

# Monthly Report – December 2019



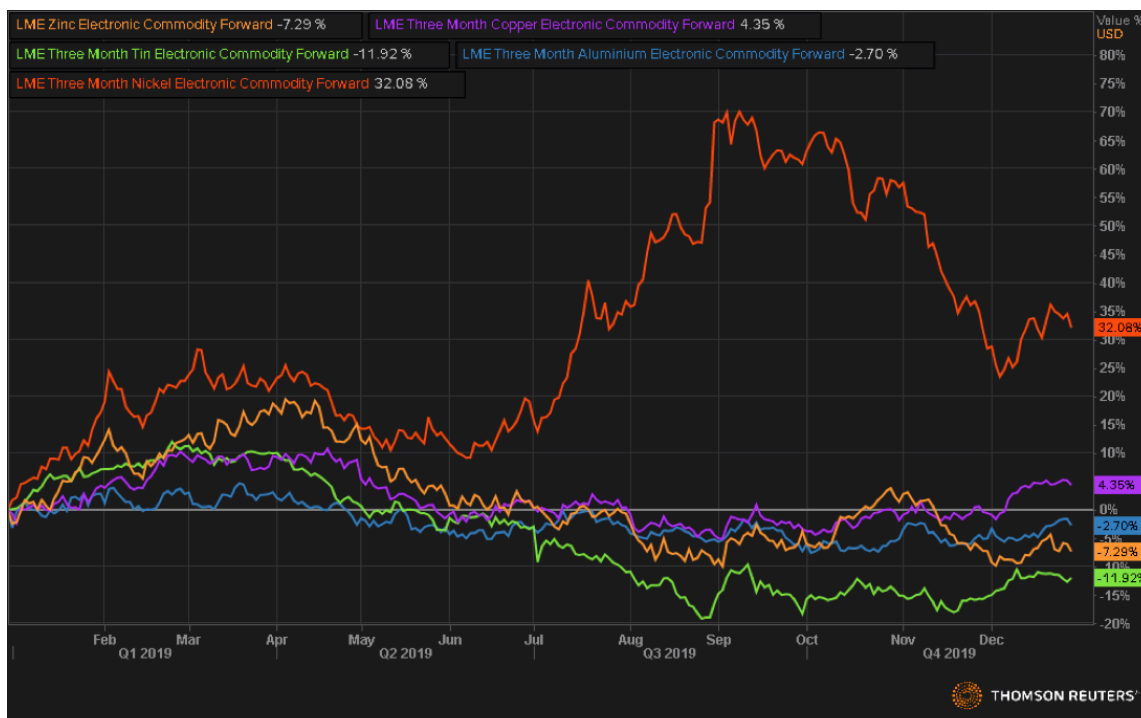
Another year has passed and here we are to witness not just a virtual war like the everlasting US Sino tariff one but a potential real threat to global peace with the recent escalation in the Middle East. History seems to repeat itself, despite the different party it is again a pending presidential impeachment lightening the sparkle in the Middle East, for somebody New Year's Eve fireworks are not enough. Needless to say, the commodity related indexes were pushed higher on the sound war drums with oil and safe heaven gold going bananas. So in a nutshell, a real conflict moves politically sensitive commodities higher while industrial metals' prices increase on the hope that a truce on a trade war might happen (same rumor we have heard every month in the last year and a half): so easy to break something fragile, so difficult to repair what is broken.

Along with the monthly statistics, we have also the full year ups and downs:

## THE 2019 HIGH'S AND LOW'S.

	HIGH	LOW
COPPER	\$6.608, 50 on 17 <sup>TH</sup> April	\$5.518 on 3 <sup>RD</sup> September
ZINC	\$2.958 on 1 <sup>ST</sup> April	\$2.190 on 3 <sup>RD</sup> September
NICKEL	\$18.850 on 2 <sup>ND</sup> September	\$10.530 on 2 <sup>ND</sup> January
TIN	\$21.800 on 25 <sup>TH</sup> February	\$15.565 on 27 <sup>TH</sup> August

In addition, a lovely graph to better highlight winners and losers in 2019



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## MONTHLY High's And Low's

	HIGH	LOW
COPPER	\$6.266, 50 on 27 <sup>TH</sup>	\$5.806 on 3 <sup>RD</sup>
ZINC	\$2.353, 50 on 20 <sup>TH</sup>	\$2.201 on 3 <sup>RD</sup>
NICKEL	\$14.510 on 23 <sup>RD</sup>	\$12.900 on 10 <sup>TH</sup>
TIN	\$17.410 on 10 <sup>TH</sup>	\$16.650 on 2 <sup>nd</sup>

