Aluminium: Risk takers can go long

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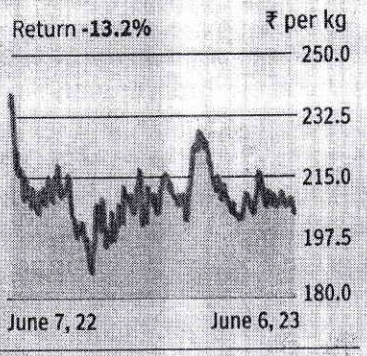
Aluminium futures on the Multi Commodity Exchange (MCX) fell off the resistance at ₹210 last Friday. The decline continued, and the contract is now trading around ₹204. Since May, the price has been fluctuating between ₹204 and ₹210. So, the contract is now testing the bottom of the range.

COMMODITY CALL.

MINOR SUPPORT

In case aluminium futures invalidate ₹204, there is support at ₹200. A drop below ₹200 can intensify the sell-off, and the price could decline to ₹186. Although ₹194 is a support, it is a minor one and may not be able to arrest the fall.



On the other hand, if there is a rally on the back of the support at ₹204, the contract will most likely rise towards the range top at ₹210. A breakout of this level can turn the outlook positive and lift aluminium futures to ₹215 or even ₹218.

Even as aluminium futures faced a considerable sell-off over the past few sessions, they are now trading near support at ₹204. Since there is another good support at ₹200, we do not recommend short positions now.

STOP LOSS

So, wait and go short after the support at ₹200 is taken out. Target and stop-loss can be at ₹186 and ₹205, respectively.

That said, traders with high-risk appetites can buy aluminium futures now at ₹204. Keep the stop-loss at ₹200 and look for a target of ₹210. If the stop-loss is triggered and if the support at ₹200 is breached, consider short positions as mentioned above.