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Weekly Base Metals Insights

16th Nov to 20th Nov

Bluglance Consulting Pvt. Ltd.

Commodity Market Intelligence



Last Week at a Glance

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Aluminium

Down 2.05% WoW, Close Price $3,010/MT; LME stocks fell to 224,150t; Cash-3M backwardation widened to $176/t on concentrated warrant positions; Chinese social inventories declined to ~489,000t; processor operating rates dipped to 61.8%.

Copper

Down 2.59% WoW, Close Price $13,399/MT; corrected 10.3% from $14,875 peak; fund net longs cut 63.2% since Aug; Chinese inventories at ~60,000t vs 200,000t YoY; $13,200 key support level.

Lead

Up 0.40% WoW, Close Price $1,894/MT; LME stocks fell 20,650t to 283,350t; SHFE stocks declined to 9,464t; Cash-3M contango at -$30/t; battery demand subdued amid seasonal weakness.

Zinc

Down 0.23% WoW, Close Price $3,710/MT; LME stocks at 142,625t; SHFE stocks declined to 120,166t; concentrate TCs still negative at -RMB 2,350/t; galvanising rates fell to 53.08%; Cash-3M backwardation at ~$40/t.

Nickel

Down 2.44% WoW, Close Price $15,985/MT; Indonesian RKAB cuts and DSI export framework supportive but unconfirmed; LME inventories rose to 272,724t; contango widened to $196/t; stainless steel procurement cautious.

Key Events

FOMC Minutes (Thu) is the week's biggest event after hawkish CPI of 0.4% vs 0.3%. China Retail Sales (Mon) survey 0.80% vs prior 1.10% key for demand outlook. US Retail Sales (Tue) survey 0.20% vs prior 0.80%. Thursday most critical for dollar and metals direction.

Economic Calendar

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16th Nov to 20th Nov

Monday, 16th Nov

07:30 | China Retail Sales YoY (Oct) – Survey: 0.80% | Prior: 1.10%
07:30 | China Industrial Production YoY (Oct) – Survey: 5.30% | Prior: 5.50%
12:00 | India WPI Inflation YoY (Oct) – Survey: 12.10% | Prior: 11.39%

Tuesday, 17th Nov

19:00 | US Retail Sales Advance MoM (Oct) – Survey: 0.20% | Prior: 0.80%
19:45 | US Industrial Production MoM (Oct) – Survey: 0.10% | Prior: 0.70%

Wednesday, 18th Nov

12:30 | UK CPI YoY (Oct) – Survey: 3.60% | Prior: 3.50%
15:30 | EC CPI YoY (Oct F) – Survey: 4.00% | Prior: 4.00%

Thursday, 19th Nov

19:00 | US Philadelphia Fed Business Outlook (Nov) – Survey: 21.5 | Prior: 20.9
19:00 | US Initial Jobless Claims (14-Nov) – Survey: 198K | Prior: 200K
00:30 | US FOMC Meeting Minutes (28-Oct) – **KEY EVENT OF THE WEEK**

Friday, 20th Nov

06:30 | China 1-Year Loan Prime Rate (20-Nov) – Survey: 3.00% | Prior: 3.00%
06:30 | China 5-Year Loan Prime Rate (20-Nov) – Survey: 3.50% | Prior: 3.50%
20:30 | US U. of Mich. Sentiment (Nov F) – Survey: 52 | Prior: 51

