

# Monthly Report – December 2020



They say that Christmas brings out the best in us. Well, price wise it definitely did for commodities; market players seem not to have changed over the months, investment funds have still been dominating in **December** with a potential start of a “commodity supercycle” (Andy Home, Reuters).

The detail below shows a 20% increase in the LME Index while the CRB Commodity Index was almost flat year on year. Oil is the answer to this difference as the WTI had an immense drop in April on geopolitical price war. Stock markets on the other hand are as happy as it can be:



It is rather sad to acknowledge that in this very period of unprecedented global pandemic and dramatic consequences in the real economy, on top of public's health and safety, the niche of the mega rich saw their wealth rise. “During 2018, 2019 and the first seven months of 2020, technology billionaires’ total wealth rose by 42.5% to USD 1.8 trillion, supported by the surge in tech shares. Meanwhile, **healthcare billionaires’ total wealth increased by 50.3% to USD 658.6 billion**, boosted by a new age of drug discovery and innovations in diagnostics and medical technology, as well as latterly COVID-19 treatments and equipment. (Note our standard analysis period has been extended to take into account the effects of COVID-19.) Compare this to the smaller increase for the billionaire class as a whole. It rose by 19.1% to USD 10.2 trillion over 2018, 2019 and the first seven months of 2020” (UBS & PWC).

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These market messiahs, new and old oracles have shown philanthropic some gestures during the pandemic; the other side of the spectrum where most of humanity sits is suffering to a much broader extent. Not just the **poor are getting poorer**, middle class is deteriorating its status and the World Bank expects **115 million people** (more than the population of Germany and the UK combined) to slip towards the pauper.

In a Commodity style *Christmas Carol*, we would have read about the ghost's journey into the past, when fundamentals rather than speculators were setting the market narrative, a time when global supply and demand moved prices, industrial growth and durable goods sales showed the pace of the economy.

The Ghost of Christmas Present would show Ebenezer Scrooge two emaciated children named **Ignorance and Want**. The grumpy old businessman, well fed on tax cuts and relocated into fiscal havens, would be warned to be cautious of the former above all. Capitol Hill riots on January 6, ironically on epiphany's day, should indeed be the revelation that some political and financial decisions risk to rip the already fragile social fabric.

Year-end is all about statistic, along the usual monthly numbers here is a comparison with last year:

	HIGH	LOW	31 <sup>st</sup> December 2019
COPPER	\$ 8.028 on 18 <sup>TH</sup>	\$7.565,5 on 2 <sup>ND</sup>	\$ 6.174
ZINC	\$2.900 on 21 <sup>ST</sup>	\$2.722 on 2 <sup>ND</sup>	\$ 2.272
NICKEL	\$17.880 on 15 <sup>TH</sup>	\$15.820 on 3 <sup>RD</sup>	\$ 14.025
TIN	\$20.440 on 29 <sup>TH</sup>	\$18.585 on 1 <sup>ST</sup>	\$ 17.175

The pandemic is basically forgotten in base metals. The lows of October, when the second wave of contagion was already spreading, equal last December's figures when nobody was talking about Covid.

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**Copper** added another record to its honours list. The never stopping red metal was on a **7 year high** breaking the **8.000\$ mark**, readjusting only towards the end of December. The average price increased by almost 7% to **6.374€/ton**, again there was little technical support for such a rise. Covid still there, US stimulus absent, disruption worries faded when South American miners found a compromise on wages and cancelled potential strikes. Inventories on the other hand are the sole driver to support the price increase, LME stocks dropped by almost 30% to 106.000 tons. The only "real" positive numbers are coming again from China but the pandemic Cinderella story is not all so bright: *"refined copper production reached an all-time high in November at 945kt. While this represents a 4% yoy increase, this also rather highlights a slowdown as the average growth over the past ten years was 8.4% yoy. According to the China Customs General Administration, copper ore and concentrate imports dropped 15% yoy in November and the level was 2% lower compared to the five-year average. **These numbers shows global copper consumption driven by Chinese post-COVID-19 recovery being close to over.**"* (Societe Generale)

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**Zinc** decreased month on month being the only “loser” amongst our four metals in the commentary (Lead and Aluminium did actually worse being both down more than 4%). Graph wise the price was a bit choppy and attempted a few times to reach the **2.890\$ resistance** duck diving 100\$ each time it got close to it. The average price benefited from the currency difference and showed a plus sign form November, ending close to 2.290€/ton. Although stocks had a consistent drop across the month, **-8% in LME inventories** to almost 200.000 tons, the action was rather seen on spreads. Cash to 3 Months differential started at 17\$ contango but went zigzag across December with rapid moves between 30\$ and 20\$. The old story of physical zinc deficit that boosted the rally years ago saw an unexpected change of scenario. The International Lead and Zinc Study Group officialised a **surplus of 480.000 tons** from January to October 2020.

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**Nickel** continued its rally and rose significantly in the first fortnight to its zenith close to **17.900\$**. The biggest move was on the 10<sup>th</sup> with an increase of almost 1.000\$ along with iron ore. The two metal are used for stainless steel production whose demand from China has been very strong; **SHFE inventories fell 12%** in December from previous month although LME tonnages increased almost 3%. The price went then into a *reverse U graph, losing most of its gains on the 22<sup>nd</sup>* as *“French group Eramet's SLN subsidiary in New Caledonia will ramp up power again on Monday after the easing of blockades that disrupted ore supply”* (Reuters).

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**Tin** was the top performer with a **7% increase** in December breaking the **20.000\$** mark, the rise was persistent and followed the uptrend channel started in the previous month. As the price hovered, stocks started to lower with the same pace ending beneath 2.000 tons, 50% less from November LME inventories. From the second half of December, when volumes slipped below 3.000 tons, spreads started to react strongly with **backwardation jumping from 25\$ to almost 230\$**.