

Monthly Report - January 2018



The New Year celebrated another rally in commodities. Our usual benchmark to get a feeling on raw materials saw again a bounce from December with a 4% increase month on month. A lot seems to be connected with the recent dollar weakness or better said with the super € cycle. January started on an upbeat against the greenback breaking the 2017 record of 1.2092 and got carried away as soon as rumors and then official press released the news of the *Grosse Koalition* to be taking office after long talks between Mrs. Merkel and the Socialist Party. Many \$ backed commodities such as metals, oil and gold kept last year's rally going and broke new records. Secondly reason for the stronger tone has to do with the fact that global macro indicators – particularly out of China – continue to run on the stronger side, debunking the notion that Chinese government-mandated production cuts are adversely impacting demand. In fact we saw the official Chinese PMI index come out at 51.6 for December, down from 51.8 for November, but still in positive territory. Some forecast prices confirmed these positive trends, see Thomson Reuters polls below compared to last November's forecast:

	2018		
	MEAN \$ PRICES		
	New	Nov	Diff
ALUMINIUM	2.111,80	2.025,40	4,27%
COPPER	6.781,00	6.285,80	7,88%
LEAD	2.439,40	2.330,90	4,65%
NICKEL	11.721,30	10.945,10	7,09%
TIN	20.589,90	20.635,30	-0,22%
ZINC	3.161,00	2.976,90	6,18%

Copper Cochilco, the Chilean copper commission forecasted an average price of 3.06\$ from earlier estimated 2.95\$ per pound on a potential supply issue for 2018. Having said that January ended more or less where it started holding between 7.000 and 7.200\$ except a couple of trading sessions. A huge plunge was noticed on the 23rd when out of the blue some funds started selling and in a non very liquid market the knock on effect pushed prices below 6.900\$ but the next day it was all up again. Stock wise we had a huge increase with 100.000 tons more on the books, equal to half of December's end inventories, ending slightly over 300.000 tons and a good contango still around 40\$ on the Cash to 3 Months spread. Little change in € with the average monthly price up 1%.

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Zinc seems to become the metal version of Bradley Cooper in the movie “Limitless”. Not only has zinc ended the year on its highs but the bull continues its run as the upward pace did not slow down and indeed touched new record highs for January and multi months at 3.842\$/t on the 29th with an average price increase almost 5% higher than December at 2.825€/t . The now renown scarcity sentiment that has moved prices higher continues to shorten LME inventories, another 10.000 off and an increasing backwardation at over 50\$/t on the Cash to 3 Months.

Nickel had a quite start of the month holding its recent highs above 12.500\$ when the price quickly boomed on the 24th with an almost 1.000\$ increase and setting a new level for last week of trading. The € price went up 0% for the month average and set above 10.500€/t.

Tin has been the underperformer recently amongst our basket of commentary metals. This month started with the 3 Months price above 20.000\$/t and in a few it rose 10% to January’s high at 22.000\$/t on the 29th.