LME Base Metals: Cash-3m Spread Snapshot

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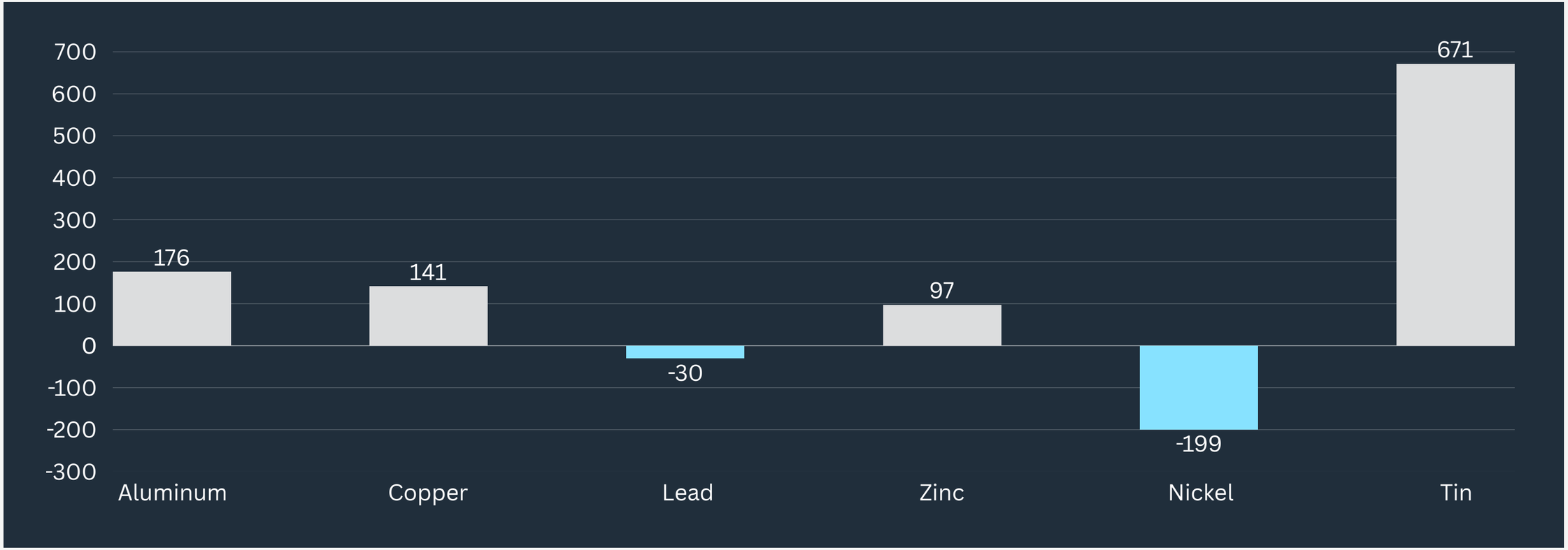

Source: Bloomberg, 3 Month Forward price of LME

(-) number denotes Contango and (+) Backwardation

Note: Four of six base metals remain in backwardation, led by Aluminium ($176) and Zinc ($97), both widening sharply WoW. Copper backwardation narrowed from $187 to $141. Tin surged to $671 from $46. Lead (-$30) and Nickel (-$199) remain in contango, reflecting comfortable prompt supply and subdued downstream demand.

Performance Snapshot: All Metals

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Asset	Nov 13, 2026	Nov 6, 2026	WoW %	YTD %
Dollar Index (DXY)	103.4	102.28	1.10%	5.22
Copper	13,399	13,755.50	-2.59%	7.34
Aluminium	3,010	3073	-2.05%	0.43
Lead	1,894	1886.5	0.40%	-5.56
Zinc	3,710	3718.5	-0.23%	18.68
Nickel	15,985	16385	-2.44%	-4.57

LME Weekly Market Range (16th Nov to 20th Nov)

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Asset	Weekly Closing (USD)	Expected Weekly Range (USD)	Directional View
Dollar Index (DXY)	103.4	102.30–103.80	Sideways (correction risk near upper end)
Copper	13,399	13,000–13,750	Short covering/recovery likely from 13,200; downside risk increases below 13,200 to 13,000
Aluminium	3,010	2,960–3,065	Bearish
Lead	1,894	1,875–1,915	Sideways
Zinc	3,710	3,650–3,790	Sideways to marginally bearish
Nickel	15,985	15,700–16,400	Bullish

Aluminum

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Third Wednesday in Focus: Prompt Physical Tightness Contrasts with Weak Forward Buying Interest

The aluminium market enters the week of November 16–20 with the LME third-Wednesday prompt date on November 18 emerging as the key event risk. The prevailing market structure reflects a divergence between immediate physical demand and forward buying interest. While prompt availability remains relatively tight, deferred buying commitments have moderated, as reflected in elevated cash-to-three-month backwardation despite the correction in outright prices.

LME three-month aluminium closed at approximately $3,010/MT, declining 1.74% week-on-week, while SHFE aluminium settled at RMB 22,935/MT, lower by 2.28%. MCX aluminium closed at ₹327.60/kg, declining 0.84%. The relatively smaller correction in the domestic market reflects the cushioning effect of rupee depreciation, which partially offset international price weakness.

