

Go short on aluminium with stop-loss at ₹220

COMMODITY CALL

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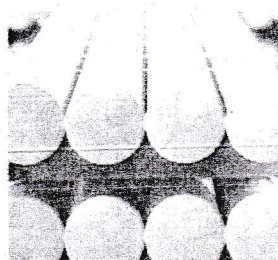
The continuous futures of aluminium on the MCX (Multi Commodity Exchange), which has been on the downtrend since early March, started consolidating between ₹205 and ₹215 in July and August.

Last week, the contract fell below the key support at ₹205 and is now hovering around ₹200.

Going forward, the contract is likely to witness declining trend after consolidation. Note that the aluminium futures is tracing a downward channel and a consolidation means it could touch the upper end at around ₹205, which is already a resistance. The 20-day moving average coincides at this level, making the resistance stronger.

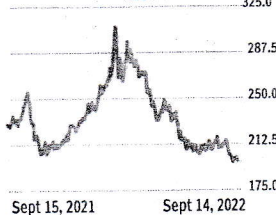
The possible outlook could be that the future might stay sideways for a while before declining.

While the nearest support is at ₹186, the contract is expected to drop below this



MCX-Aluminium (per kg)

Return: -13.3%



level during the next down move and touch ₹170 over the medium-term.

Strategy

We recommend sell in aluminium futures at the current level of ₹205. Add more shorts if the contract sees a rally to ₹210. Initial stop-loss can be at ₹220 and tighten this to ₹200 when the contract slips below ₹186. Exit all the shorts at ₹170.