

# Monthly Report – February 2019



**February** gave the feeling to be a true appetizer of spring not just from a climate point of view. Markets seemed to be in love again with base metals but it's doubtful how long blossoms will hold the yet to end winter chill. The pull upward from the last part of 2018 is not questionable anymore with the **LME index** showing another **4% rise** to a seven month high while the other benchmark we use was rather unchanged as grains and soft commodities levelled profits of other products in the basket of the Reuters Jeffries CRB Index. It is more than tricky now to foresee or even outline options for the near future as the positive numbers we talked about in the new year appear rather disconnected to reality. You can have a **"buy the rumour, sell the fact"** effect once but for the second month in a row it gives a dysfunctional picture of present times. Despite "positive" Sino – Trump trade talks and euphoria on stock markets the macroeconomic indicators remain dull to say the least.

US manufacturing **PMI** was 53.0 in February, the **lowest since August 2017** and *"U.S. construction spending unexpectedly fell in December as investment in both private and public projects dropped, further evidence the economy lost momentum at the tail end of 2018."* (Reuters, March 4) In Europe car registrations were down 4.6% in February along with other manufacturing data showing decline like elsewhere globally. Along with these all but positive news we have China revising its GDP lower despite efforts of internal spending to compensate the troubled export sector. To top it all on we will have the Brexit saga coming to its supposed deadline and who knows where currencies will be shot and the counter rated US\$ commodities prices will land.

## MONTHLY HIGH'S AND LOW'S

	HIGH	LOW
COPPER	\$6.540 ON 25 <sup>TH</sup>	\$6.085 ON 12 <sup>TH</sup>
ZINC	\$2.810 ON 5 <sup>TH</sup>	\$2.575,50 ON 14 <sup>TH</sup>
NICKEL	\$13.350 ON 6 <sup>TH</sup>	\$12.080 ON 15 <sup>TH</sup>
TIN	\$21.800 ON 25 <sup>TH</sup>	\$20.750 ON 1 <sup>ST</sup>

**Copper** *"If you're banking on a rally in copper prices, you're not alone. Goldman Sachs Group Inc., Citigroup Inc. and Bank of America Corp., three of the largest full-service U.S. investment banks, all see the metal's value rising as stockpiles shrink, equity markets rebound and the pace slows for U.S. interest rate hikes (Bloomberg, February 7<sup>th</sup>)." The € price had also a boost as the conversion against the dollar was rather unchanged and the monthly average rose above **5.500€ per ton**. Along with the above general sentiment a key driver for the price increase in February was the stock availability for Dr. Copper. Supply concerns grew on continuous fall of inventories in LME warehouses by month end, **canceled warrants jumped 52% to 94,025 tons** mainly from Chicago and New Orleans. All the numbers retraced statistics to a decade ago ending near to December lows at 126.000 tons, 16% less than January while Shanghai stocks almost doubled with a 9 month high of 227.000 tons. **Backwardation** rose tremendously to a **3 year high at 60\$** than pinballing towards the end of February but the reality is that one entity holds more than 90 percent of copper cash contracts and warrants and basically rules the spreads.*

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**Zinc** had an almost perfect V price graph showing that some steam was left for the metal to continue the January spike and registering a **7 month high** but lost its pace in a week's time bottoming to a more familiar 2.500\$ area and recouping losses with a steady rise in the last fortnight. In € terms the increase was similar to copper at over 6% with a month average of **2.380€/ton** but the dynamics for the metal look pretty different. We are seeing a constant fall of inventories of zinc, was **113.200 tons in January (less than half than August), ending February at 64.550!** Most of the action happened in New Orleans and sees one company holding between 50 and 79 percent of LME zinc warrants and cash contracts. On top of this " *The International Lead and Zinc Study Group is also forecasting another year of shortfall in 2019, albeit to the tune of a relatively modest 72,000 tonnes. But if it materialises, it will be the fourth consecutive year of supply deficit, effectively wiping out the surplus accumulated over the 2007-2012 period... There is still too much macroeconomic negativity, most of it rooted in China, weighing on all the LME-traded metals.*" (Reuters February 6<sup>th</sup>)

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**Nickel** won the medal for the 100 meter dash with a **700\$ move** on the 4<sup>th</sup> breaking **13.000\$/ton**. Spooks of recent multi month lows returned as the metal broke below the 200 day moving average price 800\$ below in the middle of February. The sharp rise and fall seem to be attributed to concerns "that Brazilian producer Vale's operations would suffer some sort of knock-on effect from the devastating tailings collapse at the company's Brumadinho iron ore mine" and the latter to traders "profit taking after betting the metal up to four month highs in the previous session"(Reuters February 5<sup>th</sup> and 12<sup>th</sup>). The graph reminded zinc with a two week rise after the bottom finishing the month back on saddle and out of 2018's quicksand. The average monthly price surged 11% little short of **11.150€/ton**.

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**Tin** was the "no frills" price climber in February with no mayor shocking news nor technical levels breaker and consolidated slowly but steadily. The **20.900 \$** resistance became a support by the end of the first week of trading and consolidated the trend on fundamentals landing on the market: "Indonesia exported 4115.45 tonnes of refined tin last month, a decrease of nearly 22 percent from a month earlier, data from the Trade Ministry showed on Friday." While supply went down demand for nickel increased in the electric vehicles to 60,000 tonnes a year by 2030 (International Tin Association). the average price rose 800 € to **18.738 €/ton** and **LME stocks** are declining again to January's historic nadir **below 1.000 tons** .