Stay out of copper futures

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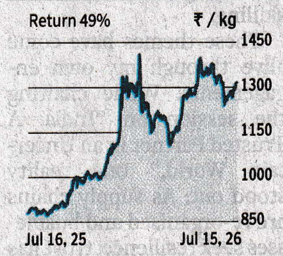
Copper prices have recovered well in the past three weeks. The copper futures contract on the MCX fell to a low of ₹1,240 per kg in June. From there, the contract has rebounded and is currently trading at ₹1,317.

COMMODITY CALL.

The trend is down for the contract since mid-May this year. For now, it looks like the recent bounce is just a corrective rise within the downtrend. The immediate resistance is at ₹1,320 and above that, ₹1,340 is the next important resistance.

A strong break above ₹1,340 could take it higher to ₹1,370. That can give some breather. However, to turn the outlook convincingly bullish, the contract has to breach ₹1,370 decisively. Only then will the upside open up for a rise to ₹1,420 and higher.



If the contract turns down from ₹1,340, a fall to ₹1,300-₹1,270 is possible. That will also keep the contract under pressure to see ₹1,200 on the downside. Overall, it is a wait and watch situation now. For now, we can allow for a rise to ₹1,340.

TRADE STRATEGY

Since it is not clear whether the contract can breach its resistance or not, we suggest traders to stay out of the market.