

Supports can limit the downside in aluminium

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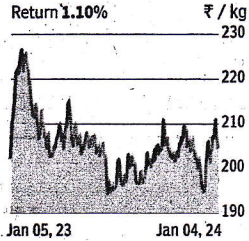
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Aluminium prices have declined sharply this week. The Aluminium Futures contract rose to a high of ₹213.45 per kg on Tuesday and then has come down sharply from there. The contract is currently trading at ₹206.

COMMODITY CALL.

The short-term trend has been up since mid-December. Even the recent fall has not reversed this trend. So, there is no danger of a trend reversal as of now. Immediate support is at ₹205.50. A break below it can take the contract down to ₹203 or ₹201.80 – the next two important supports. A fall beyond ₹201.80 is less likely.

We expect the contract to reverse higher either from around ₹205.50 itself or after an extended fall to ₹203-202. That rise can take the contract up to ₹208 initially. A further break above



₹208 will boost the bullish momentum. Such a break will have the potential to take the contract up to ₹215 and even ₹220 in the coming weeks.

The outlook will turn bearish only if the contract declines below ₹201.80. In that case a fall to ₹196-195 and even lower levels is possible.

TRADE STRATEGY

There is no clarity on the levels from where the aluminium contract can bounce back to resume its uptrend. So, we suggest traders to stay out of the market for now. Watch the price action at the above-mentioned supports. Long positions can be taken once the bounce back move is confirmed.

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