

Monthly Report - July 2018



July has been another bad month for industrial metals; the overall complex has seen the basket of commodities of the London Metal Exchange tumble to its year's low beneath the 3.000 point mark that was last hit exactly in July 2017. In the first two and a half weeks the Index has fallen to over 7%, considering that a similar percentage has been registered in the second half of June this represents a 30 days consistent decline of more than 16%! Also Gold and Oil reported losses while stock markets grew and again the political agenda of the United States is stroke another hit on the ongoing announcement and proposal of tariffs on imported goods both from China, Canada and EU. The US\$ seems to be the only winner so far, even the ambiguous approach of President trump during the NATO and Russia meetings has not lowered the Greenleaf rally since which has constantly grown since April.

The general outlook confirms market's fear as the latest Thomson Reuters Polls confirm a bearish sentiment for most base industrial metals, see full numbers below:

	2018			2019		
	MEAN \$ PRICES			MEAN \$ PRICES		
	New	May	Diff	New	May	Diff
ALUMINIUM	2.188,30	2.166,70	1,00%	2.186,50	2.123,30	2,98%
COPPER	6.872,00	6.940,20	-0,98%	7.015,50	7.006,10	0,13%
LEAD	2.406,60	2.446,80	-1,64%	2.356,70	2.348,90	0,33%
NICKEL	13.833,30	13.022,50	6,23%	14.385,40	13.180,70	9,14%
TIN	20.929,30	21.206,20	-1,31%	21.519,10	21.472,50	0,22%
ZINC	3.118,00	3.285,70	-5,10%	2.928,00	3.043,50	-3,79%

For this month the price performance of our metals of interest shows for almost all a pretty intuitive fall from beginning until the third week of July and recouping towards the end of the month:

MONTHLY HIGH'S AND LOW'S

	HIGH	LOW
COPPER	\$6635.50 ON 2 ND	\$5988 ON 19 TH
ZINC	\$2873.50 ON 2 ND	\$2475 ON 16 TH
NICKEL	\$14940 ON 2 ND	\$13210 ON 19 TH
TIN	\$20145 ON 31 ST	\$19110 ON 19 TH

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Copper has suffered a lot in July due to a variety of causes that made the price fall heavily, likewise the performance of the LME Index as per above Dr. Copper was slashed reaching the 2018 lowest mark in a profound downtrend rally. “Funds have been slashing their exposure to copper. Net length on the CME’s copper contract collapsed over the space of the last month from 77,740 contracts to just 22,061. It’s not just copper. Money managers were net sellers of 19 out of 24 major traded commodities last week, according to Saxo Bank. Copper, however, is particularly vulnerable because of its exposure to the Chinese economy, already showing signs of losing momentum and now apparently battering down the hatches for a trade stand-off with the United States. It’s this sensitivity to a deteriorating macro picture that is overwhelming a still finely balanced dynamic in the copper market itself” (Reuters). The average € price dropped below 5.350€ more than 10% compared to June with warehouse stocks also dropping towards 250.000 tons on the LME, lowest since January, and the downside also on COMEX and in Shanghai.

Zinc was also on its year low with a two month consecutive downtrend. This seems a continuation of the (finally) fundamental supply/demand balance rather than speculative moves. Although Shanghai stocks halved from June, the LME inventories are still on their yearly zenith (although July was 4,5% lower than June just short of 240.000 tons) and pretty much in line with the equivalent 2017 period. This combined with a much better than expected outlook on the 2018 deficit and a much better potential material availability next year seems to have swept away all the concerns that have made the price sky rocket in the past. No wonder that the July average price slipped 14% compared to June at 2.276€/t), on the other hand the backwardation wobbled between 55\$ and 10\$ as stocks shifted rapidly from New Orleans to Antwerp, the two locations holding the biggest inventories.

Nickel went along with other metals losing ground in July, the average price was down almost 9% at 11.790€ from June, although the situation with LME inventories is worsening and still freefalling since beginning of 2018. Having said this the longer term outlook seems much better as the latest Reuters Polls are showing a bullish forecast on the nickel price for 2018 and 2019. Stocks were down 6.5% just above 250.000tons, they were 370.000 in January.

Tin was the exception in our basket of metals of interest actually increasing its price during the month and losing “only” 4.7% of the € average price. The rebound from last month sharp fall (see previous commentary) seems to be credited to low exports from Indonesia to China and stricter rules on mine extraction from Jakarta.