

Monthly Report – December 2022

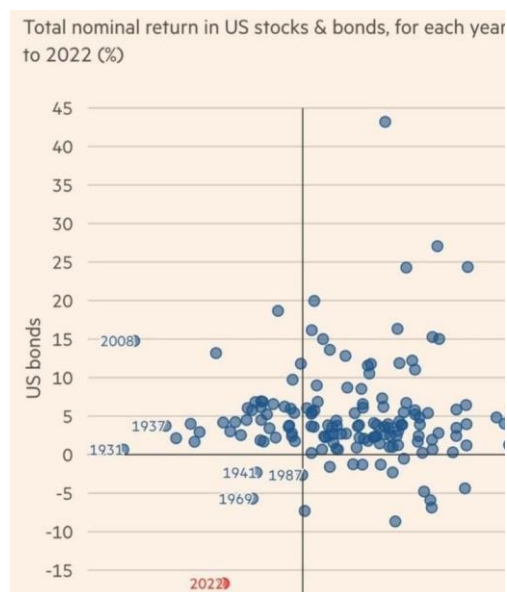


December is not just the closing month but also the time to draw a line and make a balance of the previous ones in 2022. It has been a hell of a year with a hard-core beginning; yes, it is almost a year since the **Russian invasion of Ukraine**, lock downs and recent easing of **Covid** related restrictions around the world, **interest rate spikes**, all of which turned into a rollercoaster for commodities.

The base metals market is strongly connected to US stocks *"in the last 3 years, Copper prices have largely followed US equities. Excluding the periods of over and under performances, the two asset classes have largely moved together. US Fed's monetary policy and value of US Dollar have been the common drivers for both of them* (Metal Intelligence Centre MIC).

Looking at the table on the right you can easily guess how good the basket has been. We have more graphs and numbers for the statistic lovers, neither of them give a clear picture or hopes for the future. There are exceptions of course, take nickel for example, but these remain quite circumstantial or, like energy, deeply related to war in Ukraine and consequent bans and political intervention in that matter.

In the base metals area things were bad; again only Nickel proved wrong with a 47% increase, others had a negative rebased year on year move. Copper was down 14,81%, Zinc – 16,7% and Tin at twice this rate with a -35% performance that makes the €/ \$ rate at -6.5% look like a success. The whole LME Index shed over 12% in total while the CRB Commodity Index (including gas, oil and other commodities) was up 14%.



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Looking a bit more into details here is the yearly record highs and lows:

	<u>HIGH</u>	<u>LOW</u>
COPPER	\$10.845 ON 7 TH March	\$6.955 ON 15 TH July
ALUMINIUM	\$4.073,50 ON 7 TH March	\$2.080,50 ON 28 TH September
ZINC	\$4.896 ON 8 TH March	\$2.653,50 ON 3 RD November
LEAD	\$2.700 ON 8 TH March	\$1.746 ON 27 TH September
NICKEL	\$55.000 ON 7 TH March*	\$18.230 ON 15 TH July
TIN	\$51.000 ON 8 TH March	\$17.350 ON 31 ST October

*NICKEL Did See \$101.365 ON 8TH March Before Suspension.

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Not surprisingly, the zenith for metals was concentrated in early March when the breakout of the Russian “special operation” pushed all commodities to the roof, nickel leading the path for all of its peers.

Back to the recent past, here is the performance of our favourite four metals December:

	HIGH	LOW
COPPER	\$ 8.629 on 13 TH	\$8.210 on 20 TH
ZINC	\$3.339 on 13 TH	\$2.920,5 on 22 ND
NICKEL	\$33.575 on 8 TH	\$26.520 on 1 ST
TIN	\$25.590 on 28 TH	\$22.850 on 1 ST

Copper had a positive beginning of December on the back of political unrest and consequent **supply issues in South America**. Peru’s Prime Minister Pedro Castillo had to step down and will be impeached soon on various accusations; the country is the world’s second largest producer of the red metal. *“After the mid-December Fed’s interest rates rise, **metal prices dipped lower**. While the hike was 50 basis point, lower than the last four 75bp hikes observed since June, hawkish comments by the Fed pushed forward expectations for a pivot toward more dovish policies thus weighting on metal demand”* (Societe Generale). Little else happened and copper had a slight gain ending 2022 at 8.372\$.

Zinc ended December with the same problems faced throughout the year. Prices actually started on a good foot from 3.000\$ with a 10% increase in the first fortnight but fell sharply below the starting point on fresh fundamental numbers. The **supply demand ratio** still suffered from the big Chinese construction conundrum and production problems in Europe. The Asian powerhouse increased the import of concentrates but the operations halt at the French Nyrstar plant for maintenance confirms the repeated double narrative. Companies struggle in the old continent because of energy costs so material is less available while it is abundant elsewhere. Global **inventories fell to their lowest since 1990** but actually rose in Shanghai warehouses while on the LME they were down 10.000 tons (-26% from November).

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Nickel is clearly the gold medallist for both the month and the year. *“The gathering pace of nickel demand for batteries pushed price higher while the nickel market is expected in surplus by most nickel producer. The reason of this discrepancy comes from difference in nickel quality. The nickel pig iron (NPI) use to produce stainless steel are in abundant supply due to the rapid ramp up in new NPI capacity in Indonesia. On the other hand compared demand for stainless is weak with an overhang of class II nickel, most of that is spare NPI sitting unused in China or unshipped in Indonesia. Only Class I nickel is deliverable on the LME and demand for Class I nickel, used in battery manufacturing is taking off. In total, **demand in non-stainless markets increased by 17% yoy in 2022 - including 40% growth from the rechargeable Li-ion batteries segment.** (Societe Generale) ”*

Tin had a 10% price increase throughout the month on both falling inventories and high expectations on 2023, all started on the sixth when *“The ITA estimates the tin production sector needs around \$1.4 billion of investment to deliver 50,000 tonnes per year more tin by the end of the decade. This year has been a particularly wild ride, London Metal Exchange (LME) three-month tin imploding from a **record high of \$51,000 per tonne in March to a two-year low of \$17,350 in November** before bouncing to a current \$24,430. The shift in fundamentals, however, has been sharply accentuated by **speculative flows on both London and Shanghai markets.** Investment fund positioning on the LME swivelled from record long in March to record short in October, equivalent to some 20,000 tonnes of net selling, which is a lot in what is one of the exchange's less liquid contracts. Too much rather than too little liquidity is the problem in Shanghai, where volumes and market open interest surged as the price collapsed, suggesting a mass bear attack.” (Thomson Reuters)*