

# Monthly Report – January 2019



**January** was a true fresh beginning and as the saying “New Year New Life” goes this is exactly what happened for commodities. The LME Index rose over 7% and the Thomson Reuters CRB Index almost 10% helped in the upward push by oil with the WTI rising above 18%. We have to be cautious with numbers and not too short sighted as these numbers look great but are mitigated in a longer view keeping in mind that December has been one of the worst performing months since July. So let’s enjoy the January euphoria with month on month tendencies booming for Nickel +17%, Zinc +11%, Tin +8% and get back to reality with the newest Reuters Metal Polls for 2019 and the comparison with previous forecast:

|                  | New          | October      | Diff           |
|------------------|--------------|--------------|----------------|
| <b>ALUMINIUM</b> | \$ 2.025,70  | \$ 2.150,90  | <b>-5,82%</b>  |
| <b>COPPER</b>    | \$ 6.397,50  | \$ 6.551,30  | <b>-2,35%</b>  |
| <b>LEAD</b>      | \$ 2.068,80  | \$ 2.282,20  | <b>-9,35%</b>  |
| <b>NICKEL</b>    | \$ 12.781,90 | \$ 13.482,10 | <b>-5,19%</b>  |
| <b>TIN</b>       | \$ 20.273,00 | \$ 20.302,80 | <b>-0,15%</b>  |
| <b>ZINC</b>      | \$ 2.564,90  | \$ 2.933,30  | <b>-12,56%</b> |

The month/year started off with another price dip across metals on the back of **Apple’s sale drop in China** and fuelled by **negative US Manufacturing Activity Index** pushing down industrial metals and safe haven **Gold up to over 6 month peak**. Luckily a couple of days later metals bounced back on hopes of easing trade tensions “*after the LME Metals Index sank to its lowest since June 2017 on deepening concerns about slowing global growth. Chinese premier Li Keqiang said the government will deploy more measures to support the economy, while the government confirmed it will host a U.S. delegation in Beijing next week for trade negotiations (Bloomberg)*”. From there on it’s been a unique price direction towards more stable waters:

## MONTHLY HIGH'S AND LOW'S

|        | HIGH                             | LOW                               |
|--------|----------------------------------|-----------------------------------|
| COPPER | \$6.199 ON 31 <sup>ST</sup> JAN  | \$5.725 ON 3 <sup>RD</sup> JAN    |
| ZINC   | \$2.737 ON 31 <sup>ST</sup> JAN  | \$2.356,50 ON 3 <sup>RD</sup> JAN |
| NICKEL | \$12.515 ON 31 <sup>ST</sup> JAN | \$10.530 ON 2 <sup>ND</sup> JAN   |
| TIN    | \$21.070 ON 24 <sup>TH</sup> JAN | \$19.290 ON 2 <sup>ND</sup> JAN   |

**Copper** suffered the most the New Year’s Eve hangover touching its biggest decline since mid 2017 but sobering up steadily throughout January despite the predominant negative sentiment in the early days when “*bears outnumbered bulls by a wide margin in a weekly poll of copper traders and analysts carried out by Bloomberg. Survey results: Bullish: 2; Bearish: 12; Neutral: 4*”. Despite the Euro zone economic sentiment deteriorating once more, the morale for Dr Copper did not cease as Sino – US talks went on making the greenback slow down and dollar related currencies go up. The \$ index recouped all its losses quickly so that the average monthly price deteriorate 3% from December just short of **5.200€/t**.

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Optimism pushed the red metal above 6.000 \$ when it U turned for a few days on lower Chinese growth data but quickly breaking above the 50 and 100 day moving average finishing the month 1 buck short of **6.200\$/t**. Copper stocks were pretty stable in their rise from the multiyear rock bottom topping almost 150.000 tons with just one emotional highlight on the 18<sup>th</sup> when New Orleans added 10.000 tons in just one day while spreads were jittery but did not alter in the end.

**Zinc** began the month falling below **2.450\$** and digging down towards recent nadir but readjusting quickly and halting that support level for a week despite expectations of rising supply as mines officialised resuming operations. Another price boost came when China released 2018 zinc output being down 4.6 % (**the biggest drop in 5 years**) and Fitch forecasting a deficit global market until 2022, similar to Copper also zinc broke upward the 50 and 100 days moving averages and topped Q4 2018 highs over **2.700\$**. Just like his older brother the €/ \$ rate did help the rally and the average price registered a 2.8% slide ending at **2.241€/t**. Future scarcity in the metal did probably influence also LME inventories where we have seen another drop of over 12% ending at **113.200 tons** and dangerously close to December's 10 year low but we have learned over 2018 that it's not all so crystal clear when it comes to warehouse moves. Volumes seem to have been again jeopardized by the 2 dominant positions in the zinc market, the decline in January tonnages and worries about physical availability would usually make spreads move towards a stronger backwardation, instead the Cash to 3 Months went **from to 77\$ to 0\$ in a week**.

**Nickel** was the MVP in January hiking steadily the price graph from year low to October 2018 highs in a **2.000\$ monthly move** with the average price climbing above **10.000€/t**. Although Goldman Sachs predictions saw a consistent price reduction, a huge amount of CTA (Commodity Trading Advisor) buying held up the metal were other stumbled, gaining additional support by the International Nickel Study Group forecasting a further 33.000 ton deficit in 2019. Yet with another volume drop in LME warehouses and a innate sensitive market *"the discount of cash nickel compared to three-month metal rose to \$53 from \$9 -- the lowest in nearly two years -- earlier in the day, but remains far below recent levels. Exacerbating a squeeze on the LME, a single entity held between 40 and 49 percent of nickel warrants and there were large holders of long and short positions in the January futures contract."* (Reuters January 16<sup>th</sup>)

**Tin** prolonged the positive December strike and rapidly rose above **20.000\$/t** since the summer on concerns about supply and stocks landing at their lowest in 20 years just short above 1.500 tons during the month. *"Indonesia has done for tin what Saudi Arabia is struggling to do for oil: orchestrate a rally in prices. The Southeast Asian nation ... curbed shipments by 39 percent in the fourth quarter of last year. That helped push tin to a six-month high as stockpiles on the London Metal Exchange dropped to lowest since 1989. Crude prices are still below the level when Saudi Arabia pledged to cut production in December. While the kingdom's strategy has been hindered by U.S. shale drillers pumping at record levels, rival tin producers can't easily plug the gap left by Indonesia. The country ships more than one-third of the world's tin, mainly through a state-owned miner, and has also been helped by falling exports from Myanmar."* (Bloomberg)