Monthly Report – February & March 2026

We skipped the February commentary and will have a joint issue along with March, for once it seemed that the situation could be “stable” if not normal given the recent craziness.
That was all well and good but towards the end of February everything went upside down again and the warmongering carousel began another ride, like if we did not have enough already on our plate.

Western countries are now involved directly or indirectly (via proxy states/regimes) in Iran and surrounding gulf states, the Middle East adding Lebanon and Yemen, central and south American tensions, Afghanistan and Pakistan, and the ongoing Ukrainian front.

February was going rather smooth with a general readjustment of commodity prices; natural gas dropped massively as exports recovered from the late January winter storms disruptions. Precious metals went the other way readjusting from massive end of the month sell-off, the LME and CRB commodities index were relatively flat, so was the dollar index.

After ongoing threats and menaces, the US Israeli joint Operation Epic Fury begun on the 28th of February targeting Iran. The knock-on effect was brutal which counter strikes from the Islamic Republic on neighbouring countries hosting American troops. The conflict involves the strait of Hormuz which is a key channel not just for the 20 million barrels of crude oil but also gas and fertilizers; the reaction on commodity markets was immediate and **March took a bow with strengthening energy prices and the dollar index hovering 100 points**.

Regardless of one’s opinion about the strength (or lack) of political vision, effectiveness of use of force, strategy and exit strategy of the US military action, the numbers of the first quarter of 2026 picture an exceptional increase of the energy basket compared to metals, both base and precious:

Brent	+94.81%
WTI Crude Oil	+76.87%
EU Natural Gas	+74.37%
TIN	+15.68%
ALUMINIUM	+14,97%
Gold	+7.84%
Silver	+3.42%
ZINC	+3.18%
NICKEL	+1.72%
US$ Index	+1.56%
COPPER	-1,07%
LEAD	-5.16%

Just a s a sheer comparison, the LME Index rose 3.51% while the MSCI World Energy Index almost tenfold at 33.5%. To summarize the situation, we could quote the Italian journalist Micheel Serra: ***"Americans are very lucky because wherever they go to bring freedom… they find oil".***

The recent situation has been benevolent so far for producers, higher energy costs for smelters and global consumption in general produced an opposite price move for metals so we have not suffered too much skyrocketing price increases. That has been possible also because of the favourable exchange rate with the US Dollar which has been below 99 points for most of the last quarter. The € zenith against the greenback in late January above 1,2 (last seen five years ago) was extremely supportive but late March low towards 1.14 is unsettling especially if you combine the data with some other pessimistic numbers.

*"**The S&P Global Eurozone Manufacturing PMI rose to 51.6 in March 2026 (the strongest expansion in the sector since June 2022, amid a considerable supply-side disruption as the war in the Middle East disrupted global logistics markets)**, output growth hit a seven-month high, while new orders matched February's 46-month record, though the increase remained modest. New export orders stabilized, ending an eight-month decline, and backlogs of work expanded—the first sign of capacity pressures since mid-2022. **However, employment continued to decline. On pricing, input cost inflation reached its highest level since October 2022, and factory gate prices rose at the fastest pace in over three years.** Meanwhile, business confidence weakened in March, weighed down by ongoing Middle East tensions."* (S&P Global)

On this last topic of European business morale: *"The Eurozone industrial confidence indicator inched up to -7.0 in March 2026, from -7.2 in February, slightly exceeding market expectations of -8. The improvement was driven by a better assessment of order books, **though this was nearly offset by weaker production expectations** and a smaller decline in finished goods inventories."* (European Commission)
These numbers have been negative since October 2022 at the start of Ukrainian invasion.

Moreover *"**The ZEW Indicator of Economic Sentiment for the Euro Area fell sharply by 47.9 points from the previous month to -8.5 in March 2026, the lowest in 11 months and significantly below market expectations of 24.** Sentiment was heavily weighed down by the escalating conflict in the Middle East, which continues to threaten prices and supply chains across Europe. In March, 44.1% of surveyed analysts expected no change in economic activity, while 32.2% anticipated a deterioration and 23.7% foresaw an improvement. Meanwhile, the indicator of the current economic situation declined by 16.3 points to -29.9, and inflation expectations surged by 78.9 points to 79."* (Centre for European Economic Research ZEW)

