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Production cuts to boost aluminium prices

Aluminium prices, which had tumbled to a six-year low last month, are getting a breather from the possibility of production cuts in China.

Spot aluminium prices on the London Metal Exchange (LME) fell to a low of $1,475 per tonne on August 24, a six-year low. In the domestic market, the aluminium futures contract traded on the Multi Commodity Exchange (MCX) fell to ₹99.45 per kg on the same day. The MCX futures contract moves in tandem with the LME spot price.

Concerns of weak demand and global slowdown, especially in China, the largest consumer of the metal, dragged the prices lower. But news of production cuts has helped the metal's prices recover.

According to the China Nonferrous Metals Industry Association, the country is expected to cut output approximately by 2.4 million tonnes in the coming months. China accounts for more than half of the world's aluminium output. Reports also suggest that three major aluminium producers from the US would cut production by 1.09 million tonnes, which is about 65 per cent of the total output from the US.

The sharp 9.5 per cent rise in the spot price from the August low has eased the downside pressure for the metal. On the charts, there is a strong likelihood of the price extending its rise in the coming weeks.

Medium-term view

The reversal in the LME spot aluminium price from $1,475 has happened from an important long-term support. Currently, the price is at $1,615. The price action on the chart suggests strength in the recent rally. Immediate support is at $1,565 and there is no immediate danger of any further fall in the price as long as it trades above this level. A rise to $1,700 looks likely in the coming weeks. A further break above $1,700 will open the doors for the next target of $1,800.

The bullish outlook will get negated if the price falls below $1,565. This will increase the chances of revisiting $1,500. A break below $1,500 can drag the price lower to $1,480 and $1,465 thereafter.

On the domestic front, the MCX Aluminium futures contract is currently at ₹106.55 per kg. It has been trading in a broad sideways range between ₹100 and ₹130 since 2011. Within this range, the contract recorded a high of ₹1,125.6 in May this year and fell to test the lower end of the range last month. The contract then formed a base around ₹100 by consolidating in a narrow range of ₹100 and ₹103 for about four weeks.

The strong breakout above ₹103 in the first week and the sharp 5 per cent rally in the last three weeks have reduced the threat of the contract falling below ₹100. The recent price reversal suggests that the broad ₹100-130 sideways range remains intact. A rise to ₹118 and ₹120 looks likely in the coming weeks over the medium term. A strong break above ₹120 can take the contract further higher to ₹130.

The outlook will turn bearish only if the contract records a break and a decisive weekly close below the psychological support level of ₹100. Such a break will open the doors for a fresh fall to ₹95 and ₹90.

Short-term view

The strong gap-up opening on August 31 has turned the short-term outlook bullish for the contract. It eased the downside pressure and came as a big relief for the strong downtrend that was in place since May. The 21-day moving average at ₹105 is a key support for the contract. While the contract remains above this support, a rise to test the 200-day moving average resistance at ₹111 is possible in the coming days.

A further break above this hurdle can take it higher to ₹115 and ₹116 in the short term.

The contract will come under pressure if it declines below the 21-day moving average support. Such a fall can drag the contract lower to ₹103 in the short term.

Oilmeal exports fall by 42 pc on low crushing

Oilmeal exports dipped 42 per cent to 91,834 tonnes in August, against 156,942 tonnes recorded in the same period of last year, due to low realisation from processing soyabean and other oilseeds being sold at high prices in domestic markets.

Export of soyameal, once the largest constituent of shipments from India, has been sliding consistently and touched a low of 768 tonnes in August against 928 tonnes in July.

Soyameal exports were down at 2,098 tonnes in June against 14,046 tonnes in May, while in April they were at 18,017 tonnes, it is learnt.

As per a Solvent Extractors' Association statement, in the first five months of this fiscal, overall exports were down 33 per cent at 609,748 tonnes against 914,849 tonnes in the same period last year.

US to continue investigations into import of cold-rolled steel flat products from India

The US International Trade Commission (USITC) has determined that there is a reasonable indication that the US industry is materially injured, or threatened with material injury, by the import of cold-rolled steel flat products from India, Brazil, China, Japan, Korea, Russia, and the UK, that are allegedly sold in the US at less than fair value and allegedly subsidised by the respective countries.

As a result of the Commission's affirmative determination, the US Department of Commerce will continue to conduct its investigations on the import of these products from these countries, with its preliminary countervailing duty determination due on or about October 21, 2015, and its preliminary anti-dumping duty determination due on or about January 4, 2016, informed a communiqué.

Indo-Swiss project in low-carbon cement to get boost in India

LC3, a low-carbon cement jointly developed by Indian and Swiss researchers, is set to grow in India where the demand for cement will increase hugely as the country embarks on a $1 trillion infrastructure development plan.

"We are in touch with several agencies including the National Council for Building Material in India. They have all shown keen interest in the material," said Karen Scrivener, Full Professor, Construction Material Laboratory at Ecole Polytechique Federale De Lausan .. (EPFL), a leading technology institute in Switzerland.

"We will be able to strengthen the relationship (with India)," said Scrivener during a recent presentation at EPFL.

After having tested its efficacy in pilot programmes, the objective is to make LC3 a standard general-use material and a feasible and viable product for sustainable development in global cement market, she said.

The Limestone Calcinated Clay Cement (LC3) can help reduce CO2 emissions by about 30 per cent and is made using limestone and low-grade clays. It is also cost-effective and does not require intensive modifications to existing plants to adapt to production of the new type of cement, Scrivener said.

"We hear that concrete is responsible for 5-10 per cent of man-made CO2 emissions. But this is remarkably low considering that it makes up about 50 per cent of everything we produce. It is the only material which can satisfy the

growing demand for construction," she said.

The demand for cement is increasing hugely in the fast- growing Indian economy and it is imperative that the growth is synergised with ecologically sustainable material and technology, she noted.

The government has said there is immediate potential for investments totalling $1 trillion to build infrastructure. It also has plans for 100 smart cities to give a fillip to urbanisation.

The research partners in the project funded by Swiss Agency for Development and Cooperation, include IIT Delhi, IIT Madras, IIT Bombay and Delhi-based Technology and Action for Rural Development.

Scrivener said the real challenge is, however, to keep the demand up, lower the environmental impact and enhance resource efficiency. It is here that the LC3 is a viable alternative.

"Very few alternatives are available in quantities to Portland clinker. Only material potentially available in valuable quantities is calcinated clay and limestone," she said.

The project has already made an evaluation of the market. The "market is ready to buy it," Scrivener added.