Monthly Report –March 2022

March saw the Ukrainian-Russian war escalating to new levels of drama; regardless the classification of "special operations" from President Putin, the conflict degenerated and tensions grew along allies on both fronts. New political and economic links will be shaped in a Machtpolitik-like redefinition not just of that area of interest but potentially of a new global chart. The "victims" on financial markets were clearly Russian related commodities (energy aside), being included or not in the pool of sanctioned goods, they generated havoc across exchanges. The LME has been the epicentre of the crisis for Nickel, the almost 150 years old exchange suspended trading for several days after prices skyrocketed on the 7th. Last similar action dates back in 1985 when contracts were suspended when ITA (the international tin cartel) was declared insolvent.

"***Nickel's 250% price spike in little more than 24 hours plunged the industry into chaos**, triggering billions of dollars in losses for traders who bet the wrong way and leading the London Metal Exchange to suspend trading for the first time in three decades. It marked the **first major market failure since Russia's invasion of Ukraine** jolted global markets, showing how the removal of one of the world's largest exporters of resources from the financial system in the space of weeks is having ripple effects across the world"* (Bloomberg).

The LME index took most of the hit compared to the Reuters-Jefferies CRB Index (**Oil and Gold** notably helped with record **highs over 120$ per barrel and 2.050$ per ounce**), stock markets in comparison tumbled but were very resilient. The US Dollar lost its positive pace as the FED interest rate change moved the €/$ ratio above 1.1 after sliding at 1.08 (almost 2 year low) in the first week of trading. "*Against this backdrop of rising inflation and interest rates, growth projections are being reduced. The United Nations Conference on Development (UNCTAD) was the latest group to trim its global 2022 growth estimate to 2.6%, down a full point from its previous estimate. **The Eurozone is expected to bear the brunt of the slowdown**; UNCTAD is projecting growth of 1.7% for the region, half of what was forecast previously. US growth is expected to drop to 2.4% from 3%.German growth (as projected by Ifo) is expected to come in around 2.5% this year, down 1.2% from the Institute's previous estimate. **China is still officially clinging to 5.5% growth for this year, but estimates for Q1 are coming in as low as 2%.** If China is to avoid a print like that, it would only be due to the fact that it saw fairly decent macro numbers in January and February before things deteriorated in March*." (ED&F Man)

With all this preamble here's March metal performance:

	HIGH	LOW	Rebasing Jan 1st –Mar 31st
COPPER	$ 10.845 on 7TH	$9.820 on 15TH	+6,21%
ZINC	$4.896 on 8TH	$3.657,5 on 1ST	+15,8%
NICKEL	$55.000 on 7TH	$25.450 on 1ST	+51,9%
TIN	$51.000 on 8TH	$39.080 on 9TH	+9,48%

Monthly Report –March 2022

Copper grew with an impressive 9% rise in just the first four days of trading, topping 2021's record to **an all-time high at 10.845$** amongst war related market fears. Most of the gains were lost on the 7th when the LME nickel collapse took place, dragging the red metal down to its monthly low just a week later its zenith. The price climbed back **above 10.000$ in the last fortnight** while more action happened on the physical market. Chinese economy is suffering from a real estate disaster with major project halts and property prices dropping heavily this year, part of these moves happened already in February with an increase of warehouse inventories. "***SHFE stocks peaked at 167,951 tons on March 10, but dropped to below 100,000*** *tons by the end of March as* ***disruptions in Chinese transport and logistic*** *activities have taken their toll. Stringent* ***lockdowns now taking place in Shanghai*** *are only going to complicate things going into April as well. In the physical market, premiums in Europe firmed in March owing to the uncertainty over the use of Russian copper cathode*" (AMT). The LME volumes also firmed starting the 7th of March, warehouses registered a new low below **70.000 tons**, on both LME's conundrum and insecurity of sanction on Russian material. Stocks doubled in Far East locations of Busan and Kaohsiung while Rotterdam's quadrupled, sending the global tonnage **above 90.000 tons**.

Zinc has been in the middle of the price storm as well, registering an astonishing record high just short of **4.900$ on the 8th** of March with an **intraday move of 1.000$**. Turbulence aside, the market is still facing a **huge supply and demand dilemma** with both legs suffering global conjunctural pressure. Smelters in Europe are far from being ramped up at full capacity, still facing severe energy cost rises and doubling premiums in Antwerp and Italy. On the other hand, China is facing continued Covid quarantine and the construction sector on its knees on the back of Evergrande & co bankruptcy. Demand is very low and the result from a physical point of view is telling two complete different stories in the West and East of the world. "*LME warehouses in Europe hold just 500 tonnes of zinc ... Tightness in Europe is rippling over the Atlantic. LME-registered stocks in the United States total a low 25,925 tonnes and available tonnage is lower still at 19,825 tonnes. This time last year New Orleans alone held almost 100,000 tonnes of zinc.* ***About 80% of the LME's registered zinc inventory is currently located at Asian locations****, first and foremost Singapore, which holds 81,950 tonnes. There is also plenty of metal sitting in Shanghai Futures Exchange warehouses. Registered stocks have seen their usual seasonal Lunar New Year holiday surge, rising from 58,000 tonnes at the start of January to a current 177,826 tonnes.* ***Quite evidently Asian buyers haven't yet been affected by the unfolding supply crunch in Europe and there is plenty of potential for a wholesale redistribution of stocks from east to west.*** *This is what happened last year in the lead market, China exporting its surplus to help plug gaps in the Western supply chain. Lead, however, should also serve as a warning that global rebalancing can be a slow, protracted affair due to continuing log-jams in the shipping sector."* (Reuters)

Monthly Report –March 2022

Nickel bore all the stigma of the troubled March metal market. Although we technically breached the historic high, later cancelled by the LME, we did not witness a price move like in 2007(back then price went from 32.00$ in January to over 51.000$ in May and down to 28.000$ in August). An independent commission and several lawsuits will one day tell the truth about the Exchange's haywire; new rules were implemented reducing the **daily volatility risk to +/- 15%** from previous price but it was a lesson learned at a high cost. Difficult to tell whether we are on the path to normality or not, for sure sanctions over Russian material will play a significant role in the evolvement of future market dynamics, especially for a metal that remains a key factor in a future green deal.

Tin was, just for a change, the worst performer across metals **losing 6%** from beginning towards the end of the month. The actual average price was 130$ higher than February's 44.120$ but March was a wild cat considering that the metal has been in an almost constant monthly rise since the last 2 years when the pandemic dragged metals to their rock bottom. After reaching the **all-time high of 51.000$** on the 8th, similarly to its peers, tin had a **daily 10.000$ downward move** in the following session and was not as resilient in recouping losses. All in, the quarterly performance is still very positive (see above table) on the back of ever-long demand for electronic components and tight supply both in the LME and SHFE tin stocks. Supposedly the sentiment for tin will continue its positive price move; the World Bureau of Metal Statistics registered a physical deficit earlier this year combined with lower output from China as well as more than halved refined imports compared to the same period of 2021.