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The recent commodity super cycle narrative has been supportive even in the worst pandemic period after March 2020. Global bazooka money and Government measures to pump liquidity and support the real economy moved prices back to pre-Covid but **September** showed a slowdown from past months' euphoria. On the LME, we had seen a similar move as in August when a sharp drop occurred after the 3rd Wednesday prompt due to investors' vacation mood and illiquid markets tumbling even with slight price moves. The repetition of such pattern looked similar even in its swift resilience but had to face a **double whammy** towards the end of September when base metals slipped again; the only exception was aluminium as the recent **coup in Guinea** shot prices to record highs.

Another indicator of the above turn of table is the supply chain disruption "phantom", at first fears of bottlenecks and production halts moved commodities prices higher with an ongoing supportive fluctuation.
Markets seems to have now acknowledged the status quo and the inevitability of circumstances without altering the price slowdown, **material is just not available.** "*Case in point: platinum and palladium prices crumbled last month as chip shortages hobbled car sales. One study we saw calculated that roughly **7.7 million cars were not produced** this year on account of chip shortages -- that is a lot of lost output, but a staggering amount of **demand that was lost as well***". (ED&F Man)

Just to make things more complicated, the **Evergrande scandal** hit the fan. Apart from the financial Lehman-likeliness, the construction company collapse could fuel further slowdown considering the existing and planned projects at risk. All commodities involved, from cement to metals and plastics, could see a sharp decline due to demand drop, moreover China is also facing serious problems with several provinces **missing targets of emissions reduction** with production halts and selective maintenance already causing trouble in the Asian powerhouse.

The only "winners" in September were the **US Dollar** and **Oil**. The greenback set a new year high against various currencies with the **Dollar Index above 94 points**, the exchange rate has been very favourable especially against the € which lost almost 3%. Europe had a series of cold showers after the summer break as economic numbers cooled the pace in various markets, the composite PMI index ended lower than expected at 55.3 while **inflation rose with unusual speed**. Half of the inflationary drive is related to energy costs; **Eurozone utility prices will increase around 40%** because of recent petrol and gas related rallies. The WTI picked up to recent multi year highs ending around 75$ per barrel, the rise was due to two main reasons, first **Hurricane IDA** strike in the Gulf of Mexico halted production in the oil rich area. *"On net, we believe the storm will have left the U.S. short of around 30 million barrels of total oil, almost entirely in products due to the impact on refinery runs versus demand"* Goldman Sachs. Secondly, the **OPEC+** rejected US and India's requests to increase production to curb prices. The storm was surely a good wingman for producers' argument but the fear of an upcoming pandemic wave in the US would harm growth expectations and a production increase just will not fit the plan.

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Back to metals, here is how our favourite four performed in September:

	HIGH	LOW
COPPER	\$ 9.755,5 on 13^{TH}	\$8.810 on 21^{ST}
ZINC	\$3.140 on 17^{TH}	\$2.9159 on 21^{ST}
NICKEL	\$20.705 on 10^{TH}	\$17.725 on 30^{TH}
TIN	\$36.830 on 24^{TH}	\$31.305 on 30^{TH}

Copper was one of Evergrande' s most vulnerable victims and **lost around 6%** across September. The equivalent for the European market was almost unchanged, with the stronger USD the average price ended at 7.922€/t just 25 € less than August. The first couple of weeks of trading saw prices move between **9.500\$ and 9.300\$** but with moderate volumes. The pivotal point was rumours from the Far East turning into reality when scenes of angry investors queueing in front of China's biggest construction company led to inevitable price crash. *"There's a general worry about the strength of the global economy," said Ole Hansen, head of commodity strategy at Saxo Bank in Copenhagen. "The market is trading on the nervous side ahead of that Chinese announcement from Evergrande on Thursday* (21^{st} ndr*)." "The break of copper's \$9,000 psychological level is forcing some renewed liquidation by disappointed longs who tried to buy the dip," Hansen added, referring to a rebound during morning trading"*. (Reuters)

The following rebound happened to be more a technical reaction and the profit taking on the lows was soon out of steam when the second dip materialized just a few trading days away. The problem will linger for quite some time even if Chinese authorities will liaise with domestic companies to curb the landslide. The Financial Times estimates that the property sector accounts for a fourth of China's GDP and around 20% of global copper consumption, quite a big chunk that will be hard not to consider for future growth outlook. The recent ICSG estimates the copper market being in small deficit in the first half of this year after the surplus of previous full pandemic 2020, this will surely need to be revised for H2.

Zinc escaped the Evergrande curse and actually registered a **fresh high since 2018 actually** resisting for much of September **above 3.000\$** while other metals were starting to fade. The Chinese State Reserve auction of zinc of late August and further session in October did not alter the supportive sentiment, it was not bottlenecks this time but production issues to lift prices. Earlier in the month, Teck Resources cut its forecast of refined zinc volumes due to wildfires in British Columbia. The intense energy usage for production soon revealed its frailty when oil soared and break-even was crossed; **Nyrstar's** Dutch facility was shut and Bulgarian smelter **KCM** also followed this route. Cash to 3 Months spreads are still in good shape with a consistent contago market and LME stocks lowered 13% from August to 206.000 tons.

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Nickel best represented the expression from riches to rags in September. Mid month's high was a record not seen since 2014 but the **push above 20.000$** did not last long. The close link to stainless steel was crucial to understand the price drop, more than Evergrande, it was the Chinese energy issue that led to the lowest close in more than a month. *"Expectations of output curbs on stainless steel mills in China because of power shortages have undermined sentiment in the nickel market.* ***Two-thirds of nickel consumption is accounted for by the stainless steel industry****, mostly located in China"* (Reuters). On the last week of trading the fall was even steeper than the previous and the price tumbled below 18.000$. Shanghai inventories had a descending move similar to the price curve ending little above 5.000 tons while LME stocks kept falling and are now close to the exact number of September 2019 at 150.000 tons.

Tin seemed to ignore the September atmosphere and extended gains throughout the month as unaffected by news and worries, climbing to a new all-time record high of **36.830$**. Physical demand for tin remains very high and the combination of supply disruptions with low inventories kept the supportive momentum. The price in top chip producer China was also increasing while Shanghai's stocks finished again close to historic lows while more incoming material was registered at the beginning of September. *"The global tin* ***market deficit is expected to rise*** *to 12,700 tonnes in 2022 from 10,200 tonnes this year, the ITA said in June"* (Reuters). Finally, the price came under pressure on during the last of the month as "*worries about demand in top consumer China, where a power crunch and rationing is shutting factories, triggered selling. Power usage curbs in China have cut demand for refined tin, as soldering companies and tin chemical producers in parts of the country are operating at reduced capacity, the International Tin Association (ITA) said*". (Reuters) on the last day of trading, tin registered a massive intraday loss with a min-max difference of 4.000$.