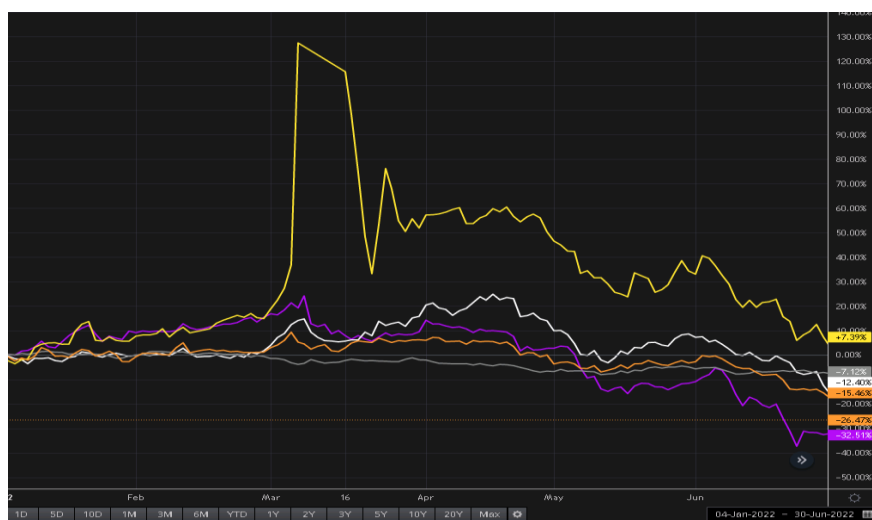


Monthly Report – June 2022



June was another disappointing month for investors as an avalanche made prices tumble to **multi year lows**; no sector survived this time. A correction from post pandemic historic highs was foreseen at some point but, regardless the downfall in May, markets shed a big chunk of 2021 and this year's records. **Even the energy compartment was down** but along with grains, it is still on the plus side from the beginning of the year purely due to the Ukrainian export halts and sanctions on Russian oil and gas. Once again, the only **winner was the US dollar**; so far the Fed's decisions on curbing inflation seem to have paid off. The Greenback trimmed down all other currencies with the **\$ Index on its 20 year high** and performing even better than safe haven gold, which was also sold off. Both the Reuters-Jefferies CRB and the LME Index retraced back to multi months levels leaving little hope for the near future as no good news from China are comforting this troubled complex.

Here is how June went for our beloved metals and their performance throughout the first half of 2022 (the € has lost 7.12% as a comparison):



	HIGH	LOW	Jan-Jun %
COPPER	\$ 9.805 on 6 TH	\$ 8.122,50 on 24 TH	-15,46
ZINC	\$ 3.949,50 on 6 TH	\$ 3.136 on 30 TH	-12,4
NICKEL	\$ 30.010 on 6 TH	\$ 21.650 on 24 TH	+7,39
TIN	\$ 37.515 on 8 TH	\$ 22.980 on 24 TH	-32,51

Monthly Report – June 2022



Copper had another negative month, June had the worst performance in a decade with its -13% loss. China's outlook remains sluggish with extreme Covid restrictions still not being incisive enough while the real estate sector is far from recovering. To top it all off, also the long term scenario is getting worse for the Asian powerhouse: *"While China has dominated the copper market, at least in terms of copper consumption, Davidson (Director of Copper Research and Strategy at CRU, CDR) does not expect that to continue into the future. "Beyond 2025, **almost all the growth in global copper demand is forecast to take place outside China.** Southeast Asia should see the strongest volume increase, although India is also forecast to grow strongly from a relatively low base."* She added that demand and consumption will also grow in both North America and Europe (CIM Magazine).

Dr Copper usually shows the pulse of global industrial performance is suffering under a strange crunch. On one side, the operations halt in one of Codelco's smelting facilities should push the price higher. Market showed the story to go different, further CMU news showed that Chinese wire companies: *"are being forced to reduce production again to avoid building inventories, while tube plants are facing up to reduced orders as air conditioner manufacturers look to pare back finished product inventories"*.

From a physical point of view : *"Combined exchange **inventories dropped 15.3% in June** to 260kt. Stocks at the SHFE copper exchange jumped 53.8% to 66.7kt, while stocks at the LME and COMEX warehouses dropped. COMEX copper inventories fell 7.3% to 66.7kt, and LME warehouse inventories dropped even more, falling 13.1% to 126.9kt. Exchange inventories ended the month 50% lower than their average since 2010"* (Societe Generale).

Zinc continued its descent to new lows, late May's price recovery showed its frailty from the very beginning. The move was one sided along all of June **losing 19%** in total and pushing the RSI below 30 on the last days of trading. Differently from copper, Zinc's narrative is more interesting as it shows a unique pattern where the price trends differs from fundamentals trends. On one side, lockdowns in China, lethargic demand, productions halts and the recent Fed's decision on interest rates have clearly pushed prices low. The other leg of the story shows: *"the latest S/D balances, the ILZSG has **zinc in a deficit of 13,000 tons in the first four months of 2022** compared to a surplus of 82,000 tons during the same period in 2021.* (ED&F Man). These supposedly price supportive numbers were confirmed by dropping inventories with **SHFE down 33% to 113.000 tons**, much higher than the sole 1% drop on the LME which is anyhow the lowest level since April 2020. Along with Comex numbers, total stocks were down 22% to 195.000 tons. **Backwardation skyrocketed in mid-June pushing the cash to 3 months above 200\$** (never went above 25\$ in May) with the front end spreads reaching a multi decade long record.

Monthly Report – June 2022



Nickel more than doubled May's losses and ended June with an over 20% drop. The metal duck dived from 30.000\$ to less than 22.000\$ by the end of the month finding support only when the **UK sanctioned the president of Mining giant Norilsk Nickel**, pushing prices back to a safer territory above 24.000\$. Steel and Electric Vehicle markets (once the shining star of the demand side) were both very low and, despite being just temporary, do not forecast a bright future. Actually, on the supply side there could be a boost in smelters capacity as Indonesia has started since years a capacity expansion and the recent environmental driven coal tax has been suspended after the recent energy crisis.

*"Since the very large, disruptive short squeeze in the LME nickel market in March, trading has been subdued on the London bourse. In June, LME open interest averaged 151,000 contracts, and the average daily volume reached 7,539 contracts, 36% and 66% respectively less than the five-year average from 2017 to 2021. **Combined exchanges dropped 8.5% in June, ending the month at 68.4kt, the lowest level since December 2008**, when only LME warehouse stocks were reported. This decrease was driven by a sharp 5.0kt drop in LME warehouse stocks, while SHFE nickel deliverable stocks continued to drop, falling to just 1.95kt, the lowest level since data reporting started in 2015."* (Societe Generale)

Tin was the **worst performer** once again with an over **23% loss**, retracing back to Q1 2021 price wise. The metal had a one-way fall from the beginning of June towards 23.000\$ on the third week of trading, climbing above 26.000\$ by end of the month. *"The recent sell-off was exacerbated by poor liquidity. Moreover, **the 6% decline in open interest in the three-month contract suggested that stop-loss orders from longs were also triggered**. Finally, tin's fundamentals weakened in June due to sluggish demand and a slight increase in LME stocks. Inventories rose +20% m/m while on-warrant stocks rose by 26%, easing the backwardation at the front-end of the curve. SHFE deliverable stocks were up +84% m/m, while combined stocks were up 65% above the 5-year average."* (ED&F Man)