Confidence and forecasts aside, there were more worrying numbers:

*"**Eurozone industrial production fell 1.2% year over year (1.5% month-on-month) in January 2026, marking the first yearly decline in a year and falling short of analysts' expectations for 1.4% growth**.*
***Manufacturing Production in the Euro Area decreased 2.20 percent in January of 2026 over the same month in the previous year.**"* (EUROSTAT)

If energy prices continue to rise and dollar strengthens, we will face a very mild spring in Europe with inflation going out of control on top pf the above negative growth. **Déjà vu STAGFLATION**

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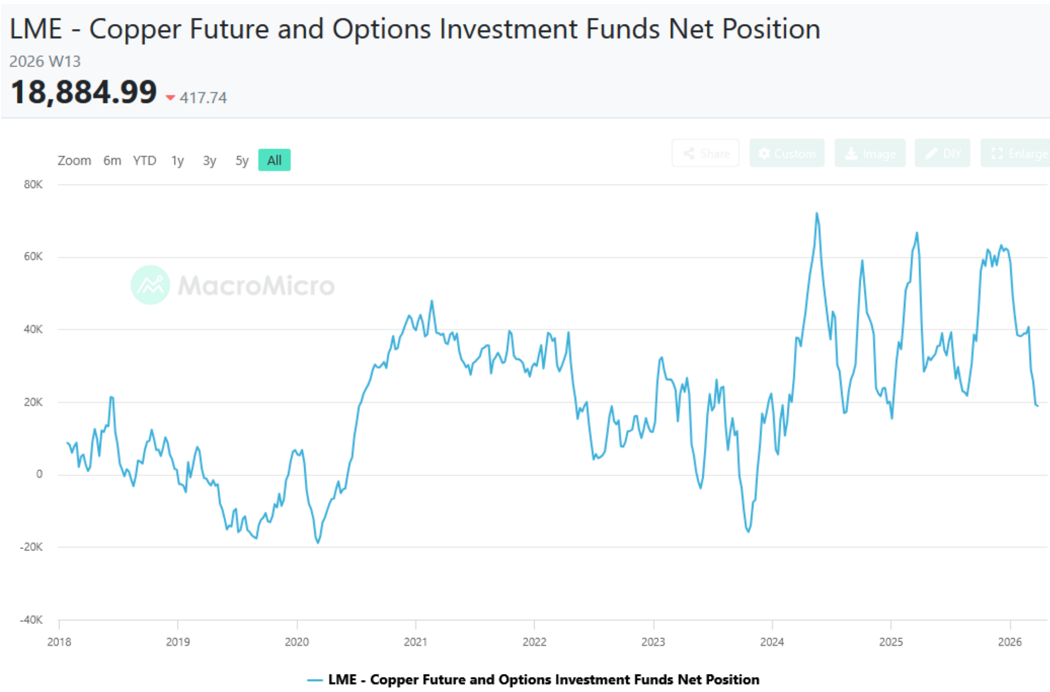
For a summary of ups and downs in the past months, here is how metals performed:

	February		March	
	HIGH	LOW	HIGH	LOW
COPPER	\$13.524 on 4^{TH}	\$12.414 on 2^{ND}	\$13.433 on 2^{ND}	\$11.700 on 23^{TH}
ZINC	\$3.458,5 on 11^{TH}	\$3.323,5 on 2^{ND}	\$3.386 on 10^{TH}	\$3.024, 5 on 23^{TH}
NICKEL	\$18.155 on 25^{TH}	\$16.495 on 2^{ND}	\$17.820 on 13^{TH}	\$16.380 on 19^{TH}
TIN	\$58.390 on 27^{TH}	\$44.345 on 6^{TH}	\$58.900 on 2^{ND}	\$40.555 on 23^{TH}

Copper fell below 12.000$ for the first time since December 2025 on the back of slowing demand and higher energy costs for the industry, falling below the 30 RSI level on its quarterly nadir. The negative shift might be caused fuelled by the LME applying changes on holders on large positions. "*The London Metal Exchange (LME) confirmed on Friday* (20^{th} of February NDR) *that it is **imposing permanent restrictions on members with large positions in nearby contracts**, a move initially introduced on a temporary basis last June. The exchange, the world's oldest and largest market for industrial metals, it wanted to make the permanent and subsequently held a consultation of members, which it said garnered support for the measure."* (Reuters)

