Monthly Report – May 2025

MAY started off on the wrong foot following the end of April weakness as we can see from the monthly performance below:

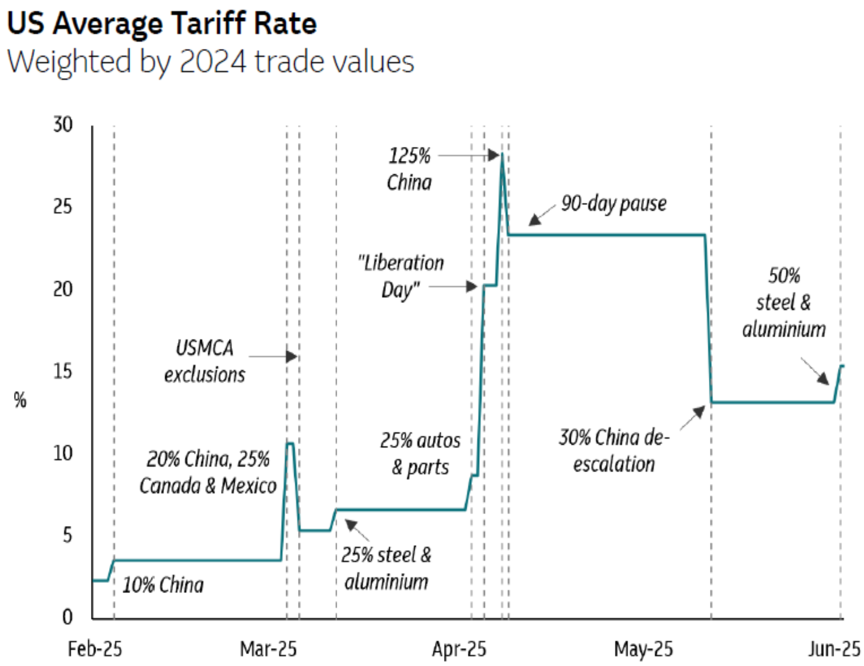
	HIGH	LOW
COPPER	$ 9.6644 on 14TH	$9.125 on 1ST
ZINC	$2.786 on 14TH	$2.571 on 1ST
NICKEL	$15.980 on 14TH	$15.000 on 28TH
TIN	$33.190 on 21ST	$29.680 on 1ST

Except Nickel, which had an abrupt fall in late May, the rock bottom happened on the first day of trading while the recoup was consistent throughout the first fortnight and highs were all marked in the central days of the month.

The story is the same as before, on the physical side little or nothing going on while on the political it's the usual carousel. After the "*Act of Supremacy*" on the global trade, various countries have repudiated Trump's approach on tariffs, Mexico and Canada first and in mid-month also China got exempted for a 90-day grace period with the countereffect of Us goods seeing its import taxes to the Asian powerhouse dropping to from 125% to 10%.

"Section 232 authorizes the President to adjust the imports of an article and its derivatives that are being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security."

Independently from our personal opinion on the matter, one thing that markets do not like is uncertainty. During a recent conference I attended, this was the main head scratching point amongst participants. The ON and OFF approach on tariffs is becoming the real conundrum for the entire metal community; under this vagueness, who is the entrepreneur or investor who can plan ahead its business if conditions keep changing?



Source: USITC, Census Bureau, Macrobond, Macquarie Macro Strategy.

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In a broader scenario we are seeing a deteriorating market evolution:
“Ratings agency ***Moody's reduced its price forecasts for several metals in light of the more challenging global economic outlook, a shift that could further complicate investments, projects and other deals in the sector.*** *"We have reduced our price assumptions and price-sensitivity ranges for a number of metals and mining commodities, a reflection of weaker consumer confidence and industrial activity diminishing demand growth for industrial metals in a worsening macroeconomic environment for 2025-26," the agency said in a statement. "Inflation remains stubborn in many countries, and companies are delaying investments that would spur demand for the commodities used in industrial applications.* ***Aside from U.S. steel, which gets a boost from new tariffs, gold and silver are the only commodities in this sector with positive fundamentals, thanks to their allure as safe-haven assets, particularly for gold," it added****.”* (BNamericas)

There is actually something moving in this apparently static situation, if it is not the Us or Europe, somebody else is naturally bridging this void, guess who?

“The London Metal Exchange has reported the ***biggest drawdown of Russian copper from its network of warehouses since it started reporting the data in 2023, as Glencore Plc bought metal to deliver to China.*** *Inventories of Russian copper on the LME dropped 27,350 tons in May, the exchange said on Tuesday. The drawdown included “type 2” Russian metal, which British companies and citizens are barred from buying under UK sanctions. Bloomberg reported last month that Glencore was buying Russian copper on the LME and making plans to deliver it to China.* ***While Glencore’s parent company is listed in London, the firm’s copper desk operates from Switzerland and trades through a Swiss entity.*** *The trade highlights the tightness of the LME copper market, which has seen overall stocks drop to the lowest in nearly two years. Russian metal has been seen as the least desirable in the market since the full-scale invasion of Ukraine in 2022, with the withdrawals indicating the lack of alternative metal available. Many consumers and financiers have sought to avoid Russian supplies since 2022, and in particular after partial sanctions imposed last year by the US and UK. As a result, Russian copper has piled up on the LME, particularly in Europe.”* (Bloomberg)