**Copper** stood as the landmark of the ongoing tariff deal's effect on markets, there has been a lot of "buy the rumor" activity but little "sell the fact" in general, considering that the negotiations did not end in 2019 with a final and resolute decision. Early in December Andy Home commented: *"Trade war has trumped fundamentals as copper has been used as a proxy for trading the twists and turns of Sino-U.S. trade talks. The fact that London copper... is virtually unchanged on the start of the year says much about the on-again-off-again nature of these talks. Even in terms of internal dynamics, though, concerns about demand have trumped worries about supply as macroeconomic uncertainty has exacerbated cyclical manufacturing weakness, not least in China. That has served to mask just how poorly global mine supply has performed this year. But the evidence is there in the form of the deals just negotiated for next year's smelter treatment and refining charges (TC/RCs). Too much smelting-refining capacity is chasing too little mine supply with TC/RCs falling to their lowest since 2011 and smelter margins coming under intense compression."* (Reuters)

Having fundamentals out of the game we have seen a price increase in copper which **started** the month below the **5.860\$** support line but skyrocketing at the end of the first trading week on the back of (surprise, surprise ) trade negotiations when China agreed to roll back tariffs on some U.S. goods as a sign of good gesture. From there on the price picked up **hitting the 6.200\$** resistance and even beyond towards the end of the year. The **average monthly price** stood just short of a 3% increase from November at **5454€**.

The supply worry described by Reuters is probably part of the strange dynamic in global copper inventories, end of December has been the nadir not just for LME stocks (-30% from November at 144.000 tons), adding COMEX and Shanghai they were slightly above **300.000 tons a record low for the year**.

*"Copper stockpiles tracked by the world's leading metal exchanges have contracted to the lowest level in almost five years, adding to signs of a tighter market as investors weigh up prospects for commodities in 2020. The global tally fell to 321,108 tons on Monday, the smallest since January 2015, with holdings set for a third annual drop. The drawdown comes as prices have climbed to the highest since May following the U.S.-China phase-one trade deal."* (Bloomberg)

**Zinc** had quite a variegated direction in December, mixing technical moves and fundamentals. The month started from November's lows dangerously approaching the yearly bottom of September and struggling to **climb above the 2.300\$** mark. It steadily gained momentum towards the month zenith before the Christmas week but a couple of positive supply news ruined the Noel price carols:

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*“The global zinc market moved to a surplus of 7,300 tonnes in October from a revised deficit of 21,100 tonnes in September, data from the International Lead and Zinc Study Group (ILZSG) showed. During the first 10 months of the year, the global deficit fell to 152,000 tonnes from 343,000 tonnes in the same period last year”. On the 23rd “LME zinc closed down 2.1% at \$2,291, giving up the previous week’s gains as a rise in Chinese smelter processing charges to \$310 suggested output of refined metal would increase.” (Reuters)*

The **average monthly price plummeted 7%** little short of 2.050€ with LME inventories also falling towards troubled levels of previous months, stocks dropped another 8.000 tons on the LME to end at 51.200 tons but warehouses have been constantly the playground of dominant positions in warrants all year long.

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**Nickel** is clearly the winner in terms performance amongst our beloved base metals but risked to put the Christmas mood into a more “Scrooge” temper. Luckily, it recovered the recent price avalanche in the second half of December **after falling 30% from a 5-year high set in September** when it overtook Tin for a while. *“Elevated stainless-steel stockpiles in China dampen the demand outlook. Stainless spot prices in China fell as inventories consolidated at a record high. Nickel on Tuesday (10<sup>th</sup>) closed at the lowest level since July amid **signs of faltering demand** and concerns over a sharp slowdown in industrial and manufacturing output in major economies (Bloomberg).”* On the same day, a massive move from the Far East helped the price to recover *“as **“explosive” buying in the nickel market in Shanghai** spilled over to London. In the four hours of night trading on the Shanghai Futures Exchange, 1.32 million contracts changed hands, more than triple the 100-day average for that time of day. The surge occurred after nickel on the London Metal Exchange fell below \$13,000 a metric ton. “Explosive buying from SHFE night desks in China helped boost buying in London and nickel up more than \$500 from the lows” (Bloomberg).”*

All in all the average price dropped almost 10% to 12.400€ from November but **more action was seen in stocks** starting to surge massively almost with the same pace of market reaction to recent lows in the nickel price and **rebounding from the 10 year nadir** registered in the previous month. Warehouses in Chinese neighboring countries, Dubai and Rotterdam more than doubled their inventories registering a total LME capacity of 153.000 tons with a spectacular **122% increase**.

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**Tin** seemed poised for a **recovery** in this far from positive 2019. Despite the 12% drop in the yearly performance, December had an optimistic move starting on its lowest mark but steadying throughout the month and **well above 17.000\$**. This came in as good news considering that *“Indonesia exported 4,614.24 tonnes of refined tin in the month of November, Trade Ministry data showed on Monday, an increase of 32% from the same month last year. On monthly basis, however, exports dropped by 20%, the data showed.” (Reuters)*