

Monthly Report - August 2018



August is usually the emblem of empty cities with merry families enjoying the time off from school and work, summer loves and relax before the routine kicks back, well not this year. It seems that the political turmoil does not end, even on one of the laziest days in the year, August 15th, the political and trade tensions made those very few ones who were at their desks watch the “Everything Is Falling” show. For those who were not there it is becoming worthless to mention the tariff war and escalating political reaction leitmotiv, here are some self explaining numbers to see how markets celebrated the Assumption of Mary: LME INDEX lowest since 14 months, Thomson Reuters Index lowest since 9 months, GOLD lowest since January 2017, €/US\$ rate lowest since 13 months. Here below a quick look at Industrial Metal prices:

MONTHLY HIGHS AND LOWS

	HIGH	LOW
COPPER	\$6.308 ON 1 ST	\$5.733 ON 15 TH
ZINC	\$2.673,50 ON 2 ND	\$2.283 ON 15 TH
NICKEL	\$14.145 ON 9 TH	\$12.770 ON 15 ST
TIN	\$20.030 ON 31 ST	\$18.300 ON 15 TH

Omitting any comment on the US duties on Turkish metals that started this market collapse it is interesting to take a look at this article from Bloomberg Intelligence dated August 1st :

“The implications of further downside in prices would be more severe and thus unlikely. Global economic growth on a recovery trajectory — with increasing inflation, bond yields and commodity prices — is more sustainable. Trade tensions and the U.S. dollar bounce should put short-lived pressure on the nascent commodity bull market. Strong stocks overshadowing a declining commodity market since the end of April appears unsustainable, favoring a commodity recovery.”

*“**Copper, industrial metals atop radar watch.** Industrial metals leading decliners in 2018 won’t last absent a more severe global economic slowdown. This is unlikely, supporting a recovery in the nascent metals bull market, notably vs. the much more extended stock market rally. Copper back near key bull-market support puts it at the top of our watch list. The metal is poised to recover, with severe macroeconomic implications if it doesn’t.”*

Unfortunately copper and other metals/markets cited above did not recover from July’s lows but went further down to find support on the monthly lows and buoy from there.

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Copper did recover from its almost 5% price fall on the 15th of August and retraced above 6.000\$ but slipped again towards the end of the month. Troubled waters were seen also in the Cash to 3 months spread as the LME Copper canceled warrants (material earmarked for delivery) rose around 25%, hitting 47% on the 20th. The effect was a sharp decline in the contango going from 42\$ to 3,5\$ in a just 2 weeks. At the end of the month the total inventories in LME warehouses rose 10.000 tons (over 4%) from July while the average price stood short of 5.230€ losing just 2% as the European currency moderated losses in the second half of August against the greenback.

Zinc hit not only the 2018 depths but also a two year nadir, so that August has become the swansong for the astonishing bull trend started in January 2016. Likewise copper the recovery was consistent after the mid month tumble below 2.300\$ recouping for 2 weeks and then slowing down and ending just short of 2.450\$ while the month average lost 4.5% from 2.276€ to 2.173€. Action was seen not only on the price, from a stock point of view there has been quite a move, seems we need to get used to the rollercoaster lately. Figures were almost unchanged from July at 239.000 tons but since last month we saw inventories pick up quickly (+10% in just a week mostly in New Orleans) and a slowdown throughout the rest of August. Simultaneously backwardation registered a massive correction from 59\$ at the beginning of the month rock bottoming to 16\$ contango on the famous 15th and retracing to the 0-10\$ backwardation.

Nickel was an exception among the metals as the price slip started pretty early in August almost hitting the historic 13.050\$ resistance. Graph wise the price pictured an “M” from the last week of July onwards, it was at its month zenith on the 9th, collapsed on the 15th at 12.770\$ to its lowest since late January and did not succeed in its recovery as it ended 5\$ higher from its month rock bottom. The average price was down almost 1.5% from July at 11.627€, looking at LME stocks it seems that the exodus goes on losing another 16.000 tons almost, the lowest inventories since September 2013.

Tin was down to where it was exactly 2 years ago below 18.400\$ but the news sound less shocking as the metal is keeping its bearish move since beginning of 2018 although a couple of rebounds seemed to avoid the freefall. In € terms the month was down 1% since July at 16.700€ while the price seems to have entered a 19.200\$ / 18.650\$ resistance and support levels.