Holders of longs in the market will be forced to lend without premium their positions under certain criteria. The move is quite evident in the MARCOMICRO graph below:



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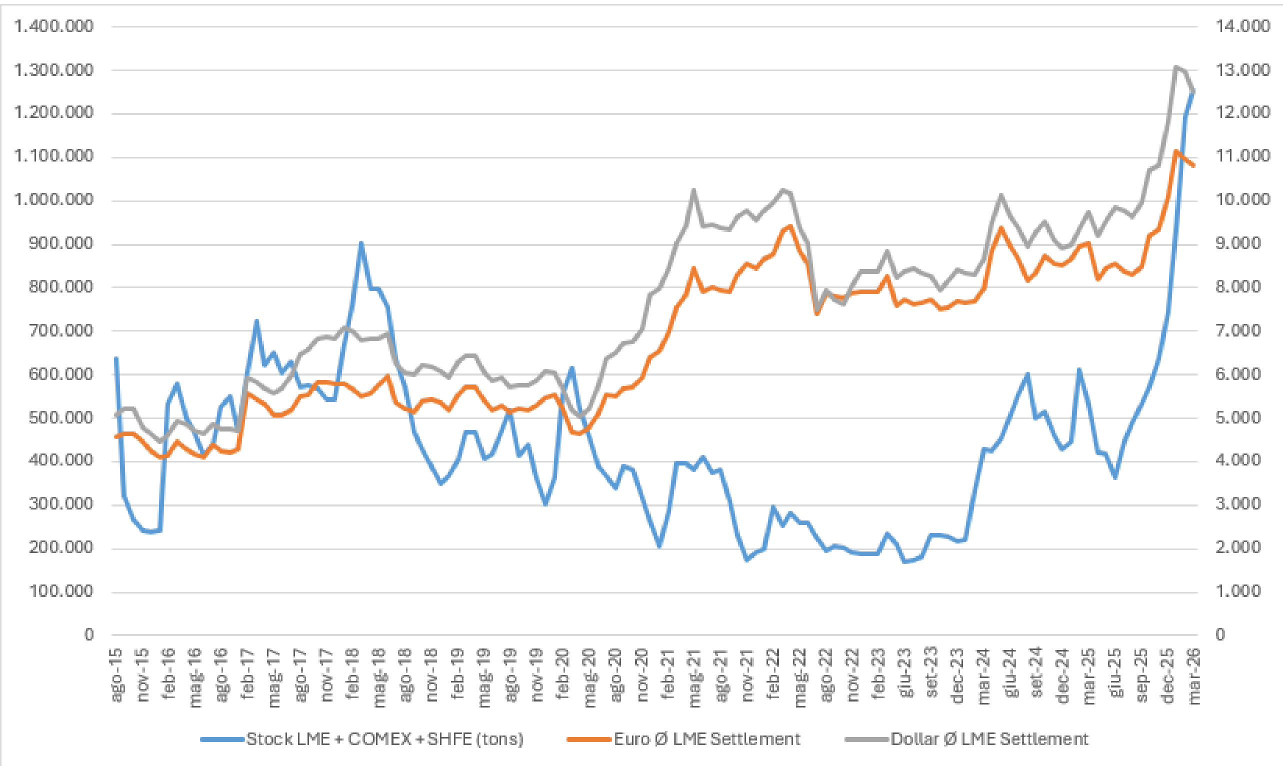
On the physical side we saw some interesting news: *"Supply developments remained a key source of risk during the month, reinforcing concerns about the resilience of global mine output. On March 31, the flagship Kamoa-Kakula cut its production guidance, adopting a more conservative mine plan following last year's flooding. The revised outlook now targets production of 290,000–330,000 metric tons in 2026 and 380,000 420,000 metric tons in 2027, down materially from the December forecasts of 380,000–420,000 and 500,000–540,000, respectively.* ***While mine supply faced ongoing constraints, refined output dynamics told a different story.*** *Chinese smelters continued to operate at high utilization rates, with refined copper production expected to reach nearly 1.2 million tons in March, according to an SMM survey. This represented a 4.6% increase month on month and a new record for the survey,* ***pushing year-to-date output growth to roughly 10%.*** *The strength of refined production contributed to higher visible inventories and tempered near-term price momentum despite tight mine availability****. Longer-term supply responses remain under development, but timelines are extended.*** *Freeport-McMoRan submitted a $7.5 billion expansion project to environmental authorities aimed at quadrupling copper output at its El Abra mine in Chile. The project includes a new concentrator, desalination facilities, and expanded tailings storage, with potential start-up in 2033 and an eventual increase in annual output of over 300,000 metric tons. While strategically significant, the long lead time highlights the limited ability of new projects to alleviate near-term supply tightness."* (Societe Generale)

