

## LEAD - ZINC SPREAD UPDATE

The Lead-Zinc spread has moved to 17, which is two year high and is largely driven by outperformance of lead owing to relatively strong fundamentals. Historically this spread has moved to as high as 26 in 2009 and 36 levels in 2008. Historical movement along with current fundamentals has the potential to take the spread further higher in the near term.



### LEAD:

- ◆ Lead prices got a boost from expectation of higher demand in nations like Japan. After power cuts owing to catastrophe, usage of batteries, the major user industry is expected to get a boost and thereby prices might move higher
- ◆ The cancelled warrant ratio at 6 percent is the higher levels indicating that stocks might witness decline in the near term
- ◆ Despite recent decline in prices, the market continues to remain in backwardation indicating strong demand in the physical market

**Support:** 119, 114. **Resistance:** 124, 129

### ZINC:

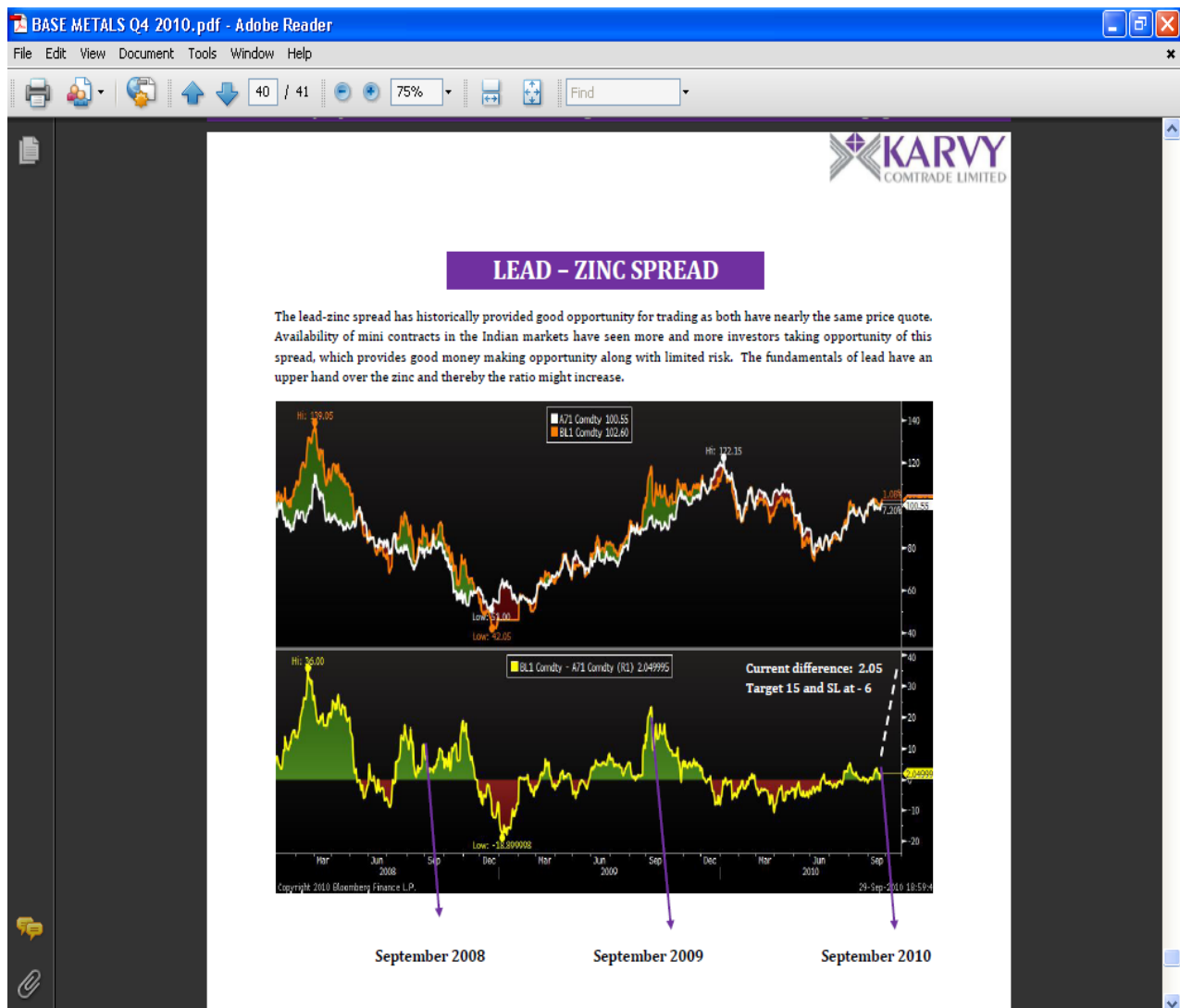
- ◆ Zinc market continues to remain well supplied with material and thereby has been underperforming compared to other base metals
- ◆ The cancelled warrant ratio is at 0.5 percent, the lowest among all the base metal indicating the demand has not yet picked up

**Support:** 102, 98. **Resistance:** 108, 113

**LEAD-ZINC SPREAD AHEAD:** Given the relatively strong fundamentals of lead, this spread might continue to move higher in the near term to levels of even 20. *A word of caution is that one should avoid to take the reverse positions (i.e., buy zinc and sell lead) until there are clear indications for that.*

**We at Research expected this preemptively and as a reason Weekly Positional Call on spread was given on Feb 19, in March MCX contract at a difference of 4. It was also mentioned in the weekly report.**

**(Ref: WEEKLY POSITIONAL CALL: MCX LEAD-ZINC Mini SPREAD (March): Buy Leadmini (Mar) and Sell Zincmini (Mar) at difference of 3.8-4.0 targeting 7 then 8.5 with stop loss below 2. Current difference is 4.5. CMP: Leadmini (Mar) 119.45 Zincmini (Mar):114.95)**



For Detailed Report where the above chart appears [click here](#) (Page No: 40)

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