Forward Structure and Third-Wednesday Settlement: The most significant development remains the widening divergence between LME cash and three-month prices. On November 13, cash-to-three-month backwardation widened to approximately $176/MT, approaching recent highs and indicating persistent tightness in immediate physical availability. This suggests that procurement interest remains concentrated in prompt metal, while willingness to commit to deferred purchases is relatively subdued.

Source: SMM, Bloomberg & Bluglance Consulting Research

The November 18 third-Wednesday settlement warrants close attention amid concentrated warrant positions and potential position rollovers. Reuters reported that one entity held approximately 30–39% of LME aluminium warrants, highlighting the concentration of deliverable metal and associated settlement-related volatility. Any unwinding of concentrated positions or improvement in warrant availability could moderate nearby backwardation, potentially exposing outright prices to additional selling pressure. Conversely, continued tightness in deliverable metal could sustain prompt premiums.

Inventory Dynamics and Chinese Demand: LME aluminium inventories declined to 224,150 MT on November 13, compared with 240,625 MT at the beginning of October, representing a reduction of approximately 6.85%. MCX warehouse inventories remain exceptionally low at around 135 MT, while SHFE deliverable inventories have declined further to approximately 128,673 MT.

In China, broader social inventory assessment stood at approximately 489,000 MT on November 12, declining 18,000 MT from Monday and 32,000 MT from the previous Thursday. . Nevertheless, continued drawdowns indicate relatively tight immediate availability across major trading centres.However, downstream demand indicators are becoming less supportive. SMM's November 13 survey placed the operating rate of leading Chinese aluminium processors at 61.8%, down 0.2 percentage points week-on-week.

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Environmental restrictions in Henan and Shandong, transport controls and seasonal weakness have weighed on manufacturing activity. Wire and cable demand remains relatively resilient, supported by infrastructure consumption. Overall, procurement remains selective, with manufacturers prioritising immediate requirements rather than aggressive inventory accumulation.

Global Supply and Indian Market: Expanding Indonesian smelting capacity remains a medium-term moderating factor for international prices. Additional production could improve ex-China availability, although commissioning schedules and progress towards LME delivery-brand registration will determine the pace of incremental exchange-deliverable supply.

In the Middle East, Emirates Global Aluminium's Al Taweelah alumina refinery has recovered to approximately 70% of capacity, while its associated smelter is operating at around 61% of its 1.5-million-tonne annual capacity. Full smelter production is targeted for the first quarter of 2027.

In India, MCX futures trade marginally above the landed import-equivalent value, with the futures-to-LME cash import parity indicating a spread of approximately $10/MT after incorporating the Japanese premium. Current arbitrage economics therefore do not indicate an attractive opportunity to import aluminium against LME cash. The domestic near-month to next-month backwardation of approximately ₹2.15/kg indicates a continuing premium for immediate procurement. Rupee depreciation could further increase landed replacement costs and provide intermittent support to domestic prices.

Global Economic Events and Macro Factors: The coming week will feature US Retail Sales, Eurozone CPI, FOMC Meeting Minutes, the Philadelphia Fed Manufacturing Index and US Initial Jobless Claims. These releases will provide fresh insights into economic momentum, inflation and the Federal Reserve's policy outlook ahead of its December meeting.

The US Dollar Index is trading near 103.40, while Brent crude remains elevated around $95/bbl. Markets have largely factored in a 25-basis-point Federal Reserve rate hike in December. Stronger US data or hawkish FOMC commentary could reinforce dollar strength and weigh on base metals. Conversely, weaker economic indicators or dovish signals could trigger profit-booking in the dollar, providing some support to aluminium. Elevated crude prices and geopolitical uncertainties will also keep energy costs and broader commodity sentiment in focus.

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Weekly Perspective

The outlook for November 16–20 remains mildly bearish for LME three-month aluminium, reflecting subdued forward buying interest, seasonal moderation in Chinese downstream demand and expectations of incremental global supply. However, declining exchange inventories and elevated backwardation indicate that prompt physical availability remains tight.The November 18 settlement will be critical in determining whether nearby spread tightness persists or begins to ease.

