

Go short if zinc slips below ₹262

COMMODITY CALL.

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Zinc futures on the MCX have largely been trading within the key levels of ₹262 and ₹292 for little over a month. The October contract is currently hovering around ₹270. The next swing is uncertain until it breaches ₹262 or ₹292.

The contract has dropped by 13 per cent between August 31 and October 14 i.e., price declined from ₹309.9 to ₹269.7. During this period, the outstanding cumulative Open Interest (OI) of zinc futures on the MCX more than doubled from 1,303 contracts to 2,860. A price decrease along with an increase in OI means shorts are being built-up. Prices may drop going forward. However, from the perspective of trad-



ing, one should be cautious on taking short positions now as the contract has a strong support at ₹262. In the past year, zinc futures have rebounded twice at this level of support. So, a good amount of the risk can be eliminated by waiting for the support of ₹262 to be breached before going short.

Short MCX zinc futures with stop-loss at ₹275 when it slips below the support at ₹262. When the contract touches ₹245, liquidate half of the shorts and revise the stop-loss to ₹260. Exit the remaining at ₹230.