

## Monthly Report – December 2023



**December**, goes without saying, is the month of year-end balances.

From the charts below, everyone can clearly judge how things went in 2023. Despite fundamentals being all but bullish on the supply side with the ongoing **war in Ukraine** and the **Middle Eastern tensions escalating into a genocide**, commodities seem not to suffer from a potential further supply chain disruption. So far, the only short-term “winners” were shipping companies Maersk and Hapag-Lloyd, due to **militant attacks on vessels in the Suez Canal**, freight rates soared but raw materials prices coming into Europe did not reflect the rise. One starting point of the journey of such goods might soon add headaches in the intricate global chessboard with **Taiwan’s elections due in 2024**. The “rebel” island province can be a threat to unstable Sino-American relations as those waters have been agitated for a while and recent history teaches that internal crisis can lead to aggression to neighbouring countries. Apart from being another debacle on the diplomatic side, it would also be a global market disaster considering Taipei’s crucial role in the production of key high-tech components, Covid times taught it the hard way.

As we can see from the rebasing chart, the performance throughout 2023 was mostly negative for metals although it was a bit of a mixed bag.



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The rebased LME index was down 5% from the first day of trading, nickel was always lower since day one, Copper was the only real gainer along with the €.

	Percent Change	High Date	Low Date
COPPER	<b>2,85%</b>	18-Jan-2023	23-Oct-2023
NICKEL	<b>-46,65%</b>	03-Jan-2023	27-Nov-2023
€/€	<b>4,65%</b>	18-Jul-2023	03-Oct-2023
ZINC	<b>-11,46%</b>	26-Jan-2023	25-May-2023
TIN	<b>-0,23%</b>	26-Jan-2023	17-Mar-2023
LME DAILY INDEX	<b>-5,28%</b>	26-Jan-2023	05-Oct-2023
FTSE Core Index	<b>-2,35%</b>	14-Sep-2023	31-May-2023

On a broader term, LME inventories surged by 69% in 2023 being the highest increase since 2012; despite looking impressive, the 1.109.449 tons are still more than a third lower on a year on year performance from pre-Corona pandemic. As a whole, the base metal complex was not the poorest, Energy and Grains had an even worse year; precious metals and soft commodities (Sugar, Coffee, Cocoa etc.) on the other hand registered good gains.

Getting back on the monthly performance, the general note was rather complicated as *“On 14 December 2023, the UK prohibited the import, acquisition, supply and delivery, directly or indirectly, of a variety of metals from Russia including copper, nickel, aluminium, lead and zinc. This ban is expected to primarily impact physical trading, with the issuance of a Trading Licence allowing for continued trading on the LME provided warrants are not cancelled or withdrawn, risking triggering the delivery of Russian-origin metal to the UK. LME members and clients are included in the Trade Licence. This hardening of the sanction regime may have been behind a surge in LME warehouse inventories, with aluminium stocks jumping 13.5% on 18 December. Month on month, the exchange’s aluminium inventories were up 19.5% to 549kt despite a gentle downtrend in the first half of the month. Other LME inventories in which Russian-origin metals represent a significant share of the total volume held rose in the month. Nickel LME warehouse inventories grew 38.2% mom (+30.3% in the 18-29 December period). According to an LME report dated 30 November, 78.8% of all primary aluminium in LME inventories was of Russian origin and 25.6% of nickel. It is not possible to know how much of the aforementioned increase is Russian origin metal, but zinc and lead, which do not have any Russian-origin open tonnage reported on the LME, both experienced a decrease mom in their LME warehouse inventories. Copper was an outlier, as its LME warehouse inventories declined 4.5% mom, with no visible pick-up in listing after 15 December and despite 40% of the exchange’s copper inventories being of Russian origin. Still, despite rising LME warehouse inventories, metal prices may have risen given concerns that a significant, and possibly rising, share of those stocks will not be available to some of the market.”* (Societe Generale)

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Looking at the price performance, here is how our favourite four metals did:

	HIGH	LOW
COPPER	\$ 8.716 on 28 <sup>TH</sup>	\$8.238 on 6 <sup>TH</sup>
ZINC	\$2.675 on 29 <sup>TH</sup>	\$2.376 on 11 <sup>TH</sup>
NICKEL	\$17.375 on 15 <sup>TH</sup>	\$16.095 on 5 <sup>TH</sup>
TIN	\$25.800 on 28 <sup>TH</sup>	\$23.335 on 1 <sup>ST</sup>

