Monthly Report – August 2022

August showed a little different plot from previous months; metals did not stop completely their losing strike and recouped only partially ground lost since spring. The beginning\end of the month performance was positive just for zinc but all others (except tin) had positive monthly average price compared to July. Macro sectors such as precious metals and energy ended negative as well, for the latter the complex as a whole was negative but natural gas alone counterweighed the trend with an over 10% increase. Grains and soft commodities (sugar, cotton, coffee etc.) on the other hand, registered positive numbers mainly due to output doubts because of recent heatwaves globally and export constrains in Ukraine. The unaltered narrative is still on the dollar side; despite the mid-month drop, the greenback has strengthened again in August while the European currency showed its frailty one more. *"The Euro eroded over the course of August,* ***breaking below parity*** *on a number of occasions, but is still some ways off its all-time low in the mid-80's reached shortly after the currency's launch in 1999. During August,* ***the Euro traded between of 99-103.7****. The currency has been under siege from a number of fronts for some time now. Not only has inflation in the Eurozone hit a record high in August thanks to the economic shocks generated by Russia's war in Ukraine, but unlike the Fed, the ECB has been reluctant to raise rates forcefully. Eurozone consumer prices were 9.1% higher in August versus a year ago, accelerating from the 8.9% year over year increase seen in July. (In contrast, US inflation readings were at 8.5% in July, down from 9.1% in June.) Recently, officials at the ECB have signalled that they may be considering a course correction and there is talk of a .75 percentage point increase at the next policy meeting coming up this week."* (ED&F Man)

The effect on commodities was double, both rising prices and reverse effect on the exchange rates sent base metals to positive territory in €. Mostly fears of productions halts in energy intensive productions such as aluminium and zinc were amongst the reasons for this spike. End of the month and beginning of September price moves showed how frail these arguments indeed are. European industrial indicators showed their weakness and after three months, Chinese PMI were again below 50 points.

Below the August' price performances:

	HIGH	LOW
COPPER	$ 8.214 on 12TH	$7.602 on 4TH
ZINC	$3.819 on 16TH	$3.255 on 3RD
NICKEL	$25.200 on 1ST	$20.750 on 30TH
TIN	$25.600 on 1ST	$22.495 on 31ST

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Copper showed good momentum for the first half of August **peaking above 8.000$** after quite some time, topping the month on the 12th on **production cutbacks**. Mining activity slowed in South America because of **water supply issues in Chile** while the energy crisis caused some problems also for the red metal. "***Tongling Nonferrous Metals Group** Co., one of China's top copper producers, **is cutting output after local authorities reduced electricity supplies** to save energy, according to people with knowledge of operations who declined to be named because the information is not public*" (Bloomberg). Covid continued to be a threat in the Asian powerhouse as Jiangxi Copper announced lower smelting capacity because of zero case tolerance still in place in the country. The ICSG released H1 figures of 72.000 tons global supply/demand deficit and combined LME, Comex and Shanghai inventories were down almost 30.000 tons from July. These were the only supportive news price wise, soon the trend changed into less favourable mood and copper dropped towards the end of the month totalling a 1% loss. The unfavourable €/$ exchange rate had a positive impact in Europe, increasing over 6% to an **average monthly price just short of 7.900 €/ton**.

Zinc was the only metal to register a **gain, +5%,** being the best performer of the complex. There has been a steady rise along the first fortnight supported by further **production halts** in Europe due to increasing energy costs but again this is showing just the upper side of the market. As production dropped, it was rather odd to see inventories rise in LME locations, +10%, and backwardation dropping rather than building up. Cash to 3 months halved in the course of August, revealing all but appetite for material; the broader picture is mainly dominated by market frailty and storms building in the Far East.

"*Smelters' declining profits were expected to restrict production capacity increases. **China** is an important market for zinc, as it **accounts for approximatively 50% of the world's consumption**, and news from China proved to be somewhat bearish, leading to a price correction mid-month. With construction being an important market for galvanised steel and brass, domestic demand had been affected by the weakening property market. The China Real Estate Sector Composite index, an index encompassing funding, investment, construction, sales and inventory indicators, currently sits at its lowest point since the height of the COVID pandemic, at approximatively -220*". (Societe Generale)

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KME

Nickel started well in August with its highest mark on the very first day being a bit wobbly until mid- month and then touching its lowest towards the end. The first correction took place in the first fortnight when Indonesia announced it would revise the proposed nickel export tax. "***Prices dropped 7.6%*** *on the news. Originally the policy was to introduce an export tax on nickel pig iron and ferronickel with the government originally keen to take advantage of its nickel resources for battery use and push investment toward higher grades than NPI or ferronickel. Meanwhile a large* ***global nickel producer announced plans to boost nickel exploratio****n expenditure over the next two years to meet rising demand for the material. Nickel further fell as base metals generally fell amid hawkish comments from the Federal Reserve officials and fraught tensions over Taiwan. Weaker than expected industrial data from China pushed nickel further down."* (Societe Generale)

Tin continued its price correction and set another month in the red with prices swinging between 25.000$ and 23.000$. The end of August registered an **over 40% drop from beginning of 2022,** and the lack of appetite was shown by improving inventories and lowering backwardation. Having said this, tin is still a very sensitive and special one of a kind amongst its peers and the outlook in the long term looks positive on the back of growing need of this metal for the EV sector and the Green Revolution in general.