Monthly Report – June 2025

If the geopolitical and economic situation was not complicated enough, **June** brought some further escalation in international affairs. As in Young Frankenstein's, the scenario sounds like "it could be worst, it could be raining". The recent attack on Iran is just the last piece of intensifying conflicts in the region and still no sign of peace and the Gaza Riviera dream.

From an economic point of view thinks are all but positive, numbers present a lukewarm situation especially in Europe where the only major contributor to potential growth remains defence spending. On the other side of the Atlantic, the self-referential and supposedly self-explicatory "One Big Beautiful Bill" puts on top, along with national security spending, also cuts for corporate taxes widening by trillions the US deficit while medical care and food stamps will be reduced.
China on the other hand will invest almost 90 billion$ in its power grid this year, begging the question on strategic public expenditure and long-term "guns or butter" tax-payer money dilemma.

GDP growth
% change in real GDP — updated 3 Jul

	% change on previous quarter				% change on a year ago			
	Q2 24	Q3 24	Q4 24	Q1 25	Q2 24	Q3 24	Q4 24	Q1 25
UK	0.5	0.0	0.1	0.7	1.1	1.2	1.5	1.3
Eurozone	0.2	0.4	0.3	0.6	0.6	0.9	1.2	1.5
USA	0.7	0.8	0.6	-0.1	3.0	2.7	2.5	2.0
Japan	1.0	0.2	0.6	0.0	-0.5	0.7	1.4	1.7
Germany	-0.3	0.1	-0.2	0.4	-0.2	-0.3	-0.2	0.0
France	0.2	0.4	-0.1	0.1	1.0	1.1	0.6	0.6
G7	0.6	0.5	0.4	0.1	1.7	1.7	1.7	1.5
OECD	0.5	0.5	0.5	0.3	1.7	1.7	1.9	1.7

Source: OECD data explorer, Quarterly real GDP growth of G7

Even though GDP signalled a rather good trend in Europe while the US slowed down, the "**Euro area annual inflation is expected to be 2.0%** in June 2025, up from 1.9% in May" (Eurostat). Germany, who finally registered a positive quarter this year after a long strike of bad news, saw its retail sales down by 1,6% in May from April, hopes for good Q2 data seem dull at this point; Reuters has already reduced its estimates.

Financial markets could also experience headwinds soon; some technical analysts are worrying about potential juggernaut moves to take place:

"***The S&P 500's valuation has jumped so quickly, it is worrisome***. *Its rally since its April low has brought it to 22 times the combined per-share earnings analysts expect for its member companies over the next 12 months. Not only is that the top of its range in the past three-and-a-half years, but it has come back all the way from 18 times at the low. The market does have some reasons for confidence. It sees a greater chance that the White House will complete trade deals. And even with some tariffs in place, inflation has remained low enough to keep Federal Reserve interest rate cuts on the table this year. That would keep the economy growing, allowing for more growth in corporate profits. The problem is that the price/earnings multiple hardly ever rises this much in less than three months. According to Rosenberg Research, such a fast expansion is a* ***"4-sigma event," which means the P/E multiple deviated from its mean, or its expected value, by four standard deviations****. Based on data going back to 1990, the odds of it happening are less than 1%.* ***When it happens, it signifies the market is about to see another large move****. The good news is that sometimes, such a rise in valuation indicates another impressive rally is on the way…*

