

Monthly Report – November 2021



November showed signs of a return to normality on financial markets. The calm after the storm seemed not to be a result of solid resilience but, once again, the consequence of yet another wave of bad news. We have added another Greek letter to our vocabulary, **Omicron**, which is actually the fifteenth and leaving us with only 9 letters to go before the end of the alphabet and (hopefully) Covid.

Black Friday usually boosts retail sales, travels and spices up shopping in general before the end of the year but turned into a black plague with a plunge across all markets leaving only livestock with in positive territory. Even safe heaven Gold lost all gains of the first half of the month after a liquidation of long positions of precious metals, same story on energy with the **WTI falling below 70\$** per barrel. *“This slump followed the nomination of Jerome Powell as Fed chair for another four-year term. As Powell is considered more hawkish than alternative candidate Lael Brainard, gold edged lower amid potential for tighter monetary policy”* (Societe Generale).

The real winner across this minefield was the greenback: *“The U.S. dollar has been in a **steady upward trend since May**, driven in large part by expectations that the Federal Reserve would announce a timeline for tapering of its **\$120Bn a month quantitative easing** programme (that went into effect in March 2020), while expectations towards the timeline for interest rate rises had shifted from 2023 to as early as H1 2022. However, developments over the last month have fast tracked expectations of the U.S. stimulus pullback, cementing a pathway for a stronger U.S. dollar over the next six months.”* (Stonex)

On the other end, supply chain bottlenecks are far from being solved while inflation's real value is hard to interpret without the energy cost factor so that the coming Christmas holidays risk to end up sour for many families.

As for Base Metals, average prices did not suffer from previous month's tumble after the huge increase. The leitmotiv of rising metals during the first fortnight, fall after the third Monday and peak towards the final trading days, continued also in November with the only exception of Tin, which did not show any sign of stress. Indeed all registered an increase from the beginning of October, moreover the € average prices were positively affected by the stronger US Dollar. Let us take a look how November went:

	HIGH	LOW
COPPER	\$ 9.920 on 25 TH	\$9.315 on 18 TH
ZINC	\$3.411 on 1 ST	\$3.136 on 18 TH
NICKEL	\$21.240 on 24 TH	\$18.970 on 4 TH
TIN	\$40.680 on 25 TH	\$36.350 on 4 TH

Monthly Report – November 2021



Copper's troubled physical market steered towards normal conditions after October's storm. From a graphic point of view, the repetition of previous months third Wednesdays' prompt narrative continued, the red metal saw a substantial rebound after its rock bottom on the 18th. The upward move brought the copper to its highest mark for November in just a week of trading. On the 26th global news reported again the outspread of a Covid mutation and consequently financial markets panicked, the last trading days continued testing the monthly support in the **9.400\$ area**. The turn of the screw by the LME to reduce nearby crazy spreads seems to have proven its efficiency, **backwardation turned to reasonable levels** and the cancelled stock/total stock ratio fell dramatically with (supposedly) more material easily available. The debate and investigation on Trafigura and other potential heavy weight players behind the October disruption continued; the aftermath left **November inventories 40% lower**, close to September 2020 and Q1 2021 lows (around 75.000 tons) , which represent an all-time nadir. On a more positive note, *"The global world refined copper market showed a **52,000 tonnes surplus in August**, compared with a 39,000 tonnes deficit in July, the International Copper Study Group (ICSG) said in its latest monthly bulletin"* (Reuters).

Zinc dramatically changed its price course from October going from the **stars to stables** dropping almost 5% from beginning to the end of November; although the average price did not drop significantly in \$, it stood almost unchanged at 2.900€. Graph wise zinc was a bit choppy steering towards **3.250\$** which acted both as support and resistance for the whole month, price moves were less speculative than copper for instance, as the physical market still being the dominant factor. Supply and production shortages pushed zinc to its monthly high after the third Wednesday prompt on the back of further **industrial halts on rising energy prices**, all tumbled a few days later on the back of Omicron variant outbreak. Stocks lowered 20% on the LME, **dropping to 157.000 tons**; the 15-month low did not alter the course of **backwardation** though, which actually stood in line with October's course before exploding in the last week of trading **to reach 130\$**.

*"The current demand picture is mixed; **Chinese offtake is weakening** according to CRU on slower construction demand and higher smelter utilization rates. CRU points out that "there has been little demand for refined metal imports in recent months", noting that the "SHFE/LME arb has therefore remained negative ... and we do not expect this to change in the short term". (See our charts on page 18). **Demand in the US and Europe id stronger**; although both markets have lost zinc to the implosion in car sales, they have made up for it somewhat with the pickup in construction demand. Whether strength in these two markets will be enough to power another rally without China fully participating remains to be seen"* (ED&F Man)

Monthly Report – November 2021



Nickel had a less bumpy road in November compared to the previous two metals and ended its path with a **1% monthly increase**, the average price was more generous with a **4,5% gain at 17.500€/t**. The route started from its very bottom when the Nickel outlook was described as rather bearish by Antaika analyst Chen Ruirui in a Reuters interview: *“average LME nickel prices are seen **declining to \$17,000 a tonne in 2022** from an estimated \$18,500 this year. **Nickel ore supplies, the power usage situation and production costs** are the major reason that restrain NPI (Nickel Pig Iron) output”*. After the “usual” mid-month correction, price increased to its **high over 21.000€** and despite the end of the month Covid related fall, sentiment remained positive. Through the course of November, bears turned into bulls when supply and production constraints arose: *“Vale Indonesia announced its nickel matte **production is expected to drop 13.5% to 65kt in 2022, compared with 2020 levels**. The Indonesian succursal of the Brazilian hegemon has an annual average of 70-75kt a year. The company needs to shut down and rebuild its 20-year-old furnace from December for five months, leading to a slowdown of production. In addition, a bullish stance from Indonesian President Joko Widodo about the **ban on raw material exports** also buoyed prices. Indonesia, the largest nickel producing country, put an ore exports ban in place since 2020 to support the domestic processing sector”* (Societe Generale). The **20% drop in LME inventories**, down to 114.000 tons, kept the rally going and the solid backwardation averaging the Cash to 3 Months spreads around 150\$.

Tin was once again at the helm of base metals adding 5% to its never ending rise, not only braking the historic **40.000\$** mark and so another record level, but also **doubling its price** from its past 12 month starting point. The good news for those who need to purchase the metal is a long desired return to safer warehouse inventories: the **LME doubled its stock** with the biggest inflow since June 2018 and ending November just shy of **1.300 tons** while on-warrant material rose by 1.000 tons from the historic October low of 255. The Shanghai exchange also added 900 tons with a mid-month record of 2.750 tons and finishing off by almost duplicating the previous month's end of 1.000 tons. The momentum is far from losing steam as the small pool of far eastern producers are suffering again from **Covid outbreak and monsoon season** hazarding mining operations and export to top consumer and fabricator China.