Overall, aluminium is likely to remain volatile and range-bound with a negative undertone. Prompt physical demand may restrict aggressive downside, while weak deferred buying interest and improving medium-term supply prospects are likely to cap recovery potential.

Expected Weekly Trading Range:

- **LME Aluminium – $2,960–3,065/MT**
- **MCX Aluminium – ₹322–332/kg**

Bias: Bearish

Aluminum Chart

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Copper

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Oversold, But Reversal Yet to Be Confirmed

Copper continues to face selling pressure amid renewed hawkish expectations from the US Federal Reserve, persistent inflationary concerns and a stronger US dollar. LME 3M copper is trading around $13,300/MT, following Friday's sharp 1.87% decline to close at $13,351/MT.

Having corrected approximately 10.3% from its recent peak of $14,875/MT, copper appears increasingly oversold. A technical pullback or sharp short-covering rally cannot be ruled out, particularly if the dollar loses momentum or upcoming US economic data disappoints. However, a sustainable reversal is yet to be confirmed, and any recovery should initially be treated as corrective.

The key technical level remains *$13,200/MT on a daily closing basis*. Holding above this level could allow prices to stabilise and recover. However, a decisive close below $13,200 would turn the outlook more bearish, potentially opening the way towards $12,900/MT, although we currently assign a relatively low probability to this scenario.

Source: SMM, Bloomberg & Bluglance Consulting Research

Positioning: Speculative Support Weakens, Commercials Improve

LME COTR data through November 6 shows a clear divergence in market positioning. Investment funds have reduced their net long exposure by 31,017 tonnes (63.2%) since August 7, bringing net longs down to 18,085 tonnes, reflecting continued long liquidation and fresh short additions.

In contrast, commercial undertakings have narrowed their net short position by 16,646 tonnes (38.4%) to 26,654 tonnes, largely through increased long exposure.

This divergence suggests speculative support is fading, while commercial participants are gradually becoming less bearish, potentially providing underlying support to copper prices.

Physical Market: Tight Inventories, But Demand Remains Cautious

Chinese regional copper inventories remain historically low at approximately 60,000 tonnes, compared with around 200,000 tonnes during the corresponding period last year. This continues to provide underlying support to the physical market.

However, steep SHFE calendar backwardation of approximately 2,700–3,700 yuan/MT has increased procurement costs and discouraged downstream consumers from building inventories. Shanghai spot premiums have also corrected sharply, indicating limited willingness among buyers to chase higher prices.

The upcoming transition from the November to December SHFE contract could bring volatility in spot quotations, with premiums potentially shifting higher because of the steep calendar spread. This should not necessarily be interpreted as an improvement in underlying consumption.

Copper

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Macro Outlook: Dollar Direction Remains Critical

The US Dollar Index is trading near 103.40, with rising Treasury yields and renewed expectations of further Fed tightening weighing on base metals. The upcoming US Retail Sales, Industrial Production, FOMC minutes and Initial Jobless Claims will be important in determining the dollar's next direction.

Stronger-than-expected US data or hawkish Fed commentary could trigger another round of selling across industrial metals. Conversely, weaker data or a moderation in rate-hike expectations could encourage dollar profit-booking and support a corrective recovery in copper. China's industrial production and retail sales data will also provide important signals on the strength of underlying demand.

Price Perspective:
Copper is approaching an important technical and positioning inflection point. Following the sharp correction from recent highs, the market appears oversold, while the latest COTR data indicates a reduction in speculative exposure and improving commercial positioning.

If LME 3M copper manages to hold support around $13,200/MT, we could see a technical pullback towards $13,750/MT during the week.

The upcoming economic releases could act as catalysts for such a recovery, particularly if US data comes in weaker than expected and triggers some correction in the US Dollar Index from its elevated levels. This could encourage short-covering across base metals.

However, the recovery should not yet be interpreted as a change in the broader trend. A stronger dollar, hawkish Fed commentary or further deterioration in market sentiment could renew selling pressure.

On the downside, a decisive daily close below $13,200/MT would invalidate our near-term recovery view and shift the outlook towards $12,900/MT, although this remains a lower-probability scenario at present.

Our near-term bias remains cautiously constructive for a technical recovery, provided $13,200/MT holds. The immediate upside reference is $13,750/MT, while the direction of the US dollar and incoming economic data will be critical in determining whether this recovery gains traction.

