

Monthly Report - September 2017



September saw a continuation in commodities' price rallye started in mid August and went way beyond. The Thomson Reuters Jefferies Index recouped recent lows and towards the end of the month peaked over this year's highs when US elections gave an impressive move upward to most markets. Industrial metals reflected this trend just in the first week of September while prices adjusted afterwards on the downside, see chart below. Hurricanes in the Mexican Gulf, political uncertainty in the Korean peninsula and Trump's diplomacy had surely an effect both on commodities and FX rates with the € robustly above the 1,19 mark against the US\$ for many days in a row and even above 1,2.

SEPTEMBER HIGH'S AND LOW'S

	HIGH		LOW	
Copper	\$6.970	on 5 th Sep	\$6.366	on 22 nd Sep
Zinc	\$3.221	on 4 th Sep	\$2.975	on 14 th Sep
Nickel	\$12.380	on 4 th Sep	\$10.215	on 27 th Sep
Tin	\$20840	on 8 th Sep	\$20.325	on 22 nd Sep

Copper started the week on its highs reaching its zenith on the 5th almost at the 7.000 \$/t mark reached exactly 3 years before. The pace slowed in the following days when the price dipped 300\$ on the 8th and lingered between 6.450\$ and 6.600\$ on the 3 months price. The average € price though was almost unchanged from August at 5.525€/t . Stock wise there has been a strong increase in September form almost 221.000 to 295.500 tons. An interesting thing to note on the Korean nuclear tensions is the effect on the Cash to 3 Months spread; it's a bit technical but worth reading to get an insight on recent price moves. South Korea hosts 3 LME warehouses: Incheon, Gwangyang and Busan, all potential strategic targets of Pyongyang. Except the first one which has had neither copper moves in nor out since March, the other 2 have almost doubled their stocks in a few days with material being stored in the exchange's premises as a mean of risk avoidance of a possible conflict. This physical input is balanced with a sale of LME bourse cash contract that leads to a widening of the Cash and 3 Months contango (on September 11th the spread was 18.75\$, on the 18th it reached 52.25\$).

Zinc had a choppy move in September ending almost unchanged above 3.150 \$/t and following the copper trend for the first half of the month moving up again 50\$ weekly from its low of 2.975\$/t. the € price on the other hand was more interesting showing an increase of 3.5% on the month average reaching 2.618€/t . Similar to copper inventories played a huge role in the Cash to 3 months price structure as a dominant position on LME inventories and a cancellation in zinc warrants moved spreads quickly into a steep backwardation. From a tiny contango we reached 67\$ backwardation on the 25th, a level seen before in August 2007! For those who deal in € the back is even worse.

Nickel was in a downtrend most of the month as prices above 12.000\$/t dipped quickly on the 8th and got channeled to lose 2.000\$ by the end of September. It is definitely a correction from July and Augusts' rally, from a graphical point of view it looks like a reverse V where the peak was reached between the 4th and the 8th above 12.350\$/t . The € September price showed increase of 2% at 9.426€/t and spread wise we have had another big move with Cash to £ months differential reaching 90\$ contango last seen in 2014.

Tin had little to say and swung between 20.400 and 20.800\$ while the average price reached 17.500 €/t and LME volumes increasing again 8% to 2070 tons.