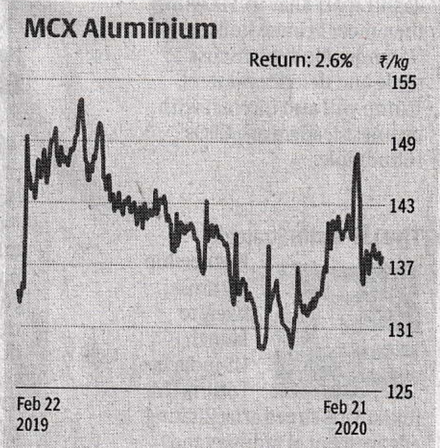
THE HINDU BUSINESS LINE
TUESDAY, FEBRUARY 25, 2020

COMMODITY CALL

MCX-Aluminium consolidates with bearish bias



AKHIL NALLAMUTHU
BL Research Bureau

The March Aluminium mini futures contract — Alumini — on the MCX seems to be extending its two-week sideways trend. The boundaries of the range are ₹136.8 and ₹139.4.

Notably, the price ruling below 21- and 50-DMAs indicates a bearish bias. The daily RSI is flat but lies below the mid-point level of 50. Besides, the Moving Average Convergence Divergence (MACD) on the daily chart is also flat within the bearish zone. Though these factors show a bearish inclination and the major trend of the metal is bearish, the contract should break below the support at ₹136.8 to confirm further decline in price.

As long as the contract trades below ₹140 it will have bearish bias. So, going forward, if the contract faces fresh downward pressure and breaks below the lower boundary of the range at ₹136.8, it can be dragged to ₹133.8. A break below that level will confirm a lower low on the daily chart which can intensify the sell-off. In such a scenario, it might decline to ₹131.7. On the other hand, if the contract breaks out of the resistance at ₹140, it can advance to ₹143 in the near term. If it breaches that level, it can possibly rally to ₹146.

On the global front, the price of the three-month rolling forward contract of Aluminium on the London Metal Exchange (LME) has been sluggish in the past week. But the overall trend remains bearish and the price ruling below the 21-day moving average indicates a weak outlook. As long as the price remains below $1,750, the contract can continue to face selling pressure.

Trading strategy

The contract rules below the important level of ₹140 and the overall trend remains bearish. However, a break below ₹136.8 should be a pre-requisite to short the contract. So, traders can sell the March MCX-Alumini below ₹136.8 with stop-loss at ₹143.

Note: The recommendations are based on technical analysis. There is a risk of loss in trading.