

BASE METALS HITS MULTI-YEAR LOW

Overview

July witnessed aluminium and copper hit a multi-year, with lead and zinc trading at multi-month low. On the other hand nickel and tin were in a better position due to strong fundamentals. Among non ferrous, both steel and iron sank into no demand position.

There will be more bottoming up of base metals in August due to complex range of issues revolving around over supplied market, Greece crisis, weak data from major economies and strong dollar. The producers are producing more than what market needs or wants.

There is no meaningful reduction in any commodity from oil to sugar though markets have stabilised. The unnecessary competition in retaining the market share have been lowering prices to multi-year low.

In the Middle East, Ramadan has concluded, however market has not picked up yet and volumes are traded at much lower than year start. With oil prices down, economic activities have slowed down. By September VAT and corporate tax draft is expected to be prepared for UAE. In Sharjah, scrap businesses have been asked to shift from the industrial area to a specific designated area in Sajja zone.

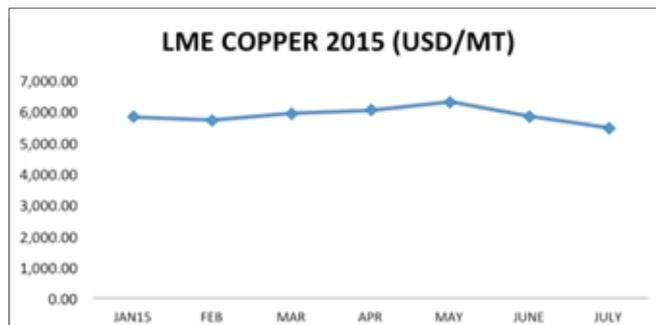
Copper

Copper dipped the lowest in 6 years due to weakest data seen in multiple years. There was a USD 500/MT price drop on July 8 period on grounds of a strong dollar and weak sediments coming from the Chinese equity crash. On the supply side, copper is well supplied. Chinese mining is now growing at a faster rate than earlier reported. Cochilco of Chile have reduced its mining capacity to 5.88 Million MT for 2015 attributing to lower



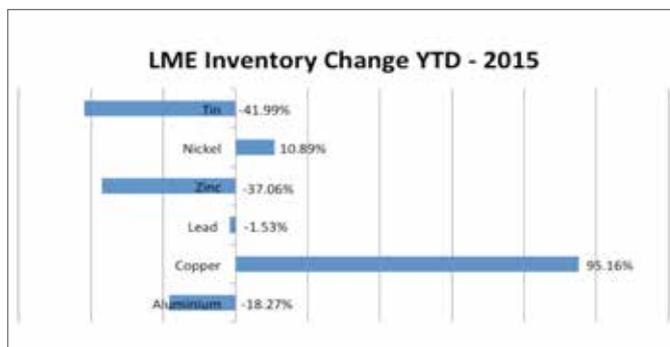
Dr. Sayed J. Hussain, CEO,
Sayed Metal

copper prices and have projected copper prices to average USD 6100 for 2015. ICSG reported a 62,000MT surplus this year. Reuters, however expects average of this year to be around USD 5950. August-September data looks gloomy for copper with bottom at USD 5000 is expected.



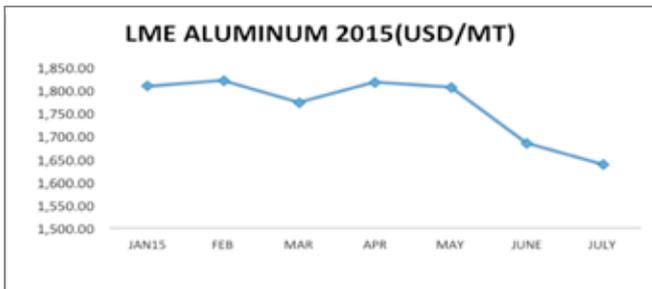
Aluminium

Aluminium was also at its six year low at USD 1631 in the beginning of July and the rallied by impressive USD 100/MT before crashing to another six year lows by end July. There is a systemic problem of oversupply, which keeps on lowering raw material prices. China has reported an output rise of 15.61 million MT which equals to 18% up YTD. Non Chinese output has increased by 59.61 million MT.



There is not much cut in supply though Noranda, New Madrid delayed production and Century announced shutting down its Ravenwood smelter same like Vedanta.

Rio out still remains unchanged from last year. On other hand LME stock keep declining. Aluminium prices are expected to bottom at USD 1550 levels.



Lead

Lead too rallied from USD 1684 in July to USD 1880 before crashing to USD 1700 level. Lead is facing a decline in the Chinese auto sector which fell by 1.8 million units in June alone. E-bike's sales figure is not positive either.

Reuters had projected a 21,000MT surplus this year with price averaging USD 1913 for 2015. Lead is expected to touch USD 1600 level in August.



Zinc

Zinc touched 18 months low of USD 1906 in July. Across the board, zinc's fundamentals are better positioned with focus on China's property market which is accounts for major consumption. China property market grew at

smallest rate, still was positive. However, this progress may be short-lived as this was fuelled heavily from the equity market.

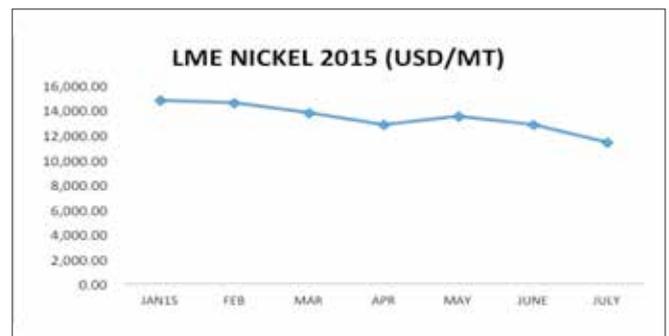
ILZSG projects a surplus of 143,000 MT zinc for 2015. Zinc prices are expected to touch USD 1850 in August.



Nickel

Nickel was over sold in May-June period and as result did not lose much ground during July crisis. Nickel shortly was trading at USD 10,440 level in July. China's SRB intervened by buying around 20,000MT of nickel from banks.

On the supply side, Myanmar decrease of exports due to monsoon season helps stabilise the prices. Reuters believes nickel could trade at an average of USD 13,800 before rallying to USD 17,000 next year. July could see a rise of nickel to USD 11,800 levels.



* Source : LME, Bloomberg, Reuters, FCStone and Sayed Metal Commodity Risk Analysis

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