

## FIRST LIGHT

### RESEARCH

#### BOB ECONOMICS RESEARCH | BOB ESSENTIAL COMMODITIES INDEX

How prices look in Feb'24

#### METALS & MINING

Aluminium demand recovery a key trigger: Alcoa

#### Daily macro indicators

Indicator	05-Mar	06-Mar	Chg (%)
US 10Y yield (%)	4.15	4.10	(5bps)
India 10Y yield (%)	7.06	7.06	0bps
USD/INR	82.90	82.83	0.1
Brent Crude (US\$/bbl)	82.0	83.0	1.1
Dow	38,585	38,661	0.2
Hang Seng	16,163	16,438	1.7
Sensex	73,677	74,086	0.6
India FII (US\$ mn)	04-Mar	05-Mar	Chg (\$ mn)
FII-D	69.7	96.2	26.5
FII-E	(1.5)	(26.7)	(25.3)

Source: Bank of Baroda Economics Research

### SUMMARY

#### INDIA ECONOMICS: BOB ESSENTIAL COMMODITIES INDEX

BoB Essential Commodity Index (BoB ECI) has inched up by 4.2% in Feb'24, on YoY basis. On a sequential basis, it fell at a less than sharp pace in Feb'24 compared to Jan'24, but most of it is a seasonal phenomenon. On a seasonally adjusted basis, it has inched up by 0.4%. Price increase has been broad based, with most notable ones visible in case of Potato and Tomato, major items of pulses and edible oils. Major correction of vegetable prices has already happened, so a reversal of trajectory might be forthcoming. Apart from this, hailstorm and unseasonal rains of late have hit some part of the country which might cause supply side disruption. Thus upside risk to food inflation remains. For Feb'24, we expect CPI to settle at ~5.1%.

[Click here for the full report.](#)

#### METALS & MINING

- Aluminium price likely to be range-bound in the near term, with demand recovery likely to be back-ended in CY24
- Aluminium demand recovery is a key price trigger and could potentially result in a spike as supply of primary aluminium remains constrained
- Indian aluminium players likely to make strong margin amid range-bound aluminium price with easing raw material and energy prices

[Click here for the full report.](#)

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**BOB ESSENTIAL  
COMMODITIES INDEX**

07 March 2024

**How prices look in Feb'24**

BoB Essential Commodity Index (BoB ECI) has inched up by 4.2% in Feb'24, on YoY basis. On a sequential basis, it fell at a less than sharp pace in Feb'24 compared to Jan'24, but most of it is a seasonal phenomenon. On a seasonally adjusted basis, it has inched up by 0.4%. Price increase has been broad based, with most notable ones visible in case of Potato and Tomato, major items of pulses and edible oils. Major correction of vegetable prices has already happened, so a reversal of trajectory might be forthcoming. Apart from this, hailstorm and unseasonal rains of late have hit some part of the country which might cause supply side disruption. Thus upside risk to food inflation remains. For Feb'24, we expect CPI to settle at ~5.1%.

**Dipanwita Mazumdar**  
Economist

To get an idea about the calculation of the index, refer to our [previous edition](#) of BoB ECI.

**Price picture using BoB Essential Commodity Index:**

- On YoY basis, BoB ECI inched up to 4.2% in Feb'24 from 3.8% in Jan'24. 10 out of 20 commodities have registered some momentum in prices. Amongst them, sharp increase was visible for Potato, Tomato, all components of edible oil, some items of pulses such as Masur and Urad, and miscellaneous food items such as Gur and Tea.
- On MoM basis, BoB ECI fell at a less than sharper pace of 0.2% in Feb'24 from 1% decline in Jan'24. However on a seasonally adjusted basis, BoB ECI has inched up by 0.4% in Feb'24. Sequential pick up in prices were visible for 16 out of 20 commodities. Significant ones were Onion, Tomato, where some correction in prices are happening against last two months' of decline. Apart from vegetables, Rice, pulses, all components of edible oil and sugar are also observing some pickup in prices. Notably, for Pulses both Khariff and Rabi output remained suboptimal. Thus the evolution of price trajectory in the near term requires monitoring.
- For the first 5 days of Mar-24, BoB ECI has inched up further by 5.5%, on YoY basis. On MoM basis, it has remained flat compared to 0.2% decline observed in the previous month. The sequential pick up in prices were visible for atta (wheat), major items of pulses (except Urad), mustard and soya oil, potato and onion.



 **METALS & MINING**

07 March 2024

**Aluminium demand recovery a key trigger: Alcoa**

- **Aluminium price likely to be range-bound in the near term, with demand recovery likely to be back-ended in CY24**
- **Aluminium demand recovery is a key price trigger and could potentially result in a spike as supply of primary aluminium remains constrained**
- **Indian aluminium players likely to make strong margin amid range-bound aluminium price with easing raw material and energy prices**

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We summarise the key takeaways from our interaction with Jim Dwyer, VP, Investor Relations and Pension Investments, Alcoa (AA US, Not Rated), and its other recent investor calls.

**Demand recovery back-ended in CY24:** For North America and Europe, aluminium demand has stabilised and there is potential for a moderate recovery throughout the year. Among sectors, demand is likely to be strong in electricals (due to EVs and renewables power infrastructure), normalise in auto from high growth last year, remain stable in consumer durables and machinery, improve in packaging after end of destocking, but likely to be weak in buildings & construction. For China, stimulus programmes are likely to prompt demand growth as those measures take effect.

**Aluminium market modestly balanced in CY24:** Aluminium market is likely to be balanced to slight surplus market in CY24, depending on the speed of demand recovery. Against this, the alumina market is likely to be short in CY24, due to steady demand from smelters and little inventory available. However, Guinea bauxite supply has been faring better despite the fear of disruptions so far.

**Aluminium price likely range-bound near term:** We believe that back-ended demand recovery coupled with easing of raw materials and energy prices will keep aluminium prices range-bound in the near term.

**Triggers for price break-out:** Recovery in demand in the western world along with at least some growth in China are the key triggers. This is while supply remains constrained due to few restarts or new projects on the horizon outside China, China holding to capacity cap and Yunan supply remains constrained by hydro energy.

**Read-across for Indian aluminium players:** With a range-bound aluminium price and easing of raw materials and energy prices, EBITDA margin for Indian aluminium players in the first quartile of cost curve are likely to be strong. Indian players are also benefitting from the improving availability of domestic coal. Players with a long alumina position are likely to benefit from a slight tightness in the alumina market.



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