

# Monthly Report - May 2018



It seems that we have to get used to point the political in and outs out in our reports rather than fundamental factors moving commodities' prices, you can guess from the world news that **May** was another rather troubled month. You could look at this month with a fairly different approach either considering all raw materials or just metals, in fact the Thomson Reuters Commodity Index and the London Metal Exchange Index went quite different ways. The first went side to side with crude oil: a huge increase in the first 3 weeks and losing more than half of its gains in the last, while metals were slower but more consistent and ended at the same goal of some 2% raise like the former index (see highs and lows below). Again political tensions were behind this turmoil as Venezuela seems to be on the edge of bankruptcy despite President Maduro reelection and the US withdraw from the international nuclear accords of Iran and potential new sanctions on this big oil producer. Other tensions were the key factor for the metal increase converted in € as the prolonged formation of the new Italian government after political elections held last March and Spain's instability weakened the European coinage to almost 5% in a month, starting above 1.2 against the US\$ and falling to 1.15 on the 29<sup>th</sup> of may, rebounding short of 1.17 at month end.

## MONTHLY HIGH'S AND LOW'S

	HIGH	LOW
COPPER	6.999\$ ON 22 <sup>ND</sup>	6.710 ON 1 <sup>ST</sup>
ZINC	3.164,50\$ ON 31 <sup>ST</sup>	2.970 ON 4 <sup>TH</sup>
NICKEL	15.350\$ ON 31 <sup>ST</sup>	13.555 ON 1 <sup>ST</sup>
TIN	21.325\$ ON 9 <sup>TH</sup>	19.985 ON 25 <sup>TH</sup>

**Copper** swung all month in the 6.700\$ – 7.000\$ range and without major shocks. The outlook on the red metal remains bullish, last Thomson Reuters poll see the 2018 mean price increasing over 2% from last survey in January ending at 6.950\$/t. Both demand and production remain positive, the former boosted by the electric automotive industry in particular while China's refined copper output in April jumped 12.3 percent compared to same period last year and Chile's production increased 18.9% to in the first quarter. The € average price rose 3.6% to 5.773€/t from April while in \$ it was unchanged for the currency issues as per above, the most important move was on the cash to 3 months differential. Not sure if all was caused by a stock move, LME warehouses lowered 7.500 tons, but the contango had wobbly performance. May started at 38\$ contango and shrunk all the way to 7\$ with quick ups and downs in the middle of the month as inventories bounced.

**Zinc** continued the decrease started in April and resisted for a couple of days supported by the 3.050\$ level which was finally broke and then slipped to its lowest for this year last seen in September. The price regained a bit of strength but always bounced back to 3.050\$ for a couple of weeks, broken again for a few days and finally found its way up to its nadir at month's end thanks to positive inventories (month on month +3.5% at 245.000 tons) but basically without any change from when it begun. The May average € price resulted unchanged just short of 2.600€/t but likewise copper the contango worsened and even went into backwardation for a couple of times.

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**Nickel** has outperformed also in May after its raise in April. The appetite for Electric cars where the metal is largely used increased the appetite especially after the International Nickel Study Group officialised a growing market deficit widening in the beginning of the year by one third at almost 40.000 tons. Thomson Reuters poll see the 2018 forecasted an 11% price growth and LME warehouses lowered their stocks almost 20.000 tons or 6% this month to 287.000 tons. The € average price was 7% higher to 12.150€/t.

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**Tin** was the underperformer as Indonesia issued more export permits making the price fall below the 20.000 \$/t level long held since January, the price then climbed back but still in a softer tone compared to April.