



Monthly Report - March 2018



March followed the path set in February for commodities with markets suffering shocks over “trade wars” in a global scenario where the United States try to reshape their industrial power. The month started quite normally despite previous import duty announcement on aluminum and ferrous metals, the second turn of the screw did take place on the 22nd and 23rd when a 50 billion US\$ tariff on Chinese goods in relation to intellectual property theft was announced. In general terms commodities reacted quite differently to these news, the Thomson Reuters Commodity Index did not show major changes from February while the LME index lost over 3.5% and the Dow Jones almost 5% in those troubled 2-3 post announcement days.

Copper has suffered quite a bit showing a slow but constant decline in Q1. Although the International Copper Study Group reported another market deficit in 2017 of 163.000 tons, the sentiment was rather bearish than bullish. The price graph showed a relative calm in the first 3 weeks with a peak at 7.064\$/t on the 14th, from there on it slowed for about a week until the import tariff announcement of the Trump administration. Stop levels were triggered and copper lost ground to 2018’s new low at 6.532 \$ on the 26th the market then recouped from this “oversold” situation and moved upwards again. The red metal did likewise suffer heavily during the third week on the Shanghai Index losing almost 5% while the € average price was around 3% lower from the previous month falling to 5.500€/t. Stock wise the effect of tariff imposition was immediate with both Chinese and western warehouses increasing tonnages (in Taiwan they surged by 90% in less than a week) the final count showed LME inventories at 383.000 tons increased by over 17% from February. It is not entirely sure if stock moves were behind the apparently unpredictable contango evolution until the third week March, the Cash to 3 months spread changed considerably both ways with even +/-10 \$ day on day pace, quite a lot if you consider the maximum contango of 46\$ in March.

Zinc continued its retracement from the multi month high in February and was basically unaffected by the major headline news like copper. As a dominant position on LME stocks keeps being the main mover on the market a slow but constant bearish sentiment was registered as inventories started rising since late February. First they rose on the Shanghai Exchange but the main blow was on the very first day of March when warehouses built up 70.000 tons with a final count over 200.000 tons, almost +60% from previous month. The lowest price was although registered on the 26th at 3.165\$/t basically back to the 3.000-3.250 range seen since August until the end of 2017 but probably still too early to understand whether the correction is here to stay as zinc appetite remains strong with the global production deficit behind any future evolvment. As price dropped, -200€/t month on month average at 2.660 €/t, so did also the backwardation, Cash to 3 months differential eased to level and even contango for a couple of weeks after not being seen all autumn long and very briefly in December.



Monthly Report - March 2018



Nickel resisted quite well to the March price shock on metals and just lost some 125 € equal to 1% from February's average price of 11.000€/t. The price even picked up in the first half of the month with a high of 14.030 \$/t on the 14th and slowed towards the end at 12.820\$/t on the 26th. The supportive mood is mainly due to physical backed news showing a wider deficit in mine production while China still sees strong demand, part of this can be seen in further falling LME stocks, -4.5% from march and set to a continuous correction on the downside.

Tin also lost ground in March but like Nickel this had to do mostly with supply related news of increasing supply from Indonesia towards Chinese refineries. The price dropped 1.000 \$ from 21.680\$/t on the first day of trading to 20.600\$/t on the 15th. The € average price lost over 2% from February just short of 17.200€/t while inventories rose above 2.000 tons back to this autumn's levels.