

# Monthly Report – November 2019



*"Nothin' lasts forever and we both know hearts can change, and it's hard to hold a candle in the cold **November rain**". It wasn't just leaves falling this autumn in London, unfortunately the long lasting unfavorable markets had their effect in the very heart of the LME like in the Guns'n'Roses song. The once over crowded metal merchant community that had to find its own venue at the Jerusalem Coffee House in early 1800s separately from the Royal exchange for scarcity of space has lost another partner. **ICBC Standard Bank**, a Chinese -South African joint venture, **is closing its metal business**. "The closure comes amid a period of heightened turmoil in the raw materials industry as the trade war, slowing economic growth and shifts in technology disrupt traditional markets. ICBC Standard Bank suffered a \$15 million loss last year after declining global appetite for emerging-market risk and reduced investment flows hit its trading business. Other commodity traders have struggled in the current environment. **Cargill Inc.** said in August that it'll close the base-metals desk at its risk-management unit." (Bloomberg)*

If you were awaiting some good news at a macro level you'll have to wait for Santa perhaps, no white flag neither from tariff talks nor from Brexit while LME, Thomson Reuters CBR Index and Gold were down this month (-4% the first, hitting again the 2.900 points support the latter and safe heaven precious metal down 3%).

## MONTHLY High's And Low's

	HIGH	LOW
COPPER	\$6.011 on 7 <sup>TH</sup>	\$5.800 on 14 <sup>TH</sup>
ZINC	\$2.560 on 5 <sup>TH</sup>	\$2.265 on 26 <sup>TH</sup>
NICKEL	\$16.815 on 1 <sup>ST</sup>	\$13.650 on 29 <sup>TH</sup>
TIN	\$16.790 on 7 <sup>TH</sup>	\$15.870 on 20 <sup>TH</sup>

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**Copper** recovered from the ruinous October end and set hopes for a steady rebound having broken the **6.000\$** mark in the first week. Initially it was the high cancelled warrants (cathodes earmarked for delivery in LME warehouses) that made the price move higher secondly, hopes in the US-China trade talks kept levels high but then a quick correction and a U move lowered expectations. In the end the average price was higher 2% in US\$ form October and the same increase made copper reach **5.300€** per tonne. Inventory wise we had another month of decrease both in Shanghai and LME warehouses, the latter getting closer and closer to summer levels with **stocks at 200.000** tons registering an almost **20% drop** from October.

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**Zinc's** tale was much more positive in our last commentary as October's price increase seemed to lead to new highs for the year-end. The **RSI** was actually indicating an overbought market and crude November reality pushed the indicator far below the 70 line to the actual **oversold** side and **below 2.300\$**.

The main action seems to be in the physical market with *"Hidden zinc inventories... helping to keep stocks low in exchange-approved warehouses and prop up prices, but increasing production is due to hit the market in coming months. Zinc, mainly used for galvanising steel, has been the best performer on the London Metal Exchange over the past three months, gaining 4.7% versus a 0.3% rise for copper. Prices have been supported as bottlenecks at smelters this year lasted longer than expected, putting a lid on refined output even as mine production has been growing. This has been reflected in **shortages outside of top consumer China and a slide in inventories in LME-approved warehouses**, which have more than halved so far this year to 53,250 tonnes, the lowest in two decades. Stocks in Shanghai Futures Exchange depots have declined by nearly half to 63,797 tonnes since mid-March."* (Reuters)

Stocks have actually recovered by the end of November after hitting dangerously a **new rock bottom of 50.100 tons**, even beneath the recent record low in April; the final count was just above 59.000 with an over 8% increase from October.

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**Nickel** epitomized the Greek myth of Icarus this November, or better said the unpleasant end of the story. We told in the past commentaries the exceptional rise and political reasons for it, well after the LME investigation in October other authorities are checking the speculation endangered nickel market: *"The Indonesia nickel miners association said on Wednesday the country's **anti-monopoly body has launched an investigation** into alleged cartel practices impacting pricing by local smelter operators. The probe was launched after the nickel miners association (APNI) filed a complaint a few months ago, secretary general Meidy Katrin Lengkey told reporters. She said **two giant smelters controlled 60% of the domestic nickel ore market and local prices**. "Because their demand is so dominant, they control the prices and other smelters, like it or not, have to follow," Lengkey told reporters." Moreover, **"The European Union launched a complaint at the World Trade Organization (WTO) on Friday against Indonesia's curbs on exporting nickel and other raw materials, which are designed to benefit its own smelting and stainless steel industries."** (Reuters). Besides these political actions harming the sensitive market, it seems more a technical correction having taken place. After an overbought RSI for most of the summer, Nickel has started fading gradually with an over 18% monthly loss leading the price towards the 13.050\$ support line with the average price falling to 13.750€ per ton. The Indonesian export ban spook has apparently faded also on the physical side with stocks finally rising on the LME and Shanghai after the multiyear low inventories.*

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**Tin** seems not to have fully recovered from the decline started in spring and was testing recent multi year lows in November as well. Graph wise the price had V shape move and in the end made it back from where it started having the average monthly price just 1.4% lower than October. We shall see further developments on the back of giant consumer China once more precise numbers of its appetite will be officialised.