

Zinc futures prospects bearish

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Zinc futures on the MCX (Multi Commodity Exchange) have been falling ever since it hit a high of ₹383.4 in April.

Towards the end of June, it slipped below the support at ₹300. Last week, it dipped to a low of ₹260.65 before recovering to the current level of ₹276.

Losing momentum

However, the downtrend seems to have slowed over the past couple of weeks.

Indicators like RSI and MACD on the daily chart hint it as they show loss of traction with respect to the downtrend.

At the same time, there are no signs of bullish reversal yet, leaving the door open for the contract to stay sideways in the near-term.

Going ahead, we expect zinc futures to consolidate for some

time within ₹260 and ₹283. The direction along which the contract moves out of the range can lend us some clues about the next leg of the trend.

A breach of the support at ₹260 can drag the contract to the nearest support at ₹242. Subsequent support is at ₹228.

But if the contract breaks out of ₹283, it can appreciate to ₹300. A rally beyond this level is less likely, and there is a good chance for zinc futures to resume the downtrend from ₹300. If the resistance at ₹300 is invalidated, the short-term trend could turn bullish wherein the contract can rise to ₹340.

That said, our overall view is still bearish as we expect the contract to consolidate for some time and break down below ₹260. Or, it could see a corrective rally to ₹300 and resume the downtrend.