

# Monthly Report – September 2019



**September** suffered an odd start with most metals hitting their lows right in the first days of trading continuing the negative performance of the last months with the unique exception of Nickel. In general we have registered a spike in commodity markets in the first weeks buoyed and retreat in the second fortnight on the back of highly welcome good news first and hard facts later.

## MONTHLY High's And Low's

	HIGH	LOW
COPPER	\$5.980 on 13 <sup>TH</sup> Sep	\$5.518 on 3 <sup>RD</sup> Sep
ZINC	\$2.404,50 on 16 <sup>TH</sup> Sep	\$2.190 on 3 <sup>RD</sup> Sep
NICKEL	\$18.850 on 2 <sup>ND</sup> Sep	\$16.790 on 17 <sup>TH</sup> Sep
TIN	\$17.750 on 11 <sup>TH</sup> Sep	\$15.785 on 2 <sup>ND</sup> Sep

“A gauge of **global stocks rose for an eighth straight day** to a six-week high and benchmark government bond yields advanced on Friday as signs of progress in trade talks between the United and China, as well as a solid report on U.S. retail sales, allayed recession worries” Sept 13 (Reuters).

Just a trading day later economic news from the Asian powerhouse made metals move in a complete different direction:

*“China’s slowdown is deepening just as risks for the global economy mount, piling pressure on the authorities to do more to support growth. Industrial output rose 4.4% from a year earlier in August, the lowest for a single month since 2002, while retail sales came in below expectations. Fixed-asset investment slowed to 5.5% in the first eight months, with the private sector lagging state investment for the 6th month.*

*The data add support to the argument that **policy makers’ efforts to brake the slowing economy aren’t sufficient** as the nation grapples with structural downward pressure at home, the risk of yet-higher tariffs on exports to the U.S. and now surging oil prices. Nomura International Ltd. said this all raises the likelihood that the People’s Bank of China will cut its medium-term lending rate on Tuesday. “In terms of policy room, we still think there’s quite a lot for both the Ministry of Finance and the PBOC, but now it’s a matter of whether they want to use it,” Helen Qiao, chief Greater China economist at Bank of America Merrill Lynch said on Bloomberg television. “What I worry about is that policy makers are hesitating at the moment because of the potential implications on the long term impact, so they’re really fallen behind the curve” Sept 16 (Bloomberg).*

The LME Index rose almost 5% in the first half of September while Thomson Reuters Commodity Index was up more than 6% pushed by an unexpected climb in oil prices on the back of drone attacks on Saudi refinery, all retreated to initial levels as the month progressed.

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**Copper** was almost unchanged dollar wise given the arch shaped graph move across September while the € average price was up almost 2% because of the stronger greenback. The month started with **2 year record low** on the continuing dip started in August luckily having a well needed recovery a couple of days later climbing back above **5.650\$/ton**. Despite the mix of economic news was negative both on future outlooks and exports numbers copper steadied until the middle of September putting all hopes on the progress of US-China trade talks, the house of cards crushed on the 16<sup>th</sup> when Chinese growth concerns were backed by official numbers of economic slowdown. Prices seemed to find **support around 5.700\$** for the rest of the month but still walking on eggshells: “Fitch Solutions cut its average price forecast for copper to \$5,900 a tonne this year and \$5,700 in 2020, from previous views of \$6,300 a tonne and \$6,600 a tonne respectively” Sept 20 (Reuters). From a warehouse point of view September had a huge drop of 77.000 tons of cathodes, equaling 23% of previous LME inventories but not really driven by supply/demand factors. Interesting to see was the repetitive return of solid contango above 30\$ showing lack of nearby interest in the red metal. Different from the oil market where few producers decide cartel wise production cuts to increase weak prices, copper seemed to have the same result but with fundamentals dictating the way to go. Low prices make new mining projects less attractive reducing profitability towards break even and so potential new sources of material are postponed if not abandoned in search of stable demand.

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**Zinc** had a similar price move as copper with a bad start and steady attempt to recover in the first fortnight. September begun with a fresh multi year low having slipped below **2.200\$/ton** on CTA selling, it did actually recover with an over 100\$ jump on the 4<sup>th</sup> and kept climbing on the famous Sino-US trade talks despite the unfavourable macro scenario. (Bloomberg) Sept 6 -- Goldman Sachs Group Inc. slashed its zinc price forecast by almost a fifth as production exceeds demand after three years of supply shortfalls. Prices of the metal used to galvanize steel **may drop to as low as \$1,850** a metric ton over the next 12 months, Goldman analysts said in a note Thursday, trimming their outlook from \$2,300. Supply will exceed demand by 85,000 tons this year and the surplus will widen to 434,000 tons next year, as slowing car sales hurt zinc demand, they said. “A slump in auto production and poorly performing property and infrastructure sectors have dropped zinc demand growth into negative territory,” analysts including Alison Li and Sabine Schels said. “After several years of minimal growth, refined zinc production is increasing again around the world.”

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**Nickel** won again the gold medal amongst metals in September with another record high at the beginning of the month at **almost 19.000\$** which was last seen 5 years before. The overall price readjustment in the second half hit also nickel but prices found support in the 17.000\$ area guaranteeing another positive strike and combined with the weaker exchange rate lifted the **average price above 16.000€** with a 14% increase from August. The export ban is still a hot topic as *"Everyone is trying to ship Indonesian ore as much as they can before the end of the year," said Linda Zhang, a nickel analyst at Wood Mackenzie. "But there will be constraints in terms of mining rate, ship availability and port capacity in Indonesia, so they have to look for other alternatives," Shipments from the Philippines, China's biggest supplier of nickel ore and its most obvious source of alternative supply, came in at 3.99 million tonnes last month, up 13.2% from July. That was the highest monthly total since October but was down 16.8% from August 2018. Experts say, however, that even though Philippine nickel miners are likely to boost production next year, they cannot match the higher grade of Indonesian ore and will be unable to completely fill the supply void.* Sept 25 (Reuters)

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*Fourteen Tin smelters in China, the world's biggest producer, have agreed to cut output this year to counter a slump in prices that's eroded profits. China's refined tin output has already fallen about 10% to around 63,000 tons in the first five months of this year, according to the International Tin Association.*

(Bloomberg, Sept. 5)

(Reuters) - *Exports of refined tin exports from Indonesia fell 32% annually in August to 5,518.62 tonnes, data from trade ministry showed on Thursday. Indonesia exported 8,082.46 tonnes in the corresponding month a year earlier. On monthly basis, shipments increased 26% from July.*