Monthly Report – April 2021

April shrugged off all doubts of March’s slowdown with all markets flourishing like spring blossoms after the chill. Doubts about President Biden’s ability to inject stimulus are history, late in the month in his speech before Congress he unveiled a 1.8 trillion American Families Plan and 2.3 trillion dollar infrastructure package on top of the already announced 1.9 trillion $ Covid package.

With this prelude, markets went bananas, and on top of this, the U.S. manufacturing activity soared to its highest level since 1983. Both the Reuters –Jefferies CRB and the LME index are back to a 10-year high after the rally stop in March. Also in the old continent, there was stronger than expected growth in April with reprise of some service activities and the IHS Markit's flash Composite Purchasing Managers' Index rising to a nine month high of 53.7 from March's 53.2. The composite future output index also climbed to 68.8 from 67.9, the highest since July 2012.

Just to wash away short-term euphoria, here is the latest Reuters’ forecast on metals. As you can see, 2021 is booming with positive outlook with the best performing metals keeping momentum also in 2022, the partial less optimistic view on the other metals seems contained.

	2021			2022		
	MEDIAN $ PRICES			**MEDIAN $ PRICES**		
	New	Jan	**Diff**	New	Jan	**Diff**
ALUMINIUM	2.133,80	1.971,00	**8,26%**	2.015,00	1.950,00	**3,33%**
COPPER	8.650,00	7.600,00	**13,82%**	8.283,70	7.625,00	**8,64%**
LEAD	1.987,00	1.962,00	**1,27%**	1.975,00	2.010,00	**-1,74%**
NICKEL	16.904,00	16.535,00	**2,23%**	16.500,00	17.000,00	**-2,94%**
TIN	24.812,50	19.562,50	**26,84%**	23.000,00	19.800,00	**16,16%**
ZINC	2.733,00	2.707,00	**0,96%**	2.618,00	2.622,00	**-0,15%**

Back to the past , here is how April went:

	HIGH	LOW
COPPER	$ 10.008 on 29TH	$8.695 on 1ST
ZINC	$2.975,5 on 29TH	$2.751,5 on 12TH
NICKEL	$17.700 on 30TH	$15.925 on 23RD
TIN	$29.225 on 30TH	$24.685 on 1ST

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Copper was once again on the podium winning the silver medal for its +12% monthly performance. The price remained below the **9.130$ resistance** in the first two weeks of April, then surged towards the following level at **9.300$** when the US manufacturing news came out. Euphoria picked up quickly and broke the **10.000$ mark** to a **10 year high**. Funny how copper enthusiasts who have kept lobbying 10.000$ over the last months, Goldman Sachs already in December last year, aren't satisfied yet and now aim at **15.000$.** Like in the Thomas theorem, it seems that markets completely fell into the **Self-fulfilling prophecy** buying into every bullish news as if it was the clear revelation of something inevitably approaching. Yes, there were fundamental reasons for prices to push higher on concerns over supply concerns in South America, lowering stocks and positive US yields but more interestingly is to see how the big players have acted.

"***Funds continue to reduce their long exposure to the copper market*** *even as the bull clamour for higher prices grows ever louder. Goldman Sachs last week doubled down on its supercycle shout, forecasting copper would average $15,000 per tonne in 2025 in a headline-grabbing April 13 research note titled "Copper is the new oil". Citi is also firmly in the bull camp with a short-term target of $10,500. "We highlight that the 'super' part of the supercycle is now" with the market facing the largest supply deficit since 2003-2004, the bank said. (Reuters) ".* The lower dollar of course helped to purchase red metal and the **"sell USD, buy commodities"** mode settled in. The average monthly price almost hit **8.000€/t** and LME inventories tumbled to 137.000 tons after topping 170.000 in mid-April, notably with cancelled warrants (metal earmarked for delivery) at a high rate showing appetite for physical material and contango fading in favor of backwardation.

Zinc was the **least performant** and even forecasts as per above show little sympathy for the metal in the year to come. Although the **4% month increase** looks good, the bottom line of the zinc market remains the physical surplus: "*Chinese zinc smelters, in a separate Antaike survey, produced 426,000 tonnes of zinc in March, up 7% year-on-year but down 9.8% month-on-month on a daily basis, as energy consumption curbs in inner Mongolia hit production. Zinc output is forecast to rise by 6,700 tonnes in April and another 10,000 tonnes in May, with the increases limited by maintenance and environmental inspections, Antaike said "… "Despite last year's collapse in mine output, global refined production rose by 1.2%, according to ILZSG, which estimates the market registered a supply surplus of 533,000 tonnes of metal in 2020*." (Reuters). LME warehouses also show there is no fear of shortages with an **increase in inventories of 8% month on month ending at 291.750 tons**.

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Nickel tried to compensate the 13% March sell-off with the 10% increase in April. Although an early increase, prices remained close to the recent support of 15.830$ with a quick uptrend move towards the end of the month. No mayor news beside these, inventories basically unchanged from March and little enthusiasm in the Reuter’s polls.

Last but definitely not least, **Tin** won the gold medal in April with a 14% increase. The slow but constant growth had a strong boost on the 28th when the metal **rose 5% to almost 28.600$**, the highest price since August 2011 and kept climbing to its zenith at months’ end. Inventories slid by a quarter and the accrued **1.250 tons** put physical material back to scarce availability worldwide “*Looking ahead, the ITA expects that Indonesian exports in April and early May will not rise all that much given that Ramadan will last for another two weeks. In addition, PT Timah (the world’s second largest producer) said that it would produce 26% less tin this year compared to 2020, while the country’s output as a whole should drop by nearly 30% y/y in March. In Europe, there has been a persistent lack of material amid strong offtake, pushing premiums to record highs and we are seeing the same thing in Taiwan as well.*
(ED&F Man)