Expected Weekly Range (USD): $13,000–13,750/MT
Bias: Short covering/recovery likely from 13,200; downside risk increases below 13,200 to 13,000

Copper Chart

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Lead

Lead Outperforms the Base-Metals Complex as Inventory Drawdowns Offset Weak Demand

Lead demonstrated relative resilience during the week, outperforming most base metals despite a stronger US Dollar and continued weakness in broader market sentiment. LME Lead 3M closed at $1,893.50/MT, gaining 0.37% WoW from $1,886.50/MT on 6 November, after trading between $1,872/MT and $1,895.50/MT. MCX Lead declined marginally by 0.17% to ₹194.40/kg, while SHFE Lead gained 0.31% to ¥16,100/MT, despite trading below the ¥16,000 level during the week.

Domestic Market: On MCX, Lead inventories declined to 408.79 tonnes, while the exchange reintroduced the next-month contract alongside the near-month expiry. The adjusted MCX–LME premium widened to approximately $55/tonne, indicating stronger domestic pricing relative to the international benchmark.

The Indian Rupee weakened to approximately ₹94.20/USD, depreciating by around eight paise during the week, with the USD/INR rate rising approximately 0.36%. The softer Rupee provides some cushioning to domestic Lead prices by increasing the INR cost of imported metal, although MCX prices still recorded a marginal weekly decline.

Source: SMM, Bloomberg & Bluglance Consulting Research

Inventory and Spread Developments

LME Lead inventories declined by 20,650 tonnes WoW to 283,350 tonnes, extending the ongoing destocking trend. Singapore remains central to this development, following the substantial stock build-up of more than 160,000 tonnes in early July. The subsequent withdrawals, including consecutive daily outflows during the week, indicate a continued unwinding of the earlier inventory overhang. The cancelled-warrant ratio currently stands at 0.18.

However, the destination of the withdrawn metal remains important in determining whether the decline represents genuine physical tightening or transfers outside LME-registered warehouses.

SHFE Lead inventories also declined by 3,994 tonnes to 9,464 tonnes, reflecting lower exchange-held stocks in China. Meanwhile, combined MCX Standard and Mini inventories fell by approximately 664.66 tonnes to 408.79 tonnes.

Despite the inventory reductions, the LME Cash–3M spread remained in contango at approximately -$30/tonne, fluctuating between -$33 and -$30/tonne during the week. This indicates that, although exchange inventories are declining, prompt physical availability remains relatively comfortable and the market has yet to show stronger signs of immediate supply tightness.

Lead

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China Supply and Demand

Chinese Lead fundamentals remain mixed. On the supply side, primary smelter maintenance and production constraints have contributed to lower domestic availability, while low social inventory levels are providing some support. Secondary Lead production has also faced disruptions, including pollution-related restrictions in parts of China and a reported production reduction of approximately 100 tonnes/day at a South China smelter due to weak market transactions.

However, downstream demand remains subdued. Lead-acid battery operating rates continue to decline amid seasonal consumption weakness and poor order conditions. Primary Lead premiums have been reported in the range of ¥52-150/tonne, although spot transactions remain thin, indicating limited buying interest. Increased arrivals of imported Lead are also helping offset domestic supply constraints and improving spot availability.

Macro Developments and Market Sentiment

The broader base-metals complex remained under pressure, with Nickel declining 2.44%, Copper 2.59%, Aluminium 2.05% and Zinc 0.24% WoW. In contrast, Lead gained approximately 0.40% on the broader performance comparison, highlighting its relative outperformance.

The US Dollar Index strengthened by 1.11%, creating an additional headwind for dollar-denominated commodities. A stronger-than-expected CPI reading of 0.4% against expectations of 0.3% has also kept concerns around a potential December Fed rate hike in focus. The Federal Reserve maintained its policy rate at 3.75–4.00% on 28 October, although two dissenting members favoured a hike.

Looking ahead, FOMC meeting minutes on Wednesday and US retail sales data on Tuesday will be important for assessing the interest-rate outlook and broader dollar direction. In China, October retail sales expectations of 0.8% YoY, compared with 1.1% in September, will also be monitored for further indications of downstream demand weakness.

