

Monthly Report – March 2019



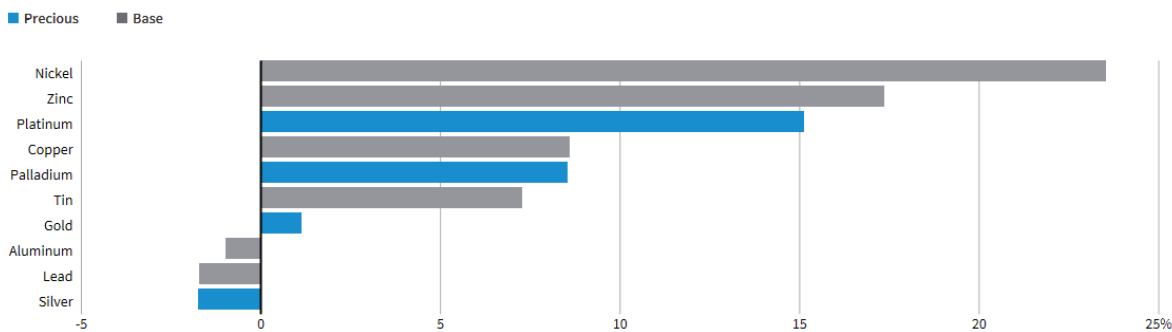
March saw a stabilisation in this early year super cycle. Although February's highs have been tested on both LME index the Reuters Jeffries CRB Index no breakthrough have followed. **Oil** is continuing its positive strike with an almost 8% increase but all other industrial indicators show a very different picture, in this situation we seem to have lost all common ground between the financial and economic world now being disconnected to say the least. *"This is your last chance. After this, there is no turning back. You take the blue pill—the story ends, you wake up in your bed and believe whatever you want to believe. You take the red pill—you stay in Wonderland, and I show you how deep the rabbit hole goes"* Morpheus would tell Neo. As we have no truth to sell we'll just provide you with hard facts: the **MSCI World Index** (a market cap weighted index of 1.649 stocks from companies throughout the world, Wikipedia) **has risen 12%** this last quarter, driven by US, Eu and Chinese share markets gaining respectively 13%, 12% and an incredible 25%. Base Metals have also rejuvenated their performance after a gloomy winter:

2019 performance

A look at how metals, commodities and assets have performed to date in 2019

METALS COMMODITIES ASSETS

METALS PRICE PERFORMANCE IN 2019



Data as of most recent close
Source: Thomson Reuters Datastream
By Vincent Flasseur and Matthew Weber | REUTERS GRAPHICS

On the other hand we have registered negative PMI and industrial indicators without pace from those same regions and IMF's Managing Director Christine Lagarde officially declared that **70% of global economy will slow down in 2019**. Let's sweeten the bitter pill with the Quarterly performance of our beloved metals:

1st QUARTER 2019 High's And Low's

	HIGH	LOW
COPPER	\$6555.50 ON March 21 ST	\$5725 ON Jan 3 RD
ZINC	\$2939 ON March 29 TH	\$2.356,50 Jan 3 RD
NICKEL	\$13765 ON March 6 TH	\$10.530 Jan 2 ND
TIN	\$21800 ON March 25 TH	\$19.290 ON Jan 2 ND .

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As you can see much of the good news was in March so in detail here's what happened:

MONTHLY High's And Low's

	HIGH	LOW
COPPER	\$6.555,50 ON 21 ST	\$6.295 ON 25 TH
ZINC	\$2.939 ON 29 TH	\$2.684 ON 8 TH
NICKEL	\$13.765 ON 6 TH	\$12.815 ON 14 TH
TIN	\$21.655 ON 1 ST	\$20.945 ON 11 TH

The bottom line is still political uncertainty, it's been one year since the Trump administration imposed 25% tariffs on steel and 10% tariffs on aluminum followed by further 60\$ Billion import taxes on Chinese goods in late March 2018. A solution, if any will take place, is not clear neither in time nor in size so that even the Brexit saga is a consolation compared to this. As for some in house news, **KME SE** completed the acquisition of **MKM** Mansfelder Kupfer und Messing GmbH, another major player in the European copper and copper alloys market and sold its European brass rods business and its tubes business to **HAILIANG GROUP**.

