

# COMMODITY INSIGHT

11TH MAY 2021



## ZINC & RM SEED



## News & Development

Global Zinc futures initially traded bullish in the month of April owing to rising industrial demand in the European Union, China and United States. Moreover, prices in the second half of April and first week of March rose due to easing bond yields, falling dollar index, improved economic data in the global market and short term scrap buying in the China's base metal markets especially steel sector which would possibly witness incline in production during the coming months. This has sentimentally 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. However, European countries haven't fully opened up from the lockdown situation with Indian market facing second phase of covid-19 situation. As per ILZSG, global zinc metal production for Feb'21 is reported to have fallen to 1149.1 thousand tonnes, lower compared to 1181.2 thousand tonnes of the preceding month. In the case of metal usage of Zinc, it has been reported to be lower at 1083.7 thousand tonnes for Feb'21, compared with 1162.9 thousand tonnes reported during Jan'21. Although earlier months have forecasted decline in production with the decline 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 U.S. Recently, Barclays has reduced its Financial Year 2021-22 growth forecast for India to 10% from 11.5% estimated earlier in January, with the resurgent Covid spread that threatens to undermine the country's economic recovery.



On the daily chart, MCX ZINC (May) future has been rising continuously in **Rising Wedge** formation from last couple of weeks. However, the price has faced immediate hurdle of prior supply zone which indicates a bearish reversal in the counter for the near term. In addition, **Bearish Engulfing** candlesticks has also formed on the four hourly chart which confirms bearish trend in the near future. Moreover, the trend indicator MACD also indicated short position with negative crossover. Furthermore, the RSI (14) indicator also suggested **Negative Divergence** against the price action. **Hence, based on above technical structure, one can initiate a short position in MCX Zinc (May) future at CMP 237.50 level or a rise in the price till 239 levels can be used as selling opportunity for the downside target of 223. However, the bearish view will be negated if MCX Zinc (May) future close above the resistance level of 244.**

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NCDEX Mustard Seed Future price had traded higher during the month of April owing to reports of higher exports of mustard oil and rapeseed meal in the global markets. Moreover worries of supply concerns in vegetable oil market brought up mustard seed prices in the second half of the last month as there were reports of crop damage in Madhya Pradesh and Rajasthan. Lower stock reports due to lesser production last year also supported RM Seed prices in the said period. By 10th May, NCDEX Mustard Futures has closed higher by 31.27% at Rs.7506/quintal compared to Rs.5718/quintal reported on 31st March.

For the month ahead, we are expecting NCDEX Mustard seed futures to trade bullish as we are estimating higher demand for Mustard Seed this year compared to the previous year. Recently, Cargill, one of top global buyer has indicated that Agro commodities are moving towards a mini-super cycle. Domestic arrivals are near negligible as various mandis in Rajasthan, Haryana and Madhya Pradesh including the main Jaipur Mandi is shut due to rising covid-19 cases all India. Various states are likely to maintain night curfew, weekend lockdown in order to curb the covid-19 cases spikes until the end of May month. Higher demand for premium Mustard oil amid rising exports to China has also supported the prices. Currently the future prices are in the range of Rs.7500-7600 levels while the spot price at Jaipur Mandi is trading at Rs.7600-7700 levels, which indicated greater buying in the futures market over spot. Moreover spot and future prices currently soaring higher than the MSP of Rs.4650/quintal for the year 2020-21, indicating higher demand in India and at the global front. However, robust overseas demand in rapeseed-meal and improved mustard oil buying post COVID will remain positive for the seed prices in medium-term (3-4 months ahead).



On the daily chart, NCDEX RM Seed (June) future has been rising continuously in **bullish trend** from last couple of weeks. In addition, the price has also sustained above prior resistance zone after the breakout which indicate positive strength in the near future. Moreover, the trend indicator **Parabolic SAR** & an oscillator **Stochastic RSI** also supportive for the long position with positive crossover. Furthermore, the **RSI indicator** has also sustained above 50 which indicate bullish strength in near term. **So based on the above technical structure, one can initiate a long position in NCDEX RM Seed (June) future at CMP 7519 level or a fall in the price till 7450 levels can be used as buying opportunity for the upside target of 7990. However, the bullish view will be negated if NCDEX RM Seed (June) closes below the support level of 7250.**

## Commodity Insight

Commodity	LTP	Wow (%)	MoM (%)	Open Interest (weekly change)
LME Zinc (\$/tonne)	3030	2.61	7.98	2150
Shanghai Zinc 2(\$/tonne)	15660	3.74	2.35	16590
MCX Zinc (Rs./kg)	237.7	1.21	8.04	1460
NCDEX RM Seed (Rs./quintal)	7526	7.02	31.27	18600

### 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												

### Research Team

**Mr. Sumeet Bagadia** : Executive Director

**Sunand Subramaniam**  
Sr. Research Associate

**Sachin Gupta**  
Sr. Research Associate

**Diksha Mhatre**  
Research Advisor

**Vishal Singh**  
Research Advisor

Sunandh Subramaniam

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