Market Perspective

Lead's relative outperformance reflects continued inventory drawdowns, lower Chinese exchange stocks and supply constraints arising from primary smelter maintenance. However, persistent LME contango indicates limited nearby physical tightness. Weak Lead-acid battery consumption, thin spot transactions, sufficient import availability and a stronger US Dollar continue to restrict upward momentum. Consequently, Lead remains in a consolidation phase, with supply-side support offset by subdued demand and macroeconomic headwinds.

Expected Weekly Range (USD): $1,875–1,915/MT
Bias: Sideways

Buying interest is expected to emerge in the $1,870 zone, while selling pressure is likely to intensify around $1,904–1,910, keeping the near-term price action range-bound between these levels.

Lead Chart

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Nickel

Macro Pressures Weigh on Prices Amid Indonesian Supply Uncertainty

Nickel prices remained volatile during the week but eventually settled lower, as cautious downstream demand and unfavourable macroeconomic conditions outweighed support from expectations of tighter Indonesian supply. Among major base metals, nickel and copper recorded the sharpest declines, falling 2.44% and 2.59% WoW, respectively. Aluminium also declined by 2.05%, while lead gained 0.40% and zinc slipped marginally by 0.23%.

Reflecting this weakness, LME 3-month Nickel declined 2.44% WoW to close at $15,985/MT, while MCX November futures Nickel fell 2.69% to ₹1,496.60/kg and SHFE December futures eased 2.23% to CNY 120,610/MT. The decline across exchanges indicates that the supportive impact of Indonesian supply concerns was insufficient to offset the prevailing demand and macroeconomic pressures.

Inventory & Spread Analysis: Exchange inventories continued to indicate comfortable supply availability. LME nickel inventories increased by 756 MT WoW to 272,724 MT, while SHFE inventories rose by 625 MT to 106,356 MT, taking combined inventories across the two exchanges to 379,080 MT. MCX registered inventory stood at 40 MT.

The LME cancelled-warrant ratio declined to 4.97% from around 7–9% previously, indicating that a smaller proportion of warehouse stocks was earmarked for withdrawal. This points to limited immediate interest in drawing metal out of LME warehouses.

Meanwhile, LME cash-to-3-month contango widened from $182/MT to $199/MT, while MCX November–December contango expanded from approximately ₹10/kg to ₹27.40/kg. The wider contango indicates a greater premium for deferred delivery, consistent with comfortable nearby availability rather than prompt-market tightness. Together, rising inventories and wider contango suggest that the physical market has yet to show signs of significant tightening.

Source: SMM, Bloomberg & Bluglance Consulting Research

Supply & Demand Fundamentals

Indonesia's indication of further cuts to its 2027 nickel ore production quota remained a key supportive factor during the week. The proposed reductions are aimed at aligning ore supply with market conditions amid persistent global oversupply. However, the quota has not yet been finalised, and the extent of any production adjustment remains uncertain. Consequently, the development has strengthened expectations of tighter future supply but has not yet translated into an immediate reduction in available material.

Separately, investigations into companies linked to nickel mining and ore-trading activities have increased scrutiny of mining permits and operational compliance. Tighter enforcement could affect ore availability if it results in operational restrictions; however, its impact on actual production remains uncertain.

Despite these potential supply-side developments, downstream demand has yet to show a corresponding improvement. In China, stainless steel mills continued to procure nickel units cautiously, largely according to immediate requirements. Although Wuxi and Foshan stainless steel inventories declined 0.29% WoW, the reduction was primarily driven by lower arrivals rather than stronger end-user consumption. This indicates that the decline in inventories does not yet reflect a meaningful recovery in stainless steel demand. Meanwhile, subdued activity in the battery segment and cautious procurement continued to limit additional demand for nickel intermediates.

Overall, the contrast between potential Indonesian supply tightening and still-cautious Chinese demand remains an important factor shaping nickel's near-term outlook.

Nickel

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Indonesia's DSI Export Framework: Indonesia's new export framework will bring covered ferroalloy exports, including ferro-nickel, under PT Danantara Sumberdaya Indonesia (DSI) from 1 January 2027. Exporters can continue negotiating directly with overseas buyers, while export documentation and clearance will be handled through DSI.