The **Copper** market in March has been the set of the movie "Spredator". There is indeed little to say price wise as the red metal consolidated recent gains and **swung between 6.500 and 6.300** \$/ton with some news moving the graph such as deficit/surplus numbers and forecasts. The main move happened on Chinese data, first good with promised tax cuts and infrastructure spending on the 5th then bad on the 14th when prices dropped as industrial output in China fell to a 17-year low. A day after reaching its monthly zenith copper prices fell on the 22nd on weak European factory data but recoup towards the end of March and setting the monthly average a little above 5.700€/ton mainly thanks to a more favorable €//\$ rate.

Back to the beginning of the Copper chapter stocks were the headline this month after hitting a multiyear low again on February, LME inventories declined to a new rock bottom in mid March and were then invaded with over **70.000 tons** in two days. The month ended at 168.000 tons with a 33% increase from February and spreads have been all over the place with backwardation topping 70\$ as stocks lowered and finished the progression in a small contango. A very good article by Andy Home, Reuters explains it greatly:

"With hindsight, desperately low exchange inventory was a signal that copper supply was being overwhelmed by the demand surge caused by China's industrialisation program. LME stocks didn't start rebuilding in any meaningful way until 2009. What are super-low LME stocks telling us this time around? Is the world really running short of copper to the point there are just over 20,000 tonnes left in LME warehouses? The answer is clearly no. There is plenty of copper in China and some of it may shortly be heading for the nearest LME warehouses. The squeeze on the LME copper contract probably has only a limited shelf life. But that's not to say that low LME stocks aren't telling us something, even if the message is being drowned out by the noise of battle across the LME timespreads."
"LME headline stocks of 123,425 tonnes are historically meagre but slightly off the decade low of 119,900 tonnes seen in December. However, it's the amount of what the LME terms "open" stocks that counts when it comes to reconciling trading positions. These fell to 22,600 tonnes at one stage last week with a slight rebuild to 26,825 tonnes in this morning's report. That still leaves 78 percent of all LME inventory in the "cancelled warrant" category, theoretically awaiting physical load-out. Unsurprisingly, such a low stocks base has translated into timespread turbulence with a running squeeze on cash LME copper. "

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Zinc kept its 2019 track upward despite an initial stumble but found a stable path towards its recent 2019 high, breaking it, getting excited, breaking **2.900 \$/ton** and finishing March to a new yearly high with an average price almost **6%** higher than February at **2.523 €/ton**. Nothing new really happened and actually felt like déjà vu as market deficit with constant decreasing stock made zinc more desirable for speculators who have increased their position by 9,391 net-long to 59,027 *“The net-long position was the most bullish in about a year. Long-only positions rose 15,579 lots to 276,263 in the week ending March 1. The long-only total was the highest in more than five months”* (Bloomberg). Although Chinese stocks have increased elsewhere the situation looks all but positive with LME inventories now to **20 year record low at 51.000 ton**, a 20% drop from previous month, and backwardation back on stage after February’s calm. From a fundamental point of view the recent spike seems reasonable considering the underlying spook of market shortage with Nyrstar, the second largest zinc metal producer in the world, facing serious financial problems and in the midst of a restructuring phase in order to avoid bankruptcy.

Nickel started the month with a new year high reaching last Augusts’ **zenith over 13.700\$/ton** although the positive streak from February did not last longer than a week when the price corrected falling below the **13.000\$/ton resistance line** towards March low the following week. From there on Nickel tempted to stay afloat the historic resistance level. Demand was good considering that the International Nickel Study Group forecasted a market deficit but this shall be improving over the years. The main issue will be global consumption, Nickel is used yes in electric vehicle (EV) batteries which is a booming market but 70% of production share is in the stainless steel sector which is showing slowdown in giant manufacturer China. Having said that we see again diminishing stocks in LME warehouses ending at a 7 year low in March slightly above 182.000 tons but spread were pretty solid with Cash to 3 Month reaching 100\$.

Tin had a correction from its recent February peak and drew a **V price graph** bottoming in mid March towards the 20.900 €/ton resistance line and finished at the same level as it started. *“The EV revolution has galvanised battery metals such as lithium, cobalt and nickel - and now the tiny tin market is becoming aware that it, too, might be a beneficiary. The International Tin Association (ITA) has just released a report on the use of tin in lithium-ion batteries. The headline takeaway is that this additional use beyond soldering and packaging could generate a demand surge of up to 60,000 tonnes a year by 2030. That may not sound like much, but it would represent a significant increase from last year’s global usage of about 360,000 tonnes.”* *“Indonesia’s exports of refined tin rose 34 percent year-on-year to 9,667.87 tonnes in February, trade ministry data showed on Friday. On a monthly basis, shipments from the world’s top exporter of the metal more than doubled from January’s 4,115.41 tonnes.”* (Reuters)