

Monthly Report – June 2019



"Are you gonna bark all day little doggie? Or are you gonna bite?" for Tarantino's aficionados this Reservoir Dogs' quote will sound familiar, the rest of the world is probably asking itself this question while experiencing another Trade War episode. After a few chapters of the Trump tariff antagonism in May we anticipated that the newest enemy was Mexico and believed again that this story would follow the usual plot based on Crisis, Climax, and Resolution. Once again this last element went missing and the carousel went on with no deal done, no wonder that the UK visit of the American president was all but positive for the Brexit saga. Hardliners in England are strong as ever and newly EU parliament MPs recently turned their back during the European Hymn, ironically the lyric goes: "Alle Menschen werden Brüder", all men become brothers. The moves in most markets were hence based on geopolitical events rather than fundamentals, except Oil and the recent US/ Iran tension in the Persian Gulf. That and Gold on a multiyear rally above 1.400 \$ per ounce contributed to a 6% rise in the Reuters Jeffries CRB Index along with strong gains in equity markets globally. On the metal side the situation was a bit mixed with some gaining some losing, see below table:

	<u>MONTHLY High's And Low's</u>	
	HIGH	LOW
COPPER	\$6063.50 on 26 TH	\$5740 on 7 TH
ZINC	\$2553 on 26 TH	\$2412 on 21 ST
NICKEL	\$12770 on 27 TH	\$11605 on 7 TH
TIN	\$19500 on 7 TH	\$18675 on 3 RD

Don't want to sound monotonous but as you can see most had a rush upwards towards the end of the month exactly when U.S. treasury secretary Steve Mnuchin said that U.S.-China trade deal was 90% complete, let's see how fun the 10% finalization will be.

Copper

"Copper prices slipped towards the **five-month lows** seen earlier this month on Thursday as nervousness about demand in top consumers China and the United States, weak Chinese data and higher inventories hit sentiment. Earlier in June, prices of the metal used widely by investors as a gauge of global economic health touched **\$5,740** a tonne, the lowest since Jan. 3. "As long as they only talked about trade tariffs I wasn't overly concerned about demand as it just makes things more expensive," said Julius Baer analyst Carsten Menke. **"But bans and boycotts like those on Huawei disrupt supply chains** which will have a negative impact on demand." June 13 (Reuters). And so it went... Copper had actually an upside performance price wise in June considering that we were starting from a 2 months collapse. Dr. Copper recouped its lows and stabilized over 5.860\$/ton at the end of the first half of the month edging higher and climbing above 6.000\$/ton while the average price was just short of 5.000€ losing some 200€ on the stronger exchange rate. LME warehouses showed increasing stocks by 30.000 tons while SHFE decreased by almost the same amount, contango started to shrink.

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Zinc "hit its lowest since early January and other industrial metals also fell on Friday as investors worried about uncertainties ahead of next week's G20 meeting and rising U.S.-Iran tensions. Base metals rallied on Thursday after the U.S. central bank signaled rate cuts, while U.S. President Donald Trump approved military strikes against Iran before calling them off at the last minute, the New York Times reported "There's a feeling that central banks threw money into the system and markets reacted well yesterday, but now you have a sobering morning," said Oliver Nugent, analyst at Citigroup in London. Benchmark zinc CMZN3 on the London Metal Exchange was down 1.9% at **\$2,421** a tonne by 1400 GMT, **the weakest since Jan. 4.**" June 21 (Reuters). Zinc eventually made it back above the 2.470\$/ton resistance but skepticism remains, LME volumes dropped below 100.000 tons while Shanghai inventories rose increased by 20.000 tons. hard to say what's behind this as the usual dominant positions were leading the game, interesting to note is the collapse of backwardation that almost halved to 70\$/ton by the end of the month.

Nickel had a very positive month with a **1.000\$ rise in 3 weeks**. It could have been a mix of factors as we do had some solid fundamentals moving supply/demand, heavy rains halted production in Indonesia and the International Nickel Study Group is registering further market deficit towards year end. This seems the spark that lit the price to climb above recent nadir below 11.680\$/ton but very influential was surely the **brokers net-long position** across July, August to 13,243 contracts from 4,287 (Bloomberg, June 17th).

"Morgan Stanley on the other hand cut 2019 price forecast 1% to \$12,268/ton as NPI output gains in China and Indonesia and underperforming stainless demand will lead the market into surplus in 2019-2020" (Bloomberg, June 25th).

Tin seemed to have been hit hard by the dominant position we described in the May commentary. The price swung in between 18.650\$ and 19.200\$ with more attempts to break upward rather than downward but rather now so exciting as compared to other metals.

What happened though was another vast delivery into LME facilities **doubling the original stocks to 6.400 tons**. Spreads collapsed from their incredible rise in the previous month and the Cash to 3 Months differential ended almost close to 0.