

Go short in copper futures on break below ₹840

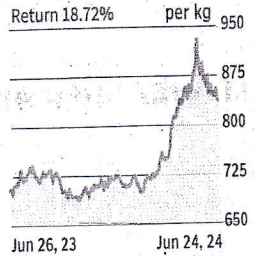
Gurumurthy K

bl. research bureau

Copper price has been in a downtrend since mid-May this year. The Copper Futures contract on the MCX has come down sharply from a high of ₹945.90 per kg made in May. It touched a low of ₹839.45 last week and then managed to bounce back from there. However, the bounce did not sustain, and the contract has come down again from around ₹863. The Copper contract is currently trading at ₹843 per kg.

COMMODITY CALL.

A crucial trendline support is at ₹840 which is holding as of now. Resistances are at ₹863 and ₹868. The MCX Copper contract has to sustain above ₹840 and then breach ₹868 decisively to indicate a trend reversal. If that happens, a fresh rally to ₹900 can be seen in the coming weeks. That will indicate the beginning of a fresh leg of the medium-term uptrend.



But, if the contract breaks below ₹840, the selling pressure will increase. Such a break will keep the current downtrend intact. It can then drag the Copper Futures contract down to ₹826.

For now, we can expect the contract to oscillate between ₹840 and ₹868. A breakout on either side of these two levels will then determine the next leg of move.

TRADE STRATEGY

Traders can take fresh short positions on a break below ₹840. Keep a stop-loss at ₹846. Trail the stop-loss down to ₹837 as soon as the contract falls to ₹834. Move the stop-loss further down to ₹833 when the contract touches ₹830. Exit the shorts at ₹828.