

Monthly Report – July 2019



July had an ok start given the previous rather disappointing months but ended so and so. The landmark was unexpectedly not the trade war (don't get too excited, on the 4th of August President Trump imposed other tariffs on Chinese goods...) although some menaces were made in the middle of the month. Here's how it went:

MONTHLY High's And Low's

	HIGH	LOW
COPPER	\$6.170,50 ON 19 TH	\$5791 ON 9 TH
ZINC	\$2.538 ON 1 ST	\$2355 ON 9 TH
NICKEL	\$15.115 ON 18 TH	\$12015 ON 2 ND
TIN	\$18.980 ON 2 ND	\$17215 ON 31 ST

What contributed to the price move downward in general is the gloomy outlook on a global perspective. As we have already commented previously we have copious signs of a deceleration across the world economies. Even though stock markets have had a syncopated rise in 2019 they registered all a fall this July and are now running lower from 12 months ago.

Chinese GDP hit 6.2% growth down from 6.4% in the previous quarter and the slowest in almost 30 years even considering the 2008/2009 crisis while the factory activity reducing from the last 3 months. Contraction is the key word also in Europe where the Purchase Manager Index is down 1.2 points and powerhouse Germany officialised falling industrial output and lowest morale amongst companies since 6 years, all in the EU shall had a GDP rise scarcely or not even above 1%. Japan does not differ from this leitmotiv. To confirm the bad outlook check below the latest Metal Polls from Reuters:

	2019			2020		
	MEAN \$ PRICES			MEAN \$ PRICES		
	New	May	Diff	New	May	Diff
COPPER	6.186,50	6.529,00	-5,25%	6.417,80	6.727,50	-4,60%
NICKEL	12.537,00	13.204,10	-5,05%	13.274,40	14.097,00	-5,84%
TIN	19.912,10	20.800,70	-4,27%	20.377,80	20.759,70	-1,84%
ZINC	2.632,30	2.736,40	-3,80%	2.494,90	2.611,10	-4,45%

Copper had a weak start and seemed set to a merry rise towards mid July being supported by a weaker Dollar after the FED raised expectations of easing monetary policy. Commodities rose on the weaker US currency and indeed by the end of the month the average price hit **almost 5.300€/t increasing 2%** month on month. The good news were soon over as international statistics as per our previous page showed decline rather than improvement globally, the red metal was hit most when **Chinese** numbers came out. Both **imports and exports dropped** more than expected in June (-1,3% vs. -2,0%, -7,3% vs. -4,5%). Although the physical market will presumably still be in a small deficit the appetite for the red metal stays scarce in the medium term, **stocks rose 20%** or 47.000 tons on the LME and another 15.000 almost, adding Shanghai and Comex to reflect this lack of demand and pushed spreads to over 20\$ Cash to 3 Months.

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Zinc continued its negative rally and **fell again below 2.460\$/t** which has represented a dangerous turning point in the past. Graph wise the sharp V move in the first fortnight did not halt and the metal slipped again just to recoup its position above the famous resistance line. Even in Euros the story wasn't less pleasant, down 5,6% from June average at 2.176€ although fundamentals would show different from Copper as inventories fell on all bourses pretty heavily but we know big players might be behind this, another factor contributing to the contraction might be that the International Lead and Zinc Study Group officialised a **narrower market deficit** from previous month. Moreover *"The spread traded at the biggest premium in more than two decades in May as stockpiles on the bourse dwindled and smelters struggled to ramp up output. That started to change in June as Chinese refined zinc production reached a 19-month high, according to data from SMM Information and Technology Co."* (Bloomberg)

Nickel acted like William Wordsworth in the Daffodils as it *"wandered lonely as a cloud that floats on high o'er vales and hills"*. The bulls must have gone crazy over this poetic move being the best performer amongst base metal so far with an **over 30% increase**. July had a quite start seeing nickel actually correcting in the first trading day but recovering in less than two weeks from its nadir. The proper rally started when the metal rose above 13.000\$/t and set the road for prices to touch *"their highest in three months on Friday, the 18th, on worries that major producer Indonesia will resume an export ban on ore in 2022. Indonesia relaxed the ban on nickel ore in 2017, but said at the time that it would last only five years and that exports would be restricted again in 2022. Analyst Colin Hamilton at BMO Capital Markets in London said many people had been skeptical that the full ban would be reimposed, and a media report about sticking to the ban in 2022 created jitters in the market. "Of course that wouldn't affect today's availability, but we've always been heavily dependent on Indonesia in this nickel market," Hamilton said (Bloomberg)."* The fall in inventories by almost 18.000 tons (-11% from June) in an already scarce market fueled the hike that slowed only towards the end of July just short of 14.500\$/t with an average monthly price of 12.000 €.

Tin on its very first trading day in July ***"plunged the most in four years in London following a wave of selling from China's onshore metals market, where sentiment has soured as investors focus on signs of economic weakness. The metal, which is mostly used in soldering, dropped as much as 7% to the lowest since July 2016 on the London Metal Exchange. The decline tracked a sharp slump in prices as the evening trading session got underway on the Shanghai Futures Exchange"***. Later on according to the International Tin Association's China branch it seemed that *"Institutional investors were behind the biggest drop in Shanghai tin futures in more than two years"* but actually stated or rather hoped that *"prices will rebound as supply remains tight"*(Bloomberg). Unfortunately the fall did not stop even though it rebounded quickly ending July below 17.300\$/t and just above 16.000€/t on the average quotation.