

Monthly Report – November 2020



For the bulls out there, **November** must have felt like early Christmas. A perfect storm hit global markets with an exquisite choice of timing and strategy of “buy the rumour, sell the fact”. Ironically, there has been a predilection of the former and we are all waiting on the latter. The good news did have a big impact given the overall situation worldwide although they generated a powerful knock on effect when while coming consistently. The **US elections**, or better said its results, broke the stasis of expectations giving a boost to markets since stocks were evenly low across the world on a steep descending path in October. The bounce was steady and fuelled by **Chinese data**: automobile market recovery, industrial output, metal imports, all on a positive mark. Now mix these good ingredients with the revelation of Big Pharma’s **COVID vaccines** to be available soon and you will have an instantaneous panacea for all diseases, real and not.

The abundance of ingredients did not create any confusion, actually more and more investors joined adding spices to the mix and stimulating appetite , although just on the smell and without seeing the full plate. The *éminence grise* behind this game was funds, or **funds versus fundamentals** as it was pointed out recently. Like Pavlov’ dogs dragged into high expectations while tangible dish is not there yet, everybody kept ordering takeaway food and still waiting to be delivered.

You should normally welcome the euphoria, especially after the unpleasant times we lived, but even if this may throw gloom over the enjoyment, there is something odd making it hard to get around the situation. The US elections needed days to scrutinize votes and, at this date, the exiting president is reluctant in naming his opponent the winner. As **crucial money spending** is still to be compromised on, who knows how much and when will be on the table; even Biden’s infrastructure plan and relaunch of the real economy seems to be at risk with Republicans’ claims of **electoral frauds** to be pursued and more legal challenges to come.

Chinese numbers look solid but can they really shift their export-oriented production to internal demand? A real storm seems to be on its way in the Far East as top-rated state-owned enterprises might be at risk: *“Investors have traditionally seen bonds issued by state-owned firms as less risky due to their perceived government backing. But the recent delinquencies triggered a selloff in debt issued by state firms in impoverished provinces, raising fears of a brewing credit crisis. “Once the credit environment is destroyed, it's very difficult to rebuild confidence,” wrote Qu Qing, an analyst at Jianghai Securities, highlighting a **risk that investors will desert credit bonds for Chinese government bonds** and policy bank bonds if the situation deteriorates. The nervousness also spilled into the stock market, where Chinese banking shares fell over concerns they would face increased bad loans.”* (Reuters)

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We probably need to see how Christmas shopping will undergo this year's financial struggles for families and companies, even a cure for Coronavirus might have its effect worldwide slowly and not evenly. The common denominator in this crazy November was the **US \$ frailty**, the Dollar Index lost over 2%. Despite the DOW Jones breaking the 30.000 points, increasing numbers of contagion and deaths did not help the sentiment rather showing how fragile the fight against Covid still is. The Greenleaf related commodities had a blast; the recently depressed oil market went bananas with **WTI increasing 26%** and safe heaven **Gold losing 4%**.

And here is how our beloved metals performed:

| | HIGH | LOW |
|--------|--------------------------------|------------------------------|
| COPPER | \$ 7.708,5 on 30 TH | \$6.670 on 4 TH |
| ZINC | \$2.844 on 30 TH | \$2.506,5 on 4 TH |
| NICKEL | \$16.525 on 30 TH | \$14.930 on 4 TH |
| TIN | \$19.140 on 18 TH | \$17.640 on 2 ND |

Lead was the top gainer in November, ending first with an abundant 15%, Dr. **Copper** came in second with a more than honed 12% intra-month raise. All the above factors helped the red metal in its rally, breaking one resistance level after the other, **6.800\$** in the very first days of trading and once **7.100\$** popped, the party was nonstop. On the 20th *"Copper prices surged to their **highest in 29 months** as speculators extended a buying spree on continued strong demand in top consumer China and potential supply disruptions. Benchmark copper on the London Metal Exchange had **gained 2.5% to \$7,266.50 a tonne by 1705 GMT**, its highest since June 2018. "Fundamentals haven't changed a lot recently. We know that Chinese demand is strong and supply is constrained in some parts of the world," said Julius Baer analyst Carsten Menke. "The metals markets have become en vogue among traders, but at least for aluminium and copper the positioning in the futures markets already looks quite stretched, so I'd say these prices are very lofty." Menke pegs **fair value for copper at \$6,750 a tonne**. The metal, widely used in power and construction, has rallied 66% since March" (Reuters). The average monthly price gained over 5% at reached 5.965€/t, **LME inventories fell 20.000** tons after the restocking in October and ended just short of 150.000.*

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Zinc was **up almost 10%** during November the average monthly price increased by almost 9% at **2.250€/t**. The script of the story was identical to other metals with speculative funds propelling prices and leaving fundamentals out of the picture. Indeed *“The global zinc concentrate market is forecast to switch back to a **surplus in 2021**, after a short-lived deficit this year, Chinese metals research house Antaika said on Thursday. Rising production could return the world's zinc concentrate market to a surplus of 82,000 tonnes in 2021, after coronavirus-driven supply disruptions kept the market at an estimated deficit of 151,000 tonnes this year, said Xia Cong, the manager of the lead and zinc department at Antaika (Reuters Nov 12).”*

So basically markets ignored supply/demand news, when a week later concerns over the physical availability of metal hit the press, the sole concern of shortages pumped the price up **to 2.770\$**, back at July 2019 levels. Solid Chinese steel demand and some supply fears pumped Zinc up 2.3% on the day to an **18-month high** as a mine shutdown in South Africa.

Nickel built an uptrend channel right on the first day of November with a continuous rally to its zenith on the 30th after getting just short of **16.500\$** the day before. The metal was a slow mover compared to the others but was the stand out performer on the 9th edging close to 16.000\$ and over 3%. A breakthrough above 16.100\$ a couple of weeks later seemed to unleash the price momentum but the graph move was rather choppy and kept testing the recent **October peak of 16.310\$**. Ironically, on its highest mark on the last day of November the price dropped a heavy 500\$.

Tin was the only base metal not to reach its highest on the last day of November, indeed its zenith was reached after breaking **18.600\$** and rallying towards the **19.200\$** resistance line. The graph took a U move to end the month like Nickle with an over 400\$ loss