Monthly Report - September 2018

September showed an overall rebound in commodity prices although some of them started the month slipping towards Augusts' lows. It looked almost as markets wanted to lure those who missed the heavy summer sale, see last month's commentary. The announced removal of the *Fearless Girl* from the Wall Street venue (https://news.artnet.com/art-world/fearless-girl-ireland-climate-change-summit-1362517) seem prophetical for base metals as we saw buyers back in business when prices touched bottom once more but it's hard to say if they will follow the *Charging Bull* getting loose without the juxtaposition of the courageous little statue.

The overall scenario indeed still looks unclear with political and economic tensions jeopardizing any medium/long term view, as Andy Home has put in a recent article: *"You've got to feel sorry for Doctor Copper. He and his base metal friends find themselves on the front line of the escalating trade stand-off between the United States and China. London copper has clawed its way back from Augusts' 13-month low of $5,773 per tonne but … is still 15 percent off its June peak of $7,348… The oil market is positively bubbling away, while iron ore and steel prices remain surprisingly resilient to the prospect of a full-blown trade war between the world's two biggest economies. There is, however, logic to the punishment meted out to Doctor Copper. Trade wars, the reasoning goes, mean lower global growth down the line. That's bad for copper usage. Particularly, if growth in the world's largest user of the metal, China, is hit as well, which seems more than likely. A stronger dollar and ominous signs of stress in emerging markets such as Argentina and Turkey top up the bearish cocktail. Doctor Copper, seen this way, is signalling that we should be worried about where global manufacturing is heading. The curious thing is that right now he seems to be in robust good health. Copper's current positive internal dynamics are increasingly at odds with a price that remains depressed by global macro gloom. Short-term fundamentals may yet bite back the many fund shorts."* Here's September's performance across our base metals of interest:

MONTHLY HIGHS AND LOWS

	HIGH	LOW
COPPER	$6.382,5 ON 21ST	$5.800,5 ON 4TH
ZINC	$2.648 ON 28TH	$2.290 ON 17TH
NICKEL	$13.300 ON 21ST	$12.085 ON 12TH
TIN	$19.175 ON 10Th	$18.630 ON 4TH

Copper's latest situation is greatly summarized in this other article from Reuters: "*There's a tug of war going on between the Chinese data, which shows manufacturing stalling, and copper stocks," a fund manager at a natural resources fund said. "LME stocks have been on a downtrend for some time, falling below 200,000 tonnes." Growth in China's manufacturing sector stalled in September as external and domestic demand weakened, two surveys showed on Sunday, in a sign U.S. tariffs are inflicting a heavy toll on the economy. China accounts for nearly half of global demand estimated at 24 million tonnes this year. Copper inventories in LME warehouses at 199,125 tonnes have nearly halved since late March and are at their lowest since December last year."* The month's end count shows -24% of global inventories from August, same level as end of November last year"*. Cancelled warrants - material earmarked for delivery - at more than 50 percent of total LME stock and a large holding of copper warrants at between 50 and 79 percent are also worrying for users of the exchange.*" Needless to say the spreads imploded on such moves with Cash to 3 Months reaching even 16$ backwardation (was at an average 25$ contango in August) the same day of the monthly price's bottom. In the meantime Codelco (the world biggest copper producer) seems to have set a new physical delivery premium for its Grade A cathodes of 98$ a ton over the LME price. This is the highest premium for the European customers for 3 years and 10$ higher than the 2018 one. In terms of € the average price was down 1.2% from August as the currency rebounded from its multi month low.

Zinc had a similar pattern to Copper but having had a rough August made the September even worse. The 3 Month price broke on the downside the 2.460$ support and tested again 2.283$. Truth is the trend improved from there on but still closing with a poor average performance (-4% at 2.087€) and high backwardation fever. Again it was the stocks that generated this massive move, short before the end of the month LME volumes fell below 200.000 tons ending 15% lower than August. The Cash to 3 Months went bananas, was 23$ contango on the 18th going to 46$ back on the 28th, again to see how stocks are correlated to prices it is worth taking a look at this report form that day: *"zinc hit a seven-week high on Friday after stocks in Shanghai slid to the lowest in more than a decade and some speculators cancelled bearish positions. Zinc inventories in warehouses monitored by the Shanghai Futures Exchange slid 13.6 percent to 29,204 tonnes, the lowest since September 2007, weekly data showed. "We're talking 10-year lows in inventory. While there's definitely more mine supply coming through in zinc, the refined inventories are tight."* (Reuters)

Nickel seemed to be performing in a bearish market on steroids, while other metals could recoup losses by the end of the month this didn't happen to our friend who got busted just when it showed some courage above the 13.050$ trend line. The International Nickel Study Group (INSG) is expecting growth for 2019 from the previous forecast both for consumption and production. The metal is still on its yearly lows with September's average price down 7.5% from August at 10.740€ although LME inventories did not fall as sharp as other metals, -4% just short of 230.000 tons.

Tin seems the only one amongst our metals of interest to sail quietly in its familiar 19.200$ - 18.650$ price range. The LME settlement quotation slipped over 2% in September at 16.300 € but this is almost fully to be pointed to the exchange rate performance against the US$.