

Monthly Report - February 2018



February's averages dollar prices in metals showed little difference from January but looking more in depth at the actual performance there has been huge volatility especially in the second week of the month. Like a troubled love story all main indexes and non-ferrous commodities had a heavy drop on the 7th until the 9th and equally recovered by Saint Valentine's Day. These moves were inversely proportional to the dollar index as the greenback, or better said, the economic news from the United States were behind pretty erratic ups and downs. Raw material prices are mostly dollar based and have been sensitive to changes in this currency because fluctuations in the US\$ price can fuel the appetite of investors operating in other coinage to monetize their purchasing power. In February we had both industrial metals and US economy to rock the boat when president Trump announced a 25% and 10% import tariffs for respectively steel and aluminum. As a result the dollar index rose, the Dow Jones lost heavily ground (almost 10% in less than a week) with metals following this last trend but as said before all moves were contained in a few days afterwards.

Copper had quite a push downwards after halting January's level. As the news of import taxes hit markets the red metal fell below 7.000\$/t, we had not seen these prices for long time now (lowest for the month registered on the 9th at 6.733\$/t). The correction was equally fast with a sharp V move restoring the 3 months quotation and even topping the first weeks on the 16th at 7.253\$/t. The Euro average price was more impacted because of the currency change and lost over 2% ending at 5.670€/t. More interesting for Dr. Copper was the warehouse dynamic, month on month the LME difference was high equaling +23.000 tons, almost 8% more than January but with in between sudden moves that were parallel to the price evolution. In just a couple of days during the first week more than 100.000 tons were added to inventories especially in Asian locations with the contango shrinking to 32 \$ towards the end of the February while it has been solidly over 40\$ for over a month.

Zinc was finally showing some sign of rest after the 1.000\$/t gain year on year. Like other metals the first week of trading saw the metal falling 6% to this month's nadir at 3.351,5\$/t but recouped and even topped its record high reaching 3.595\$/t on the 15th (last time we saw this price was 2007!). The price graph then started to follow the inventory trend with a constant decline close to February's low, LME stocks were down almost 22% since January to its lowest level ever at 133.000 tons from 170.000 last month, these quantities seem to have "migrated" to Shanghai warehouse where there has been an increase of over 50.000 tons. The correlation between stocks and spreads is always tricky as there is still a dominant position which is also moving quite rapidly the Cash to 3 Months differential, having said that the backwardation has softened throughout mid February and almost halved towards the end of the month.

Nickel had a price rally similar to zinc this month, regardless the correction that hit commodities in the first week this metal used in the steel industry outperformed recent peaks and reached its zenith at 14.420\$/t on the 15th to a two and a half year high. Even the average price showed a 4% increase and almost hit the 11.000€/t record while on the stock side we have seen almost a 20.000 tons reduction, mostly from Johor.

Tin seems to have been the least affected by the announcement of president Trump. The recent decline in Indonesian exports has maintained prices above last year's peak at 21.000\$/t and not showing any sign of slowdown. The appetite for the metal is still strong and stocks remain to their lowest levels ever with LME warehouses gathering less than 2.000 tons worldwide.