator **Stochastic RSI** also suggested positive crossover. **So based on above technical structure one can initiate a long position in MCX Lead (May) future around 172 level or a fall in the price till 170 levels can be used as buying opportunity for the upside target of 185. However, the bullish view will be negated if MCX Lead (May) future close below the support level of 165.**

CHANA



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NCDEX Chana Future prices had traded bullish during the April month, closing at Rs.5464/quintal by 6th May. It is higher by 7.47% compared to Rs.5084/quintal reported on 31st March. Reports of delayed harvesting had lifted up the prices even with Government of India forecasting this year 2020-21 production at 110-112 lakh tonnes similar to last year. However, extreme bullishness was capped with the increasing fear of complete lockdown, weak demand for gram flour, daal and the forecast of good rainfall in the coming months ahead with next IMD forecasts to be witnessed on 15th May.

Fundamentally for the month ahead, NCDEX Chana futures is estimated to witness sideways trend as NAFED is expected to continue to procure huge amount of crops from farmers in Gujarat, Haryana, Maharashtra, Rajasthan and Karnataka. They may require the same amid dire consequences of lockdown as the second wave may be extended longer or fear of the third wave in India. However, the closure of major markets due to the increasing cases of COVID-19, the ongoing shortage of laborers, and disruptions in transport movement has slowed down the normal course of trades. The extended phase of the ongoing lockdown in states like Maharashtra, Karnataka, Madhya Pradesh, Delhi and, the partial lockdown in Uttar Pradesh, Rajasthan have disrupted the normal trading activities of Tur as well. The demand is Chana weak in Delhi market while arrivals also have come down. Mills are not buying Chana in bulk volume as uncertainty over lockdown continues. The buyers and sellers both are in the indecision phase. Mills are not buying as the demand has decreased from the wholesale markets. The uncertainty still prevails in the market. With supply tightness and lower demand NCDEX Chana Futures is expected to remain sideways. However, future prices could rise in case the Government of India decides to provide 1 kg of pulses to the poor people of India; similar to last's covid wave.



On a weekly chart, NCDEX Chana (June) future has been trading in sideways to bullish channel from last few week. However, it has reversed from upper trend line with **Bearish Harami** candlesticks which confirm further reversal in the counter. In addition, an oscillator **Stochastic RSI** is supportive for short position with negative cross over. Furthermore, the RSI indicator has also indicated negative divergence against the price action. Moreover, on a four hourly chart it has formed **Bearish Flag pattern**, which also supportive to reversal from upside. **Hence, based on the above technical structure, one can initiate a Short position in NCDEX Chana (June) future at CMP 5430 level or a rise in the price till 5600, can be used as selling opportunity for the downside target of 4700. However, the bearish view will be negated if NCDEX Chana (June) closes above the resistance level of 5900.**

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Commodity	LTP	Wow (%)	MoM (%)	Open Interest (weekly change)
LME Lead (\$/tonne)	2224	3.77	12.57	4890
Shanghai Lead (\$/tonne)	15690	3.94	2.71	16500
MCX Lead (Rs./kg)	175	3.96	6.72	1230
NCDEX Chana (Rs./quintal)	5443	2.75	7.74	4300

Seasonality Chart

Commodity	Country	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
Chana	India	Red	Red	Green	Green						Blue	Blue	Red
	Turkey			Blue	Blue	Red	Red	Green	Green				
	Pakistan	Red	Red	Green	Green						Blue	Blue	Red
	Australia					Blue	Blue	Red	Red	Red	Red	Green	Green
	Canada				Blue	Blue	Red	Red	Red	Red	Green	Green	
	Sowing												
	Growth												
	Harvesting/Arrival												

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