

# Monthly Report - April 2018



**April** saw again huge moves in commodities lead again by politics intervening to set the pace for a strong rally but this time it was not only the import tariffs (see previous monthly commentary). Although details of section 232 are being listed neither the US nor Chinese government, the latter having immediately reacted with own tariffs against the former, have implemented them yet. The main focus this month was Russia as the Trump administration imposed sanctions on the 9<sup>th</sup> of April against oligarchs and government officials as they engage "in a range of malign activity around the globe, including continuing to occupy Crimea and instigate violence in eastern Ukraine, supplying the Assad regime with material and weaponry as they bomb their own civilians, attempting to subvert Western democracies, and malicious cyber activities." One of these individuals is Oleg Deripaska who owns large shares in mining and industrial companies, as their shares plunged the related metals rose with the Thomson Reuters Commodity Index registering an over 4% increase, was almost 7% until the end of week 3 (WTI crude oil contributing with an over 8% monthly rally) and the LME Index up 2%, was 9% until the end of week 3 (Aluminum contributing with a 14% monthly rally). This renewed US strength also took place in the currency markets, higher interest rates and slower than expected inflation in the EU made the €/ \$ rate fall to 1.2062 by the end of April, back to January's levels while the Dollar Index rose 2%.

**Copper** had quite rally following the trail set on the end of March when it buoyed a three and a half month low. The lowest was registered on the 4<sup>th</sup> at 6.621,5\$/t and swung all the way up towards 7.112\$/t on the 19<sup>th</sup> but did not hold the 7.000 mark for long as a stronger dollar made the metal slip 200\$ on the 27<sup>th</sup> leaving the average price in line with the previous month. In € it was actually 1% higher at 5.570\$/t. The bullish mood can be partially explained by declining warehouse stocks both on the LME (mostly from Far East locations) and Shanghai both showing - 55.000 tons and quite an erratic move on the Cash to 3 months.

**Zinc** went from prom queen to party pooper in April. February's price fall seemed rather physiological after breaking record after record in 2017, March stayed stable around the 3.250\$/t on the 3 months price so that this month underperformance compared to other metals was quite a surprise. The price graph looked a bit like a reverse bottleneck with a sudden crash on the 12<sup>th</sup> when it went down almost 3% , the lowest in April was reached a few days later at 3.070 \$/t. The fall triggered sales from funds because of weaker construction demand from China and rumors that the country's State Reserve Bureau was behind an important stock sell. Indeed Shanghai warehouses were down some 40.000 tons of metal across the month and followed by the LME for 3 weeks. Consequently we have seen the return of contango after months of backwardation with a sudden dip in the last week of the month, again generated by stocks, when LME inventories suddenly rose 50.000 tons in a few days with a final 12% increase from March. In € terms the monthly average price dropped 2% just short of 2.600€/t.

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Nickel was likewise aluminum an outperformer this month, also in connection with the anti-oligarch sanctions. Deripaska's 25% ownership in Norilsk Nickel made the company's share fall and the rumor of the brand's registered material in LME warehouses being delisted got the metal rally and inventories fall very fast. The 3 Months price broke previous highs of 14.000\$/t and in the third week it almost 16.700\$/t but correcting the uptrend with similar pace in the following week but still with good gains, April's average price stood at 11.350€/t with a 4,5% increase from March. Almost same percentage but with opposite sign was registered in LME inventories ending short of 307.000 tons.

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Tin in April went hand in hand with Nickel with the price graph stable for a couple of weeks around recent resistance and a quick 1.000\$ rally towards its zenith at of 21.725\$/t on the 20<sup>th</sup> . The correction in the last week saw Tin still on its multi year high. In € the increase was in the end just 1% on the month average slightly below 17.400€/t