Monthly Report - December 2017

We will take a look back into this year before the usual commentary for December, and boy what year 2017 was! Almost all non-ferrous metals were top performers and in very tight competition for a place on the podium where the gold (by the way below the 10th position) medal belongs to Palladium with an almost 60% year on year increase. On the other side of the spectrum natural gas and soft commodities counted for the biggest dips. There are of course different factors moving the rally but the sentiment was and still remains very bullish with capacity squeezes, labour contracts constrains and the newest E-car frenzy eyeing increasing demand for industrial metals, for more information take a look at previous months commentaries.

For statistics lovers please find a resume of this year's prices and volume performance:

THIS YEAR 2017 HIGH'S AND LOW'S

	HIGH	LOW	YEARLY %
COPPER	\$7.312,50 ON 28TH DEC	\$5.450,50 ON 4TH JAN	+31%
ALUMINIUM	\$2.290,50 ON 29TH DEC	\$1.676,50 ON 3RD JAN	+35%
ZINC	\$3.326 ON 1ST NOV	\$2.427,50 ON 7TH JUNE	+29%
LEAD	\$2.620,50 ON 4TH OCT	\$1.986 ON 3RD JAN	+24%
NICKEL	\$13.030 ON 1ST NOV	\$8.680 ON 13TH JUNE	+26%
TIN	\$21.200 ON 3RD AND 10TH JAN	\$18.630 ON 7TH FEB	-5%

HEADLINE STOCK HIGHS AND LOWS SO FAR THIS YEAR

	HIGH	LOW
COPPER	354,650 MT ON 5TH MAY	196,425 MT ON 3RD MAR
ALUMINIUM	2,300,550 MT ON 18TH JAN	1,094,525 MT ON 8TH DEC
ZINC	427,850 MT ON 3RD JAN	182,050 MT ON 29TH DEC
LEAD	195,425 MT ON 20TH JAN	141,750 MT ON 27TH DEC
NICKEL	388,824 MT ON 31ST AUG	367,776 MT ON 29TH DEC
TIN	5,995 MT ON 17TH FEB	1,635 MT ON 5TH JUL

Probably the most important economic news in December was the long awaited fiscal reform of the Trump administration. Tax Cuts and Jobs Act did not influence markets right away like in 2016 when the outcome of the US election led to a "buy the rumour" effect and bulls went loose with instant price increases. On the other hand the € ended up its super cycle almost back to the record 1.2092 against the US\$ in September (+14% in one year), let's see what 2018 will bring. In general terms the year ended on its highs, although a quick drop in the first week, as December saw a rally across various commodities including gold, oil and of course metals with the Thomson Reuters Commodity index up 5 %.

Copper started the month along with other metals with a heavy downtrend during the first week of trading. Apparently this 300\$ drop happened for no particular reason, rumors are that hedge fund liquidated their positions and as the price broke 6.750\$ this triggered a knock on effect towards 6.600 and further below to its lowest mark on the 5th of December at 6.507,5 back to September ranges. From that day on copper U turned slowly buy steady towards 7.312,5 \$ one day short of the year end. The €/\$ graph had a similar performance so the outcome for the € average price was actually 1% worse than November at

5.746€. The contango was in good shape boosted by the over 13.000 tons stocks increase, the cash to 3 months spread almost doubled across the month to over 40$.

Zinc had such an extraordinary cycle that it seems almost impossible not being the top metal performer this year. The long rally after the now well renown production cut announced by Glencore led zinc to a 10 year high, 2017's zenith was almost hit again on the last day of trading at 3.323,5$. In the first week the metal saw a pretty big rebound as the price swung between two long lasting resistance and support lines (3.250$ and 3.050$ respectively, this last one being December's lowest mark). Like copper the trend just went up from its bottom almost without losing steam till its top but likewise the red metal the average € price ended lower that November just short of 2.700€ or -2.2%. Talking about decennial records it is notable to say that as price is on its highs LME stock are on their lows, in December another 31.000 tons went out of registered warehouses (-14.5% in a month) just to highlight once more that the production squeeze will continue the bullish market sentiment in 2018.

Nickel price performance looks like a zinc déjà vu, low in the first week at 10.740$ and high on the 29th at 12.950$, the average € price dropped over 5% to 9.639€. Although the yearly performance was good the recent electric car boom is setting predictions for 2018 to a new bullish run as Vale has announced a 100.000 tons production cutback over the next couple of years. Although stocks ended 2017 almost unchanged from its beginning we notice that there has been a rapid reduction in December of over 12.000 tons, -3% from November.

Tin "was the only base metal to record a negative through 2017, it started the year strong, above $21,100 per tonne, but could never climb back to this level. Closing the year below $20,000 per tonne and down 5.2% overall." (Metal Bulletin)