For the nickel market, the framework introduces an additional layer of oversight over covered ferro-nickel exports. However, it does not directly restrict nickel production or impose a blanket export ban. Its implications for trade flows will depend on how the framework is implemented.

Macro & Global Market Factors: Macroeconomic developments added further pressure to nickel prices during the week. US October CPI increased by 0.4% MoM, while core CPI rose by 0.3% MoM for the third consecutive month, reinforcing concerns over persistent inflation. Hawkish Federal Reserve commentary further strengthened expectations of a restrictive monetary policy stance, pushing Treasury yields higher and supporting the US dollar.

The US Dollar Index strengthened approximately 1.11% WoW to 103.411. The stronger dollar and rising yields weighed on dollar-denominated commodities, adding to the selling pressure already arising from cautious industrial demand. This macroeconomic environment made it difficult for Indonesian supply-related concerns to translate into a sustained price recovery.

Looking ahead, markets will closely monitor key economic releases, including US retail sales, Eurozone CPI, FOMC meeting minutes and Federal Reserve commentary. These indicators will remain important in assessing inflation trends, interest-rate expectations and the broader dollar outlook. Any hawkish signals or stronger-than-expected economic data could reinforce dollar strength and trigger further pressure on industrial metals.

Weekly Perspective

Nickel's near-term direction will depend on whether potential Indonesian supply restrictions translate into actual production adjustments and whether Chinese downstream demand improves. While the proposed RKAB cuts and tighter regulatory oversight could provide supply-side support, elevated exchange inventories, wider contango and cautious stainless steel and battery-sector procurement continue to limit the upside.

The near-term outlook remains cautiously bullish, with LME 3-month Nickel expected to trade in the $15,700–16,400/MT range. A sustained recovery towards the higher end of the range would require clearer evidence of Indonesian supply tightening alongside an improvement in downstream demand and broader market sentiment.

Expected Weekly Range: $15,700–16,400/MT
Bias: Bullish

Nickel Chart

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Zinc

Third-Wednesday Settlement in Focus: Tight Concentrate Supply Versus Weak Downstream Demand

The zinc market enters the week of November 16–20 with a cautious undertone, as the November 18 LME third-Wednesday settlement is expected to be a key near-term volatility trigger. Despite the sharp sell-off across major base metals, LME zinc has demonstrated relative resilience, closing almost unchanged week-on-week at $3,710/MT. However, weakness across SHFE and MCX indicates that this resilience has not translated into broad-based buying interest.

LME zinc closed nearly flat at $3,710/MT, while SHFE zinc settled at RMB 25,180/MT, declining 1.62%. MCX zinc underperformed, closing around ₹403.80/kg, down nearly 2% week-on-week. The divergence highlights relatively better stability in the international benchmark, while domestic contracts continue to face pressure from subdued sentiment and elevated import parity.

Third-Wednesday Settlement: Prompt Spreads Under Observation: The immediate focus will be the November 18 third-Wednesday settlement, which could introduce volatility in LME cash-to-three-month spreads, nearby positioning and outright prices. Changes in prompt positions, warrant availability and the concentration of nearby metal holdings will be important in determining settlement dynamics.

Source: SMM, Bloomberg & Bluglance Consulting Research

If nearby positions are rolled forward or prompt buying interest moderates, the existing backwardation could ease, potentially reducing support from the physical market. Conversely, continued concentration in nearby positions and limited availability of deliverable metal could sustain elevated cash spreads and generate short-term volatility. Importantly, any adjustment in nearby spreads should be distinguished from a change in the underlying three-month price trend.

Chinese Concentrate Supply Remains Constrained: The Chinese raw-material market continues to reflect tight concentrate availability. On November 13, domestic zinc concentrate treatment charges remained unchanged week-on-week at approximately -RMB 2,350/MT of contained zinc, while imported concentrate treatment charges declined to -$168.23/DMT. Persistently negative treatment charges indicate intense competition among smelters for raw materials and highlight the pressure on smelting economics.

However, downstream demand remains less supportive. Chinese galvanising operating rates declined to 53.08%, down 0.99 percentage points week-on-week, partly reflecting environmental restrictions associated with the heating season in northern China. Although lower zinc prices encouraged some producers to replenish raw-material inventories, overall operating activity remains subdued. This suggests that buying interest at lower prices has yet to translate into a meaningful recovery in end-use consumption.