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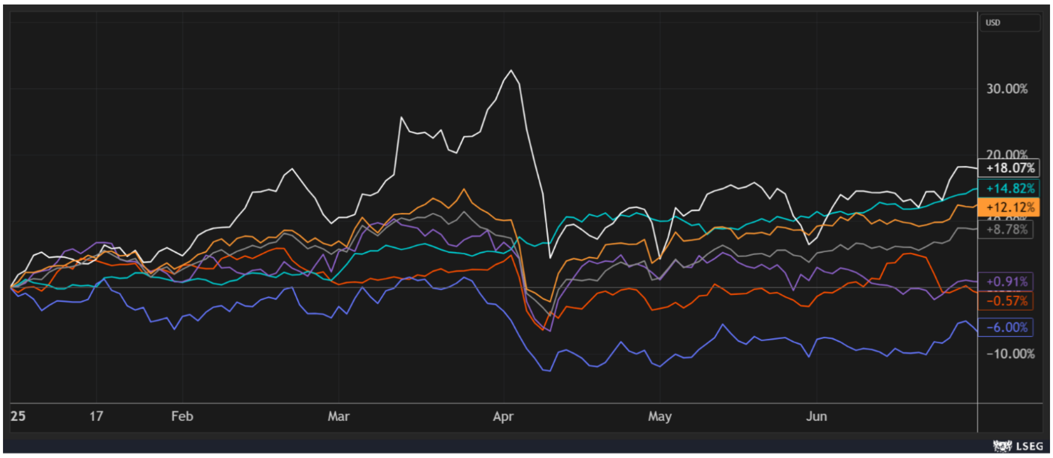
Since rates rose from 0% in early 2022, ***investors have tended to stay away from the S&P 500 when it reaches roughly 22 times earnings.*** *That signals investors have some nervousness about the S&P 500, which makes sense considering the risks to earnings.* ***Maybe the market is in for a large drop. Even if it isn't, it looks a little too expensive for a smart investor to buy in right now. "***(Barron's)

As the end of the half year is the time for some balances, we see metals mostly positive and the LME index surely remarking the validity of the long-lasting strategy to buy metals to fight inflation.

Tin +18.07% €/US$ +14.82% Copper +12.12% LME Index +8.78% Nickel +0.91%
FTSE Commodity Index -0.57% Zinc -10.97%



Except zinc, whose story we have commented in previous issues, **the real loser is the US Dollar**, its index has shed significantly after a booming end of 2024 and beginning of 2025. H1 ended lower than 97 points (see US Dollar index chart below) which we had not seen since February 2022. The comparison against the € is even worse, **the greenback was not this weak since September 2021**, at almost 1,18. It has also been the worst beginning of the year for the dollar in more than 50 years, back then an epic decision called "Nixon shock" cancelled the direct international convertibility of the United States dollar to gold, existing the Bretton Woods system.

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The individual monthly performance went like this:

	HIGH	LOW
COPPER	$ 9.913,5 on 26TH	$9.532 on 13TH
ZINC	$2.785,25 on 30TH	$2.623 on 13TH
NICKEL	$15.565 on 2ND	$14.780 on 23RD
TIN	$33.930 on 27TH	$30.205 on 2ND

Copper traded across the month always above the 20, 50, 100 Days Moving Average while the real action, as we are accustomed to in the recent months, happened on the speculative side.

"One of the ***copper market's biggest-ever squeezes is unfolding*** *on the London Metal Exchange, as rapidly declining inventories push up spot prices. Spot copper traded at a $280-a-ton premium to three-month futures on Monday* (the 23rd NDR*), hitting the highest level seen since a record spike in 2021. The huge spot premium — known as a backwardation — signals a supply shortage, and it comes after a rapid drawdown in LME inventories over the past few months. The depletion has been fueled by a global race to* ***move copper to the US ahead of potential import levies, in a dynamic that's left buyers elsewhere increasingly short of metal.*** *To be sure, demand for copper has been slowing in recent weeks, and some Chinese smelters have moved to export surplus metal into the international market to help replenish reserves.*

The LME last week introduced measures *designed to prevent a backwardation if it's fueled by individual traders who've taken large positions in front-month LME contracts. Those measures have been used in the aluminum market in recent weeks,* ***with Mercuria Energy Group Ltd. being compelled to lend back a large position at a capped level to prevent front-month spreads from moving into backwardation****. But trading data from the LME signal that a more deeply rooted squeeze is taking hold in the copper market, with movements in key short-term spreads on Monday indicating prices weren't being influenced by any single large trader.* ***The LME also has rules forcing traders with large spot positions to lend them back to the market on a short-term basis at a capped rate****. They kick in when individual entities hold positions in stockpiles and spot contracts that are equal to more than 50% of available inventories. The rules compel the entities to lend their positions back on a one-day basis via the so-called Tom/next spread at a small premium to the spot copper price, starting at 0.5%. On Monday, that would have meant the Tom/next spread would have been capped at $49.725 a ton if any one trader were subject to those rules. But at one point the spread spiked to $69 a ton, indicating the lending provisions weren't in effect, with broad-based buying setting stage for even bigger backwardations. The pressure isn't limited to nearby contracts either, with backwardations seen in key contracts through June 2026. That's a stark contrast from conditions six months ago, when shorterdated contracts were trading at a discount, indicating ample near-term supplies."*