“A mountain of scrap metal in Salt Lake City that had been growing in recent weeks is finally set to shrink, thanks to ***the temporary truce in the trade dispute between the US and China****. Now that both countries have agreed to lower their levies for the next three months, the race is on to get the waste metal moving again. US dealers like Mark Lewon, Utah Metal’s president, and their Chinese counterparts have taken to the phone to seal sales and eventual shipments. “****The biggest thing now is to move material, and then see where things are in 90 days****,” Lewon said. The disruption in the scrap copper world is a snapshot of the wider of chaos across industries unleashed by US President Donald Trump’s trade war, and it shows how supply-chain issues sparked by sweeping tariffs can’t simply be turned off like a light switch.”* (Bloomberg)

“Brazil’s Luiz Inacio Lula da Silva insists he doesn’t want to pick between the US and China as his two largest trading partners wage a trade war. But it’s increasingly clear which side he has already chosen. ***Lula and China’s Xi Jinping signed on Tuesday more than 30 agreements for Chinese investment in mining, transport infrastructure and ports****, as well as the purchase of jets made by Embraer SA. Both nations decided to cooperate on artificial intelligence and take joint action on climate, while their central banks entered an 157 billion-real currency swap agreement to provide liquidity to each other’s markets over a period of five years. The deals, signed in Beijing during a state visit, mark the latest step* ***in Lula’s efforts to transform Brazil’s commodities-heavy economy with Chinese assistance, while sending one of the strongest signals*** *yet that Donald Trump’s protectionist threats have done little to dissuade the leader of Latin America’s largest economy from betting even bigger on Beijing.”* (Bloomberg)

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Copper is under scrutiny to become the potential new target of Section 232. As from previous commentary we have seen inventories moving around LME, Comex and Shanghai locations shuffling material across the globe to prevent, offset or just speculate on the recent tariff scenario.
All in all there has been almost no change, outflows in the former exchange equal outflows in the other two and we are almost in line from end 2024 tonnages (see below values in metric tons).

	LME	DIFF.	COMEX	DIFF.	Shanghai	DIFF.	TOTAL	DIFF.
31-Dec-24	271.400	400	84.516	2.236	74.172	-34.603	430.088	-31.967
31-Jan-25	256.225	-15.175	89.121	4.605	101.838	27.666	447.184	17.096
28-Feb-25	262.075	5.850	82.084	-7.036	268.337	166.499	612.496	165.313
31-Mar-25	211.375	-50.700	87.250	5.166	235.296	-33.041	533.921	-78.575
30-Apr-25	200.150	-11.225	130.658	43.408	89.307	-145.989	420.115	-113.806
30-May-25	149.875	-50.275	163.867	33.209	105.791	16.484	419.533	-582

Even though Comex inventories doubled in the last months, the implementation of import taxes to the US would exacerbate the supply chain so that available physical copper would almost evaporate as Washington alone is not able to fulfil domestic demand and cannot develop that rapidly better scrap or refinery facilities. On the other hand, **LME inventories are plunging to a pace that will empty all warehouses by August**; at some point the system will be naturally paralyzed and something will happen for the better or worse.

Regarding the May performance, Copper was on the top step of the podium with an over 5% increase showing very good resilience from the 9.125$ rock bottom staying comfortably above the 20, 50,100 days moving average swinging between 9.500$ and 9.600$ throughout the month.

Zinc inverted the recent negative course with an **almost 3% gain** in May dwelling in the 2.600$ area. There has been some relief, at least from an inventory point of view. April saw a **heavy "inflow" of material on the LME** (which basically means Singapore as it holds 99.9% of global registered ingots) with over 37.000 tons while Shanghai lowered 20.000 tons. Somebody is playing games as there is a dominant position holding from 40 to 60% of registered material; in May the LME counterbalanced the previous month identically while Shanghai reduced another 6.000 tons.

These moves helped with the price performance; fundamentals on the other hand are not that supportive in the long term. The International Lead and Zinc Study Group officialised an over **140.000 tons surplus** in the first quarter of this year and mine activity expanded.

Nickel *"prices experienced relatively narrow fluctuations in May compared to April's significant swings. The market settled into a tighter range— of about $700/t—due to **a scarcity of metal-centric news and stable underlying supply and demand factors**. However, intermittent macroeconomic influences and policy-related events played a role in short-term price movements. For instance, weak US economic data initially pushed prices down, while later on, tariff debates and trade-deal rumours caused modest upward adjustments. Overall, despite these interruptions, **the lack of substantial changes in physical supply or demand helped keep nickel prices confined within a six-month low-to-high range**."* (Societe Generale)

All things considered, Nickel was untouched from a spreads point of view as contango remains healthy and stocks are almost unchanged regardless of the tariff wars occurred.

Tin had a reverse U price graph with the average performance almost identical to April while the beginning and end May mark similarly at 30.000$. Warehouse wise very little has changed and volumes are extremely low (LME at 2.600 tons, Shanghai at 8.000 tons) but spreads vigorously moving quickly **from 200$ contango to half of its early month value to even a backwardation**. The reason might me some more political action in Indonesia, this time to fight corruption cases related to extraction activity as well as productions cuts in China.