

Zinc: Wait for a breakout to take fresh long positions

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Zinc prices have risen sharply this week. The contract traded on the MCX has surged about 8 per cent so far this year.

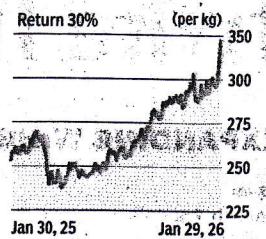
It is currently trading at ₹342 per kg. Indeed, the contract spiked to an intraday high of ₹354 per kg in early trade on Thursday and came down the same day.

COMMODITY CALL.

Resistance is around ₹345. The contract has to get a sustained break above this resistance in order to go further higher. If it does, then there are good chances to see a rise to ₹365 in the short term.

TRADE STRATEGY

Failure to rise back above ₹345 from current levels could trigger a corrective fall to ₹335 or even ₹320. So, the



price action today is going to be very important.

Considering the volatility, traders may stay out of the market for now. However, fresh long positions can be taken after the breakout above ₹345 happens.

Stop-loss can be kept at ₹335. Trail the stop-loss up to ₹348 as soon as the contract goes up to ₹353. Revise the stop-loss higher to ₹351 and ₹357 when the price touches ₹356 and ₹360 respectively. Exit the long positions at ₹365.

Since volatility is high, this trade is only for high-risk appetite traders. Risk averse traders can stay out.