The copper inventory shortage on the LME might be mitigated with the opening of Asian venues. *"**At least 30,000 tons of copper from smelters including Jiangxi Copper Co. and Tongling Nonferrous Metals Group Co. are poised to be delivered to LME warehouses in Asia in the coming weeks**, according to people with knowledge of the matter. The shipments could increase further if the tightness persists, said the people, who asked not to be identified citing private discussions. The exports, many of which are already in train, show how China's vast copper smelting industry is under pressure from a dramatic squeeze on the LME, where prices for immediate delivery surged to a premium of $379 a ton to three-month futures this week, one of the steepest backwardations on record. The spread started to ease partially on Tuesday, but remained elevated by historical standards. Chinese copper smelters are exposed to the LME due to hedges they typically put in place to ensure that the costs of their imported ores match up with the prices they obtain once they've turned them into metal."* (all quotations from Bloomberg) .

Zinc was the metal Cindarella in the first half of the year but showed a good tempo in June with a slow but consistent rise to its monthly zenith on the 30th. Around the last trading day there was also another peak, namely the **Cash to 3 Months differential went dangerously close to a backwardation**. Spreads have been always on contango since the end of 2024 when the Zinc scenario was quite different. From a physical point of view, fundamentals were favoring the metal with a supply constraint and stock were at their highest both on the LME and Shanghai. Since then, we have seen warehouse moves basically just on the output side, Singapore (the only venue basically for LME material worldwide) is seeing constant drops, in June alone it was over 15% below April's nadir which has been a record low for over 18 months. Chinese numbers are a bit better but still not very satisfying while global supply is increasing.

Nickel *"Trump's tariffs' blizzard has accelerated the **LME's recovery from the 2022 nickel crisis**, when it risked what then head of LME Clear Adrian Farnham described as "a death spiral". It took almost a year for volumes to recover after the exchange's decision to suspend its nickel contract and cancel trades, a call that was ultimately vindicated in the London High Court. Nickel volumes returned to pre-crisis levels last year and average daily volumes surged another 25% in the first half of this year despite the price spending most of the time treading heavy water around four-year lows. **It helps that there is a lot of nickel to be financed**. **LME stocks have risen from 34,000 metric tons in the middle of 2023 to over 200,000 with another 71,000 tons sitting off warrant in LME warehouses**. Low prices and an oversupplied market have also combined to revive the LME's dormant cobalt contract. First-half volumes of 6,089 lots were the highest since 2019 and there are currently over 1,000 tons of the battery metal in LME warehouses, most of it off warrant. The LME, however, is still playing catch-up with its U.S. counterpart in the battery metals space. CME's first-half cobalt volumes jumped by 86% year-on-year and those of lithium hydroxide by 76%.* (Reuters) .

Tin *“has historically been the smallest and least liquid of the LME's core base metals contracts, but has been steadily attracting more interest over the last couple of years.* ***LME volumes increased by 16% in both 2023 and 2024 and they were up another 17% in the first half of this year.*** *A total 902,965 lots traded in January-June, equivalent to four and a half million tons. It's the highest level of activity in the first half of any year since 2014. The LME market was carrying high stocks of over 12,000 tons back then. Current inventory is around a third of that, split between on and off-warrant stocks. Fund participation, though, has been rising with investors holding record-sized long positions on the LME contract in March. They got rewarded with an April price meltdown. But tin's combination of bullish electronics demand story and a structurally challenged supply chain has put it firmly on the investment radar.”* (Reuters)