

# Monthly Report - October 2017



**October** has past but no leaves fell in commodities markets, the prolonged high temperatures were not just felt in a meteorological way, the summer heat just kept warming up. The Thomson Reuters Jefferies Index finally buoyed mid year lows and the early 2017 post Trump election frenzy is back again. Looking at various commodity indexes the industrial metal complex was up over 4% from September while the Year To Date trend was extraordinarily up over 20% with most of our base metal of interest listed in the higher ranks of the 2017 top commodities performers. The ship has been cruising again at full sails with eastern winds this time not blown on nuclear war fears but on China's Belt and Road initiative.

The €/ \$ complex saw the exchange rate above 1,18 for most of October but on the 27<sup>th</sup> the ECB decision to keep its bond purchases and keeping the interest rates unchanged made the € fall to its worst trading day in 16 month below the 1.16 mark at the end of month.

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**Copper** had a strong and consistent growth in the first half of the month rising over 11% from its low on the 3<sup>rd</sup> at 6.439,5\$/t on the 3 Months price towards 7.177\$/t on the 16<sup>th</sup> of October. That day particularly markets rose as rumors of further environmental issues might lead to a ban on the red metal's scrap. Similar to Lead some years ago this reflected a rise in the domestic index with Shanghai Futures Exchange registering a 4 year high in the price with a sudden reflection on the LME. Prices declined in the last part of October when they ranged between 7.000 and 6.900 \$/t when the stronger dollar, see story above, shifted investors mood towards the greenback and divesting commodities. Moving to the € we register an average increase of over 4% edging up at 5783€/t since last month. Stock wise the situation was a little calmer this month, 302.050 tons at the beginning and 273.375 tons at the end with a much softer move than September's escalating psychosis.

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**Zinc** seems to be winning the title of special one this year. Not only is the 3 months price on a 10 year high and well steady above 3.000\$/t but the recent Chinese law to limit pollution and consequent halt on production has fueled markets and speculators. The month started with a 100\$ increase to draw a price graph rather confusing with the first two weeks on the upside to peak 3.308,75\$/t on the 4<sup>th</sup> and lasting on that level for multiple days in a row. On the 16<sup>th</sup> started falling down reaching October's nadir at 3.040\$/t just two days later and climbing back through the rest of the month. If this was the consequence or the cause of some correlated data is not so easy to tell but surely it does not sound as a coincidence that these moves happen while there is a dominant position in warrants holder.

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The International Lead and Zinc Study Group (ILZSG) is foreseeing global demand exceeding again supply this year as well as in 2018, as a result we have seen collapsing LME inventories (almost halved in the last 12 months) bottoming at 240.000 tons in September. Although an 8 % rise has been registered in the first fortnight of October the effect on the cash to 3 months spread was opposite than expected with this increase, indeed the trend was parallel instead of opposite. The backwardation rose along with LME inventories to another multiyear record of 91\$, following the price mood it went down and then picked up again but still sensibly higher than September while the LME stocks ended their roller coaster almost unchanged month on month.

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**Nickel** recouped most of September's losses starting from its bottom of 10.270\$/t on the 2<sup>nd</sup> of October and ending its long run at the highest of 12.565\$/t on the 31<sup>st</sup> to be the best performed this month. The momentum has surely to do also with the E-car excitement (or shall we say bubble?) that saw metals involved in the electric car battery production rise very rapidly (cobalt price is up 80% this year). In € terms the average price was up 2% from September at 9.634€/t and inventories were almost unchanged.

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**Tin** registered one of the worst monthly trading session with prices collapsing from the early high of 21.180\$/t to 19.020\$/t on the last day of October.