Differently from short term supply shocks on the oil market, copper has not suffered any inventory problems. Unlike fuel, the red metal saw combined LME, COMEX and Shanghai stocks rising to unprecedented records. The narrative of Trump's tariff driven arbitrage and stockpiling in the US has not cooled off, US warehouses numbers continue to grow along with Chinese locations and the LME totalling more than **1,25 million tons by the end of March, almost double than 3 months before**.



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Zinc fluctuated most of the past two months between 3.200$ and 3.450$ with little volatility. Around the third week of March near to the monthly pricing, a sudden increase in Singapore warehouses of more than 20.000 tons turned the tables on price dynamics. **Zinc plunged to a three-month low next to 3.000$ and the solid 40$ contango shifted to a slight backwardation.** The situation gradually moved back to more tranquil shores with the return of contango and RSI levels; after duck diving the 20, 50 and 100 days moving average, the price reached 3.200$ again at the very end of March on the back of potential positive news on the gulf war. The sentiment is will surely vary in the coming weeks as the US political plan unfolds, there seems not to be any issues with zinc availability, **inventories ended over just south of 115.000 tons on the LME being the highest mark since July 2025**. Speaking about records, **March also saw the highest warehouse inflow in Chinese locations with over 150.000 tons**, last seen in June 2022.

Nickel traded between 16.500$ - 18.000$ in February and March retracing from December and January's positive momentum. There were no major changes in stocks or mining policies from producers as the stability of the metal's supply is yet not under threat with the war in the Persian Gulf.

"*The Indonesian Nickel Miners Association indicated that the government could revise 2026 work plans in July**, potentially raising production quotas by 25–30%.** This added to market concerns around renewed oversupply risks in the near term. At the same time, longer-term supply constraints remain evident outside Indonesia. A report by the Carnegie Endowment for International Peace projected that the US could face a nickel deficit of around 742,000 metric tons by 2035, reflecting the absence of domestic smelting capacity."*
(Societe Generale)

This could offset the short-term disruption; indeed, Nickel relies heavily on sulfuric acid supplies from the Middle East. The Strait of Hormuz is the channel for global marine transport; due to the conflict and consequent disruption there have been already severe shortages not to mention price increases. **We shall wait and see how this combination of rising fuel and sulphur prices will affect Nickel.**

Although it is still the best performing metal on a quarterly basis, **Tin** had the worst monthly performance in March with a staggering almost **20.000$ loss in three weeks** between its peak and rock bottom. The price dynamics for the metal have been quite erratic with a sharp correction from late January's highs in a U-shaped graph across February. Even more evidently, Tin's March slide showed some crack in the recent super positive cycle. The historic narrative sees market deficit for tin and copper continuing in 2026.
*"While our market balances are currently being altered, what is clear over the last three months is that **supply risks have sharply increased**, from the introduction of tighter production and export policy in Indonesia (impacting tin, nickel and copper), increasing move towards strategic stockpiling, uncertain US tariff policy and the developments of the Iran war."* At the same time though "*Copper and tin deliverables stocks at their highest level in our record back to 1997*." (Stonex)

Stocks on the LME have constantly risen since December to a **record high at above 8.000 tons** after very grim years where there was almost no metal in registered warehouses. Chiense inventories were also on a spree above 10.000 tons until mid-March when they started tumbling.
More interestingly we have seen severe moves in the Cash to 3 Months spreads on Tin, February started with a healthy **300$ contango** losing all its strength in a matter of one month with beginning of March at 19$ backwardation and worsening towards **72$ back on the 12th of March**. Simultaneously with the fall of material in Shanghai warehouses, spreads readjusted to 280$ contango in just 10 days.