Zinc

The resulting supply-demand environment remains mixed. Constrained concentrate availability, lower ore grades and seasonal mining restrictions continue to weigh on raw-material supply. However, subdued downstream consumption and the possibility of improving mine production and smelter operations could limit the upside potential in refined zinc prices.

Exchange Inventories and Forward Curve: Exchange inventory movements provide additional insight into physical availability. LME zinc inventories stood at 142,625 MT, while SHFE inventories declined to 120,166 MT. MCX warehouse inventories remained relatively low at approximately 282 MT. Although declining Chinese exchange stocks and limited domestic inventories indicate relatively constrained deliverable supplies, current price action suggests that inventory tightness alone is insufficient to generate a sustained recovery.

The LME forward curve also warrants close attention ahead of the settlement. On November 13, cash zinc traded around $3,744/MT against the three-month price of approximately $3,704/MT, indicating a cash-to-three-month backwardation of roughly $97/MT. This structure reflects a premium for immediate metal availability over deferred delivery.

The November 18 prompt date could trigger adjustments in nearby positioning, warrant availability and cash spreads. Any reduction in prompt buying interest or improvement in available warrant supply could moderate backwardation. Conversely, continued demand for nearby metal could sustain the premium. A narrowing backwardation would indicate easing prompt-market tightness, although it would not necessarily signal an immediate decline in the three-month contract.

MCX: Elevated Import Premium Remains a Headwind

On the domestic front, MCX zinc continues to trade at an estimated premium of approximately $312/MT against LME cash import parity. This elevated differential makes imported material relatively more competitive and could discourage fresh domestic procurement at prevailing futures levels.

MCX zinc has already underperformed the LME benchmark, declining nearly 2% week-on-week against the relatively unchanged international price. Unless the domestic premium moderates or international prices strengthen, the contract could remain vulnerable to selling pressure.

Nevertheless, MCX warehouse inventories of approximately 282 MT remain relatively low and could provide intermittent support near lower price levels, particularly if immediate physical procurement requirements improve. Import replacement economics, domestic inventory availability and currency movements will therefore remain important determinants of domestic zinc pricing.

Macro Events and Currency Outlook: The coming week will remain event-driven, with US Retail Sales, Eurozone CPI, FOMC Meeting Minutes, the Philadelphia Fed Manufacturing Index and Initial Jobless Claims in focus. The US Dollar Index is trading near recent highs of 103.40, keeping currency movements an important consideration for industrial metals.

Zinc

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With rate-hike expectations largely factored into current valuations, the scope for further dollar appreciation appears relatively limited. Additionally, the US Dollar Index faces multiple technical resistance levels near recent highs, increasing the possibility of consolidation or a corrective move, although incoming US economic data remains a key determinant.

Any moderation in dollar strength could provide some relief to base metals and support recovery attempts. However, subdued Chinese downstream activity, weaker industrial commodity sentiment and uncertainty surrounding global demand are likely to restrict sustained upside momentum in zinc.

Weekly Perspective

The zinc outlook for November 16–20 remains sideways to marginally bearish across international and domestic markets. LME zinc's relative resilience is supported by constrained concentrate availability, negative treatment charges and declining exchange inventories. However, weaker Chinese galvanising activity, subdued downstream consumption and the possibility of improving mine supply are likely to restrict sustained upside momentum.

The November 18 third-Wednesday settlement deserves particular attention, as changes in nearby positioning, warrant availability and cash-to-three-month backwardation could trigger temporary volatility. While prompt physical tightness may limit aggressive downside movement, any moderation in nearby spreads could reduce an important source of support.

In India, the elevated MCX premium against LME cash import parity remains an additional headwind, making domestic futures relatively expensive compared with international replacement economics. On the currency front, limited scope for further dollar appreciation could offer some support to industrial metals, although a sustained recovery will require stronger demand-side fundamentals.

Overall, zinc is likely to remain range-bound, with recovery attempts facing resistance until stronger downstream demand or a meaningful improvement in broader base-metal sentiment emerges.

Expected Weekly Range:

- **LME Zinc: $3,650–3,790/MT | Sideways to marginally bearish**
- **MCX Zinc: ₹393–417/kg | Sideways to marginally bearish**

Zinc Chart

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