Monthly Report – April 2019

Seems like those who did not agree March commentary's doubts could gloat over **April** numbers. Again equity markets topped previous performances and jobless claims as well as other indicators seem to trace a super positive track for the US role in the global economy leadership. This might delight Americans but a bit of caution, like FED Chairman Jerome Powell suggested for the interest rate cut, would be a reasonable. Repeatedly low PMI numbers from other continents and political instability might strengthen one player but at what cost? No use in saying "told you" but the 1st of May market plunge explains more than personal thoughts. You could argue that having most of the world on holiday could have been pure speculation but the Federal Reserve stating that "growth of household spending and business fixed investment slowed in the first quarter" also noting that the inflation is below the Fed's target of 2% and that wages do not rise while job numbers do.
The Reuters Metals Polls released on Labor Day were relying on the pre market disrupt optimism:

	2019 MEAN $ PRICES			**2020** MEAN $ PRICES		
	New	**Jan**	**Diff**	**New**	**Jan**	**Diff**
COPPER	6.529,00	6.397,50	2,06%	6.727,50	6.695,90	0,47%
NICKEL	13.204,10	12.781,90	3,30%	14.097,00	13.973,20	0,89%
TIN	20.800,70	20.273,00	2,60%	20.759,70	20.933,30	-0,83%
ZINC	2.736,40	2.564,90	6,69%	2.611,10	2.534,20	3,03%

Considering that the above forecast are of little use at this point let's go in details April's performance:

MONTHLY High's And Low's

	HIGH	**LOW**
COPPER	$6.608,50 on 17TH	$6.340 on 25TH
ZINC	$2.958 on 1ST	$2.726,50 on 23RD and 24TH
NICKEL	$13.430 on 3RD	$12.310 on 25TH
TIN	$21.550 on 1ST	$19.545 on 25TH

Copper had a rather boring trading month with the average price just 0.5% above March at 5.735 €/ton and saw the price repeatedly testing the **6.500$/ton resistance line.** Although April started above this level and broke it a few times nothing was seen in the first couple of weeks and the "real" action happened in the 3rd week when the red metal reached its zenith on Chinese number and (mostly) hopes of economic stimulus. Numbers went the other way around and the Easter break begun with Dr Copper retracing from its highs and when market reopened on the 23rd the price lost some more ground with the Shanghai composite dropping 1,7% and US home sales showing a further decrease of the economy sweeping off all hopes of the previous week. May be this has affected also LME stocks movements which saw another month of increasing volumes registering an **inflow of over 57.000 tons (+34% from March) to a new 6 month high just short of 226.000 tons.**

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Inventories increased equally around the world potentially signaling demand decrease which makes LME storage an alternative to a dull physical market. Another rumor is that heavy LME short positions were covered by cathode consignment and this might also explain the heavy return of the **backwardation** which topped to **28$ on the Cash to 3 Months** spread exactly on the 15th when most monthly cash positions were due.

Zinc had a quite troublesome month and looks like no fortuity that April's high happened on Fools' day. The 3.000$ was not reached and instead the price **swung up and down** the **2.890$/ton** trend line for the first fortnight. The price decrease took place a couple of days before the Easter break and lead below the 20 and 50 days Moving Averages trying to climb back towards the latter MA as the month was ending. In € terms the price actually performed better that March considering that the average increased by almost 100€ at **2.615 €/ton** but all this has to be attributed to the weakening US currency. The outlook for zinc is cloudy as there's not just the economy moving the price around, the metal has been constantly under the radar of speculators and investors because of the supply/demand dynamics we have repeatedly described. Signs of relief from smelters and "global refined zinc market in a small surplus in both January and February" (International Lead and Zinc Study Group) after months of shortages saw the zinc price fall 7% in just one week before buoying the 2.700$/ton area. Nervousness has been registered mostly on the Cash to 3 Months showing a disconnection from **LME stocks that increased 65% to 85.000 tons,** this should actually ease spreads, it actually went the other way. It's through that the same increase in LME warehouses was a decrease in Shanghai and Comex location just as it happened in copper stocks but contrary to the red metal **zinc went to 62$ to 134$ backwardation**.

"***Nickel** prices hit a two-month low on Tuesday on signs of rising supply while the wider market also fell on a stronger dollar and uncertainty about the Chinese economy. Data showed the deficit in the global nickel market for the first two months of the year narrowed sharply to 5,700 tonnes, down from 24,400 tonnes in the same period last year."I can see why nickel is under a bit of pressure. The data is still showing a deficit, but it's well below what we've seen over the last couple of years. And nickel ore prices are down to the lowest levels in over a year," said Colin Hamilton, director of commodities research at BMO Capital in London. "Chinese NPI (nickel pig iron) production is up this year so we are getting decent amounts of supply growth coming through." **Nickel on the LME was down 1.9 percent** at $12,415 a tonne by 1440 GMT, the lowest since Feb. 19. Nickel has shed 8 percent since touching a six-month peak in early March but is **still the best performing LME metal so far this year** with a gain of 18 percent.*" (Reuters April 23rd)

Tin price tumbled in April almost cancelling all 2019 gains. **The 2.000 $ fall** of this supply anxious metal could be explained by rising Indonesian exports in March which rose 5 % year on year and 3% month on month. What remains perplex is the "*Depleted stocks have been a long-running theme on the LME tin market. Exchange inventory totalled 28,000 tonnes at the start of the decade but has since eroded almost completely. A commodities text-book interpretation of that trend would be that tin is a market in long-term structural deficit. There's always a way of "explaining" low LME tin stocks through a market prism such as the notoriously erratic shipments from Indonesia, the world's largest tin exporter. But the 8,000 tonnes of metal sitting in Shanghai Futures Exchange (ShFE) warehouses tell you there's no acute global tin shortage right now.* "(Reuters April 19th)