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If **May**'s financial markets were a movie, the soundtrack would be "***There's no limit***". The 90's Eurodance song, for those who have not heard it, pretty much says everything in the title, the lyrics simply repeat the fact that there are no boundaries and there is an asymptotic rise towards infinite. Base metals just went crazy with unprecedented record highs, asking a broker some weeks ago for advice about copper price's forecasts, resistance levels or their simple 2 cents about what was going on, you would get the same answer: "**we have no idea because we have never reached these prices in LME history**". Similarly to the career of *2 Unlimited* who performed the song, at one point enough was enough and the limit was actually reached; not in a Bitcoin fashion but when the market sentiment changed, investors shifted rapidly their mood to bearish. One would think that only in a Fin Tech, non-regulated, highly speculative market such as cryptocurrencies you could encounter excessive high rises and deep falls but the repeated almost 2% intraday moves for the copper price proved differently. The "Invisible Hand" described by Adam Smith suddenly turned into a tangible iron fist when **China banned financial firms from offering digital currency services**, consequently Bitcoin's value fell 50% in less than two weeks of trading. Markets responded similarly on commodities following the announcement of Chinese authorities to curb raw material prices. "*China's NDRC, one of the country's economic planning bodies, said that it would propose stronger commodity price controls in China's 14th Five-Year Plan (2021-2025)…The message to Chinese hedge funds is much easier to comprehend. As one copper trader told Reuters: "Importantly, don't build massive long positions. This signal [from the authorities] is clear". China's commodity exchanges got the memo as well, promptly raising margin requirements and hiking transaction fees this week. They also said overnight that they would "vigorously investigate abnormal transactions" and curb unreasonable price swings. Separately, China's banking regulators have asked lenders to stop selling investment products linked to commodities futures to retail buyers and instructed the banks to unwind existing positions from their books*" (ED&F Man).

Below you have the full display of May's metal performance:

	HIGH	LOW
COPPER	$ 10.747,5 on 10TH	$9.795 on 24TH
ZINC	$3.108,5 on 18TH	$2.882 on 13TH
NICKEL	$18.265 on 10TH	$16.620 on 24TH
TIN	$30.960 on 28TH	$28.400 on 4TH

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Copper perfectly synthetized the above commentary as the price move followed the path of both market rise and fall in May. The red metal was still on its highs after reaching the **all-time record of 10.747$**, also the average monthly price was at its top with a **7,5% increase at 8.375€/ton**. The story started with the peak towards the zenith when all numbers were in favour of copper: global demand expectation rose for 2022 with bulls pushing the investor sentiment above the previous historic high of **10.160$ of February 2011**. From there on, the fall has been consistent for 10 days straight losing over 10% towards its nadir, on the 19th the biggest decrease was registered *"as rising inflation pushed investors into a risk-off sentiment, offsetting the impact of potential supply disruptions in the top producing region of South America* (Reuters)*."* When Chinese authorities took the helm of commodity speculation, the Asian benchmark fell even more sharply with the differential between LME 3 Months price and the equivalent Shanghai contract, which typically sees London higher, almost tripled towards the end of May. Along the last week of trading copper prices strengthened thanks to the low US greenback: *"The dollar is giving some support to copper, but overall the mood is negative," one metals trader said. "Still, the market did need a breather and consolidation.* (Reuters)." Fundamentals also chipped in to give some support as the supply/demand balance was hit by worries of potential disruption with the announcement of strikes at Chilean mines. Further unrest might happen in the near future as the Peruvian elections approach.

Zinc kept its "dull" performance in May, running at half the pace of the LME index; despite the previous month's underperformance, the metal complex dragged zinc to its highest since June 2018. The average monthly price was **just shy of 2.500€/t** or 3.5% more than April, although less than half of copper's performance. Overall prices moved between two mail **trend lines at 2.890$ and 3.050$** for most of May with just a few dips and rises. Zinc registered its peak on the 18th, on the back of "*Lurking in the background are concerns that major producers Peru and Chile will raise taxes on mining companies, potentially squeezing supply, said Commerzbank analyst Daniel Briesemann* (Reuters)." Also oversees the attention was strong when "***zinc prices in Shanghai climbed to their highest in more than 13 years*** *on supply concerns in China. Yangshan copper premium climbed $1.50 to $38.50 a tonne on Monday, rising for the first time since February and signaling early signs of improved demand for imported metal into China".* ***"It's rumored that some Yunnan-based zinc smelters will cut production due to the shortage of power,"*** *said a China-based analyst"* (National Post). After that day prices fell pretty rapidly only to surge towards the end of the month.

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Nickel tried to stay strong following April's boom but could not keep up for more than the first week. Despite the recent Electric Vehicle frenzy, nickel ended last among metals in May and even the year to date performance is the lowest of the four metals of our commentary. "*Chinese sales reached 206,000 units in April, up 200% y/y but down 9% from the monthly record high of 226,000 units reached in March, this according to CAAM. The association sees* ***EV sales rising by 40% in 2021***" (ED&F Man). Price wise the graph showed first a small, than a bigger U move across the month, recovering only towards the last days of trading after the release of US data and US spending plans that lent support to commodities along with Chinese efforts to control pollution. **The outlook is a bit of a mix bag** with both good and less positive news for Nickel on the physical side: "*The supply response from Indonesia comes after the surprise announcement from Tsingshan in late February revealing ambitious production targets of 1.1 million tons per year of contained nickel by 2023 – nearly 40% of global consumption by then. That said, it seems likely that the production timeline was arbitrarily aggressive and perhaps production will fall short of that target. For its part, Nornickel forecasts a surplus of 52,000 tons in 2021 (assuming a 13% increase in refined output and a 15% increase in consumption) and a deeper deficit of 100,000 tons in 2022 (assuming a 14% increase in refined output and a 10% rise in consumption). CRU notes that "nickel's fundamentals remain supportive for now. However, as we move into Q3, the momentum from the demand recovery is expected to ease at around the same time supply growth, particularly from Indonesia, pushes the market into surplus*" (ED&F Man).

Tin was once again the outperformer, for a second month in a row the green transition helped the metal to reach an almost 10 % increase mainly driven by supply concerns. **LME inventories collapsed** to an historic rock bottom at **755 tons globally**, losing almost 40% from April with the Cash to 3 Months differential pinballing across May and still on a **4-digit backwardation**. Digging deeper (in every way), the deficit seems much more on paper than physically as per the narrative of Andy Home: *"The current super-squeeze is not just due to a passing misalignment of supply and demand, but rather is* ***the culmination of years of production shortfall.*** *The global refined tin market has registered a supply deficit in five of the last six years to the collective tune of 28,000 tonnes, according to the International Tin Association (ITA). The Association is expecting another 2,700-tonne deficit this year.* ***Excess stocks accumulated after the last price spike in 2010-2011 have "been finally reduced to historically below-average levels****", the ITA said. Against such a historical backdrop, any combination of supply disruption is going to have an outsize impact on price. Yet there is no shortage of tin in the ground. The ITA calculates there are 5.5 million tonnes of tin in known reserves, enough to last 18 years at 2019 production levels. Identified resources of 15.4 million tonnes would be enough for 50 years. ("2020 Report on Global Tin Reserves and Resources") That is almost certainly a significant undercount given a lack of reporting by state producers and the prevalence of ASM (artisanal and small-scale miners) in the tin supply chain. Small-scale mining cooperatives don't do reserve calculations.*