
Nickel inventories rise but not demand - Report

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Nickel, the key ingredient in the production of steel, escalated and touched September's high, as Chinese people may increase their spending to culminate their industrial expansion by raising their demand for the metal used mainly to produce steel.

The Chinese markets and the US dollar weakness have helped prop up the base metals market. Rising LME inventories of nickel weighed on the market, especially as demand is not rising in the same way with the rising Chinese production of nickel in pig iron, a lower grade nickel and supply looked set to rise with new projects due to start up soon.

After touching a high of INR 1022.40 per kilogram in MCX this year, Nickel retraced close to 50% of the rally that initiated from INR 577 per kilogram levels in May 2009 to touch the highs of INR 1022.40 per kilogram.

In the month of October, metal retested the lows of INR 797 per kilogram, earlier seen in the month of September and building base there, has formed a double bottom pattern in Daily charts akin to Copper and has seen buyers flocking on to the metal.

After the correction, the metal has depicted decent amount of upside, indicating strength in the counter. The current price pattern is well reflected by the trend channels depicted in the Daily chart.

At present, the metal is standing close to its immediate resistance at INR 920 per kilogram and might take a breather, but any correction from hereon seems to be supported by the level of INR 840 per kilogram and then by INR 820 per kilogram, which will be a buying opportunity for traders.

On the contrary, any breakout above INR 920 per kilogram would cancel out the choppy behavior of the metal and shift the bias from mildly bullish to strongly bullish and might call for return to levels of more than INR 1000 per kilogram.

(Sourced from Religare Commodities)

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