
Supply concern pushed Aluminium prices to a Multi-year high
Strength in the dollar to keep oil prices under check

SUPPLY CONCERN PUSHED ALUMINIUM PRICES TO A MULTI-YEAR HIGH

- Supply concerns in China pushed Aluminium prices on SHFE to a 9-1/2-year high and are trading at a multi-month high on the LME. LME 3M contract is currently trading near \$2,215 per mt which is the highest level since November 2018 and also up nearly 55% from April'20 low of \$1,426.50 per mt.
- An aluminium hub in China ordered power cuts and output curbs which is likely to reduce production. The Chinese city of Baotou ordered some shutdowns in a bid to meet its energy consumption targets for the first quarter. CRU intelligence report suggests that it is likely to reduce annual production by 100,000-mt.
- However, as per official data from the National Bureau of Statistics (NBS), China's aluminium production rose 8.4% in the first two months of 2021 compared with the same period last year. Primary aluminium output in China, the world's biggest aluminium producer, was 6.45 million mt in January and February combined.
- On the inventory front, Aluminium inventory on SHFE now stands at 160,250 mt which has declined by 111,188 mt in past one year. However, LME warehouse inventory now stands at 1,916,725 mt and which has increased by 929,550 mt in the last one year. Aluminium inventories on LME warehouses were hovering around their highest since March 2017.

Outlook

- Supply concerns are likely to keep Aluminium prices higher. LME 3 Month contract is likely to find a strong support base around 20 days EMA at \$2,150 and 50 days EMA at \$2,092 while immediate resistance level is seen near \$2,279.

STRENGTH IN THE DOLLAR TO KEEP OIL PRICES UNDER CHECK

- Crude oil prices are trading moderately lower from the last two trading sessions following strength in the dollar index. WTI Crude oil is trading near \$64.69 per barrel which is marginally lower from the recent high of \$67.98 per barrel registered on March 8.
- On the economic data front, The U.S. March Empire manufacturing index rose +5.3 to an 8-month high of 17.4, against expectations of 15.0. Also, China's Feb industrial production rose +35.1% year-to-date y/y, against expectations of +32.2% year-to-date y/y. In addition, China's Feb retail sales rose +33.8% year-to-date y/y, against expectations of +32.0%. Positive economic data are likely to provide support to energy demand and supportive of crude oil prices however on the negative side, Japan Jan's core machine orders fell -4.5% m/m, its biggest decline in 7 months.
- Bloomberg data showed that China's Jan-Feb crude demand rose +16.8% y/y to 13.326 million BPD, which is supportive oil prices.

- Meanwhile, EIA data showed last week that US crude oil inventories as of March 5 were +6.0% above the seasonal 5-year average, gasoline inventories were -6.2% below the 5-year average, and distillate inventories were -4.2% below the 5-year average. The market will get fresh direction from the weekly inventory report which will be released later tomorrow.
- US crude oil production in the week ended March 5 rose 9.0% w/w to 10.9 million BPD and is down by -2.2 million BPD (-16.8%) from the Feb-2020 record-high of 13.1 million BPD.
- According to the CFTC Commitments of Traders report for the week ended March 9, net long for crude oil futures increased by 18,419 contracts to 537,438 for the week. Speculative long position added by 4,279 contracts, while shorts dropped by 14,140 contracts.
- Baker Hughes reported that active U.S. oil rigs fell by -1 rig in the week ended March 12 to 309 rigs.

Outlook

- Crude oil prices are facing stiff resistance around \$67.58-68.76 per barrel while immediate support level is seen around 20 days EMA at \$63.08 per barrel and 50 days EMA at \$58.69 per barrel

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