**Copper** started with a strange swing as big hopes broke the 8.600\$ level on the very first day of trading but finished almost unchanged. There was a quick hiccup the day after dragging prices down 200\$ and sort of epitomizing the frailty of late 2023 hopes. *“Copper and nickel fell as industrial metals reversed some of the gains that were driven by **optimism the Federal Reserve was moving closer to cutting rates.** Powell comments were initially interpreted as increasing the chances of an easing of monetary policy early next year. But risk assets including industrial commodities began this week on a more cautious note as **investors reassessed the timing of any dovish Fed move,** and weighed the likely strength of the global economy outside of China next year. **Demand for metals will weaken further as the effects of tight credit conditions work their way through major economies,** Citigroup Inc. said in a note by analysts including Max Layton and Wenyu Yao. **The impact of Chinese policy stimulus is unlikely to completely offset the drag from developed markets in 2024,** they said.”* (Bloomberg)  
The downfall led to the month's lowest a few days later and from there on copper buoyed its course with a consistent rise, sparked in mid-December once again after the FED's expectations of 75 points interest- rate cuts in 2024.

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**Zinc** performed really well in December **gaining almost 7%.** Initially the metal suffered the negative late November trend and so it broke on the **downside the 2.500\$ and the 2.400\$ line** finding its nadir at mid-month. From there on Zinc was very resilient and kept rising until the end of the year just short of 2.700\$. After a choppy previous month with rising inventories and almost **9% increase in Chinese output,** production halts backed the price hike. The Baoji smelter in eastern Shaanxi closed with no clear reopening schedule, Boliden's Irish operation Tara mine will resume operations only in 2024 sending the Relative Strength Index almost to the overbought level of 70 points. The monthly average price looked a bit tricky for Zinc, in \$ terms the performance was actually flat compared to November. The exchange rate saw a weaker dollar so that the metal ended just short of 2.300€ or 2.5% lower.



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**Nickel** ended 2023 with in another price drop for the monthly trend, average price, both in \$ and €; the metal was amongst the worst individual performers across various market and dropping continuously since July. *“On a year-to-date basis, **LME nickel is down 44.3% and SHFE nickel has dropped 35.4%, making the metal the worst performer across the nonferrous metals complex on the two bourses. Indonesia in recent years had seen huge increase in investments into downstream nickel production, and some Chinese producers in the past year also ramped up their nickel cathode output, creating a surplus in the global nickel market.**” Nickel supply continues to grow, but consumption has not improved. The surplus pattern continues, and **nickel supply and demand are bearish,**” said Huatai Futures in a report.*” (Reuters)

July was actually a further negative turning point for Nickel, although the increasing global need of the metal for electric vehicles and energy transition in general, there has been an abundance rather than deficit in the past two years. In previous commentaries, we have addressed the issue of class 1 material and nickel pig iron especially for the Far East market; on top of this we had the almost 40% December stock rise of Russian material in both Asian and European LME warehouses. *“An historical surplus in China started becoming visible in LME warehouse inventories after the Huayou and GEM brands were accepted for delivery on the exchange earlier this year. As of now, these two brands have a combined annual plant capacity of 46.6kt approved for delivery in the exchange’s warehouses, granted in July and November. China origin nickel was inexistent in LME stock data in 2023 up to August, yet the number has risen to 3.2kt through to the exchange’s latest report, despite year-to-November LME warehouse inventories declining 9.1kt. **LME inventories grew 17.7kt in December to 64.1kt. SHFE deliverable stocks increased 1.8kt to 13.8kt**”.* (Societe Generale)

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**Tin** was the best performer in December and recovered almost double of the previous month losses. The month started from the second lowest yearly mark in the 23.000\$ area but prices worked their way up almost 3.000\$. Stocks were pretty much unchanged, Shanghai volumes rose while LME inventories diminished, but fundamentals were still behind the price surge. This seems to be confirmed by the link between Indonesia’s refined tin exports, which rose 42% coincidentally with a price decrease, while in December the percentage change was 22 point lower.