Monthly Report – January 2021

"*Everybody's got the fever, That is somethin' you all know, Fever isn't such a new thing, Fever started a long ago*" is how Shirley Bassey's song goes, likewise December's market frenzy was handed over to **January**. Picking almost any commodity in the last month of 2020 would have been a lucky choice so "*Be it Fahrenheit or centigrade, They give you fever When we kiss them, Fever if you live you learn, Fever, Till you sizzle Oh what a lovely way to burn*". The after effects of the market malaise are not gone and despite a calmer January price wise (LME index basically flat, excluding Nickel and super Tin), the latest Reuters polls were still euphoric:

	2021			2022
	MEDIAN $ PRICES			**MEDIAN $ PRICES**
	New	Oct	**Diff**	New
ALUMINIUM	1.971,00	1.775,00	**11,04%**	1.950,00
COPPER	7.600,00	6.800,00	**11,76%**	7.625,00
LEAD	1.962,00	1.900,00	**3,26%**	2.010,00
NICKEL	16.535,00	15.156,50	**9,10%**	17.000,00
TIN	19.562,50	18.400,00	**6,32%**	19.800,00
ZINC	2.707,00	2.350,00	**15,19%**	2.622,00

The same excitement was seen in major indexes and shares, all boosted by recent **Biden's 1.9 billion $ relief package** that consequently led US treasuries to rise and further confidence reflected by a **big decrease in Gold.** The CRB Commodity Index on the other hand continued its rally, mainly pushed by oil as OPEC+ manoeuvres to cut production lifted **WTI prices above 50$** a barrel after 12 months. Albeit these super exciting numbers the real economy is not as resilient and still languishing, some have even defined a new graph move for this stage. This time the chosen letter, after V and U, is K: while financial markets rise, all the rest declines. In this winter's cold, let us see how much more load the thin ice can bare.
Back to metals, here's our favourite four behaved:

	HIGH	**LOW**
COPPER	$ 8.238 on 8TH	$7.705 on 28TH
ZINC	$2.897 on 8TH	$2.552 on 28TH
NICKEL	$18.515 on 21ST	$17.040 on 11TH
TIN	$23.175 on 29TH	$20.380 on 4TH

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KME

Copper was once again the lighthouse of economical and industrial sentiment and showed best the frailty described above. January started with the price towards eight-year highs over **8.000$** as the "***weaker dollar** and expectations of **robust demand** in top consumer **China** and **falling inventories** spurred purchases. "The lower dollar is supporting copper and focus is on the vaccines which imply stronger growth in the medium term," said Quantitative Commodity Research analyst Peter Fertig*" (Reuters). The fragility of this sentimental approach was soon unveiled, new global contagions put recovery hopes aside with copper slipping quickly despite attempts to recover in following weeks and the RSI well below the overbought area, which dominated in in November – December. The average price was up almost 3% because of the greenback recovery and ending at **6550€/ton** although more interesting numbers come from the physical market. LME **inventories dropped 30% beneath 75.000 tons** and back to last September's lows, which was a 25-year record nadir. Strangely enough, the decline was not just in the pool of "speculative" sensitive Asian locations, also US and European warehouses trimmed their stocks and backwardation was back on the menu towards the end of January.

Zinc's highs and lows coincided with Copper but the path of the two metals couldn't be different. Price wise the first week of trading was very similar along with RSI overbought scenario, zinc dropped after reaching its zenith just short of **3.000$** and from there the descent was consistent. Physical market deficit was another ghost that spooked the metal market for years, yet the naked truth was abruptly revealed as soon as "bad news" started coming from China. Despite the pandemic production halts, Chinese smelters' **output will rise 300.000 tons** this year. Moreover, Reuters's research unveiled the "off warrant stocks" elephant in the room: "*Shadow stocks of zinc, lead and nickel also increased over the February-November 2020 period even as on-warrant inventory rose. In the case of zinc, a **145,300-tonne increase in LME stocks was complemented by a further 71,650-tonne build in shadow tonnage**. Off-warrant zinc stocks totalled 97,312 tonnes at the end of November. The largest concentration - 58,240 tonnes - was at New Orleans, a perennial favourite for physical zinc traders due to its geographical insulation from regional premium markets. Shadow stock builds simply reinforce bearish optics in such markets, all of which are thought to have registered significant supply-demand surpluses last year.*" **The January increase in LME inventories, totalling almost 90.000 tons and reaching a multi-year high above 290.000 tons**, happened almost in just 3 days and generated further sell-off.

Nickel was on the rise again continuing its long strike: "*The price rise was the largest in 16 months as usage in China's electric-vehicle market improved and the dollar weakened. Nickel hit **$18,000/t** because of prospects for the Biden presidency and, perhaps more importantly, because after the Georgia Senate run-off wins on 5 January, the US Congress is now largely Democrat controlled, meaning that the president can better pursue his agenda. A halt on mining activity in the Philippines buoyed prices further. However, prices, after hitting the highest level in more than six years, retreated significantly amid doubts regarding the approval of a US stimulus package*" (Societe Generale). The average monthly price also rose significantly by over 6% to a new record of **14.665€/ton** but inventories show where the real action took place, LME was basically unchanged from December while in **Shanghai stocks declined more than 40%** ending just short of 10.000 tons.

Tin stayed on the same path as the previous month: booming price, overbought RSI, stock contraction and backwardation increase. The weak dollar at the beginning at the month and strong Chinese demand for EV vehicles with the potential green cure by the Biden administration made prices jump to a fresh record above **23.000$** last seen in 2014. Back to Reuter's article quoted in the zinc section, "*Tin sits at the bull end of the stocks spectrum, with both LME and shadow stocks declining last year. LME tin stocks slumped by 74% to just 1,860 tonnes over the course of 2020* **(January ended with another 50% cut at 820 tons)**. *Inventory has shrunk further to just 1,660 tonnes over the first days of 2021 with time-spreads flaring out in response. Anyone looking for relief from off-warrant inventories may be disappointed, however. As of the end of November there were precisely zero, compared with a March peak of over 4,841 tonnes. It doesn't mean there's no tin "out there" being stored in warehouses away from the LME, but it does mean that the twilight zone is depleted.*"