

BASE METALS OUTLOOK

BASE METAL TAKES U-TURN



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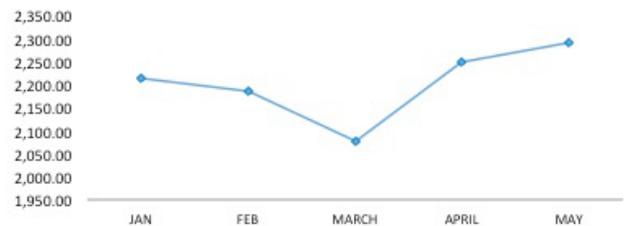
Base metals traded mostly on positive territory brought by a weak dollar index and falling warehouse stocks. Steady decline in inventories have been driving prices to rally. We see Lead and Nickel more on the upward trend and well supported, while the rest may perform steadily. Copper may weaken seeing the increase in inventory, until China continues its ban on copper imports from the US.

ALUMINUM

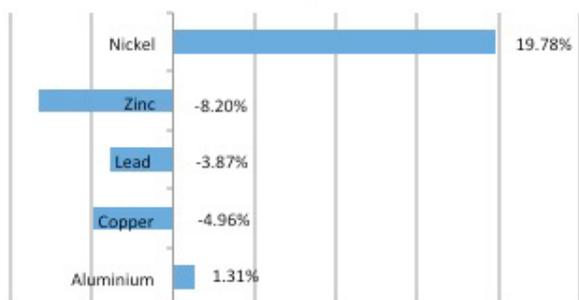
The global aluminum market may move near shortfall this year mulled over by Chinese environmental measures and increase in raw material cost. However, this year's higher production in Gulf Co-operation Council (GCC) countries and other Asian countries may sustain the global market as a whole. The output in GCC countries increased by 6.7 percent early on Q2, while

production in Asia not including China rose by 11.6 percent in the same period. Prices on London Metal Exchange made sharp gains in April, which may have upsurge the shipments in Q2 compared to the same period last year. We see aluminium trading between \$2300 - \$2450 in Q3.

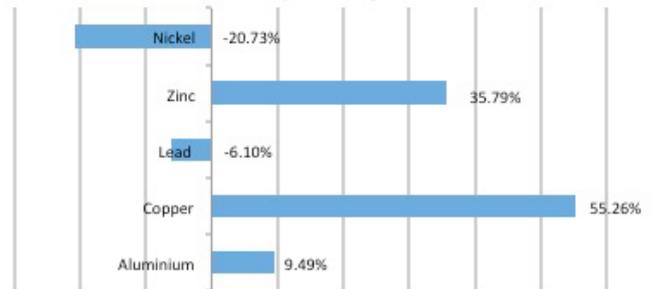
LME ALUMINUM 2018 (USD/MT)



LME Price Change YTD - 2018



LME Inventory Change YTD - 2018



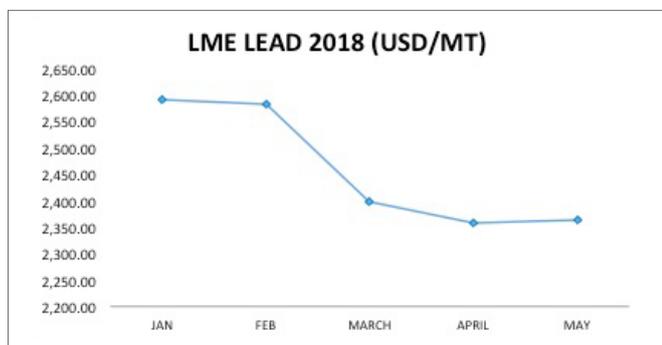
COPPER

Dealers remain with added inventory and may widen price spread as China put back operations of CCIC North America from May 4 to June 4 this year, which has prevented US scrap exporters from securing pre-shipment inspection certificates to export material to China. Amid current trade tensions with China, gains in crude as well as weaker dollar aided to uplift copper. On the other hand, the Indian Mining Company, Vedanta which produces about 400,000 tons per year has been ordered to close by the Tamil Nadu pollution Control Board. The shutdown of copper plant may have least effect on the global market at present. However, the impact may be felt over the longer period as copper supply is expected to tighten next year. We see copper prices trading between \$6800 - \$7100 in Q3.



LEAD

Lead prices rallied buoyed by anticipation of potential deficit and as seen that investors sold zinc and bought lead. Furthermore, secondary lead smelters in China have reduced supply due to Environmental inspections. Decreasing inventories further tighten market and may boost lead price for the time being. However, the demand perspective may be short-lived seeing the growth of greener batteries. Lead may trade between \$2450 - \$2600 in Q3.



ZINC

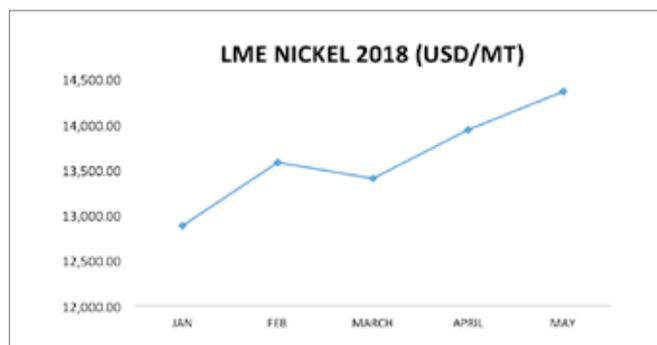
Growing demand in China and India increased global demand by 0.4 percent over Q1 year on year. The International Lead and Zinc Study Group reported inventory rose by 118,000 tons in Q1 this year, indicating

a surplus of 25,000 tons in the same period. However, stocks continue to fall despite estimate of a surplus. Refined global zinc output increased over the same period by 1.7 percent that may have been brought by higher production from Australia, Belgium, China, Norway and Peru. Global mined zinc production rose by 0.1 percent in Q1. Zinc may trade between \$3050 - \$3200 in Q3.



NICKEL

Nickel indicated an upward trend, sustained by strong demand from the electric vehicle and stainless steel sectors. Inventories show continuing outflows both LME and Shanghai warehouses which uphold prices. LME inventories declined 21 percent in May since the beginning of this year, while at SHFE-listed sheds have declined by 34 percent in the same period. China imported 6.6 million tonnes of nickel ore in Q1 of 2018, more than double year on year, while refined nickel and alloy imports rise 14 percent during the same period. Nickel ore imports by China more than doubled to 6.6 million tonnes in the first quarter of 2018 over a year ago, while refined nickel and alloy imports have surged 14 percent to 60,000 tonnes during the same period. The swift rise may be brought by increase in imports from Indonesia and stable shipments from the Philippines. Indonesia's supply growth is fast enough to replace the Philippines as the top supplier to China. We see nickel price trading between \$14000 - \$16000 in Q3.



*Source: LME, Bloomberg, Reuters, FCStone, Sayed Metal Commodity Risk Analysis
 Disclaimer: This commentary does not purport to be an exhaustive analysis and may be subject to conflict. This report does not constitute a recommendation or take into account the particular investment objectives, financial conditions, or need of individual investor/trader.
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