

Monthly Report - November 2018



Dylan knew where the answer was blowing while very few had that insight on metals in **November**. The LME Index was very bouncy with close range dips and drops but basically unchanged, this seems a reflection of the separate paths that metal went last month with the only common ground for some of them being the day they reached their depths:

MONTHLY HIGHS AND LOWS

	HIGH	LOW
COPPER	\$6.315 ON 2 ND	\$6.016 ON 13 TH
ZINC	\$2.647 ON 19 TH	\$2.393,5 ON 28 TH
NICKEL	\$12.160 ON 2 ND	\$10.720 ON 27 TH
TIN	\$19.700 ON 19 TH	\$18.145 ON 27 TH

The macro commodity picture was a different story with US Midterm elections rocking the boat with the dollar extending its recovery short after the vote and then *“surged nearly 17-month highs against a basket of major currencies as investors sought out the liquid and high-yielding asset against a backdrop of global growth worries and rising political risk in Italy and Britain.”* (Reuters, November 12th)

The Dollar Index indeed was carried away and went completely opposite in respect of the Thomson Reuters Commodity Index, this kept on in a rather odd way considering that a major contributor of the basket is oil which has been freefalling restlessly since October zenith (WTI -30% from its peak last month).

Copper moved inversely proportional to the €/€ rate starting high but slipping on the 7th while the dollar recuperated after the U.S. elections and China showed imports dropping in October by 19% from September, ultimately the average price stood unchanged just short of 5.450€/t. Dollar wise copper rose on the last week of the month on fund buying but gains were capped on further worries about Chinese growth and its trade dispute with the USA. LME stocks have been again watched closely after the “strange” October/November watershed and they did fall after the over 43.000 tons rise on All Saints’ Day. We ended at 134.000 tons dipping almost 2% on top of the recent lows, if you remember our previous commentary we were a bit skeptical about these moves especially towards the last days of October. Once more spreads went bananas with backwardation pinballing as stocks moved and a dominant position manifestly showed its power on global inventories. As predicted after the big dive last month all that copper suddenly fuelled stocks resurging like the phoenix although the scenario was not the same across locations. We already talked about Liverpool, in this commentary we take a look at other two animals in the zoo: Busan and Kaoshiung are two big LME facilities in Korea and Taiwan with recent frenzy activity thanks to their strategic position in Asia neighboring copper hungry China. The former has been heavily affected with the nuclear threats over the past month, the latter is a newcomer in the LME community but already a key player. These two have started November adding 18.000 and 16.000 tons respectively to their inventory on the first day then lost weight heavily as the month went by. Chicago in this rather messy complex seems like a platypus: it looks like one of those dormant warehouses having had less than 1.000 tons for over a year, then started piling up in July and increasingly cumulated copper up to record 38.000 tons at month’s end instead of playing hide and seek like others.

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Zinc started the month on October's nadir falling on the 7th *"for third day to the lowest since September after the premium between cash and futures prices narrowed, indicating expectations of rising supply"* and *"also dropped with Shanghai rebar futures on signs of peaking demand"* (Bloomberg). For a few days it looked like fundamentals were finally back on track with a firmer sentiment on mid November's US/China pre-talk talks, positive Chinese home price data, weaker Dollar and stronger Yuan. LME Stocks declined once more by almost 22% from October to 112.000 tons to their lowest level since 2007 (just to get a rough idea, it was 442.000 exactly 2 years ago) and same negative record was seen also at COMEX warehouses. All hopes of a contango recovery vanished as inventories grew thinner and Backwardation went beyond the psychological 100\$ level. These supply squeeze data suggested some price recovery with additional news on production difficulty with Nyrstar NV agreeing on a \$650 million financing deal with trader Trafigura Group Ltd. In order to fine tune its troubled financial situation. Instead the price dropped both on the LME and the equivalent month average price at 2.280€/ton, -2% from previous count.

Nickel *"slumped to its lowest price in nearly 11 months on Friday (9th) ... as speculators unleashed more selling due to worries about higher U.S. interest rates and slowing Chinese economic growth. Prices took a hit after the U.S. central bank on Thursday confirmed a gradual rise in interest rates while data showed weak Chinese car sales. While supply/demand fundamentals had supported copper prices, macroeconomic concerns such as U.S.-China trade tensions have been capping gains in the metal used in power and construction"* (Reuters). Nickel basically found no recovery from recent lows and lost heavily ground (almost 8% in respect of the previous month average dropping at 9.900€/ton) taking a time travel back to October 2017 continuing its voyage in the recent downtrend graph channel started in June. Despite the fact that stocks almost halved since the beginning of year and are now set to another monthly drop at 212.000 tons (almost 3%) the price just won't recover.

Tin seemed to extend the positive October trend and peaked towards the third week of November as *"Indonesia's refined tin exports in October fell 42 percent from a month earlier to 5.109 tonnes and down 33 percent from the same month last year"* (Reuters). This metal was a funny one to look at: the flow of headlines made the price go down with almost 8% drop in a week of trading on further negative news of Chinese tin imports fall from Myanmar. On the other hand a research by the MIT has declared Tin as the winner amongst the most important metal in the booming electric vehicle industry. May be that and the Chinese production cut announced on the 28th by the International Tin Association helped to move out of the price quicksand it landed, let's see in the long run which vision will prevail.