

BASE METALS OUTLOOK

PRICE GAINS
MISMATCH WITH
FUNDAMENTALS



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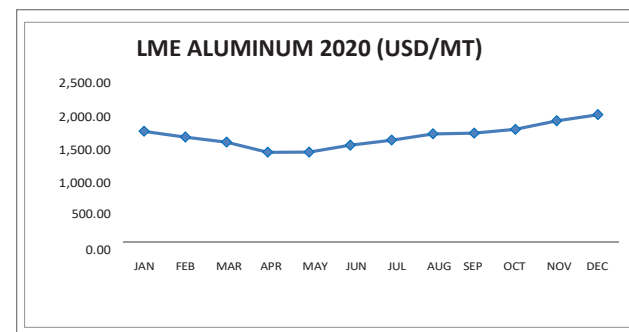
OUTLOOK

Base metal prices were mostly high despite the fact that most of the world's economies remained subdued under declining demand and decrease in operational capacity brought by the Covid-19 pandemic. However, China's strength is directing prices across the base metal market, LME base metal prices have set multi-year highs. Copper and nickel prices rallied to levels not seen since March 2013. Copper, the bellwether metal has been supported by strong Chinese demand brought by recovery in factory activities, tight supply and improved sentiment following the approval of Covid-19 vaccines.

ALUMINUM

Aluminum suppliers were anticipating a strong 2021 beginning, nearly all the Q1 deals have been concluded. Activities from automotive, industrial machinery and packaging sector have recovered and are expected to consume healthy volumes in the first quarter of 2021. On the whole, consumers presume operational levels to carry on at 80 to 90 percent in Q1, in comparison to pre-Covid Q1 of 2019. Aluminum prices were well above the level they should go to in 2020, prices at London Metal Exchange (LME)

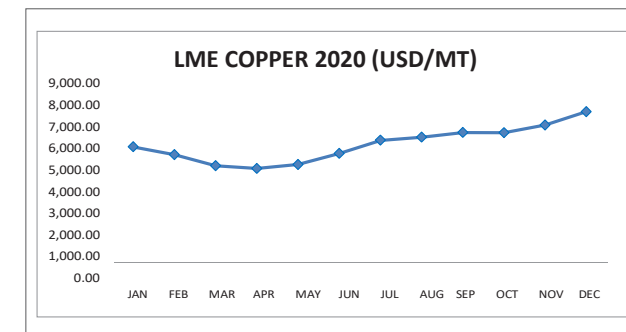
have gone past \$2000 for the first time in November since October of 2018. Prices were mostly upheld by substantial Chinese demand and inclination over Covid-19 vaccine developments.



COPPER

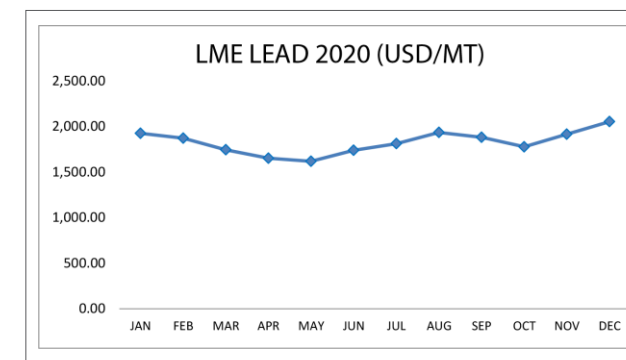
Copper prices rallied which was buoyed by different factors including robust demand from Chinese factories, declining stockpiles from exchange warehouses and positive view on the approval of Covid-19 vaccines. Three months LME copper contract hit a \$7,973.50 per ton, a year-to-date high on 4th December, returning to levels not seen since late February 2013. Data from China's National Bureau of

Statistics indicated optimism, noting consistent recovery in the world's second largest economy. Chinese industrial production was up by 6.9 percent in October year on year, while its retail sales increased by 4.3 percent on the year. The global copper market equilibrium was a shortfall of 293,000 tons from January till August of this year, while refined copper output increased by 1.2 percent as stated by the International Copper Study Group (ICSG). The world's consumption of refined copper rose by 1 percent in the first eight months this year. Primary production increased by 2.5 percent, while secondary production from scrap fell by 5pc, the ICSG said.



LEAD

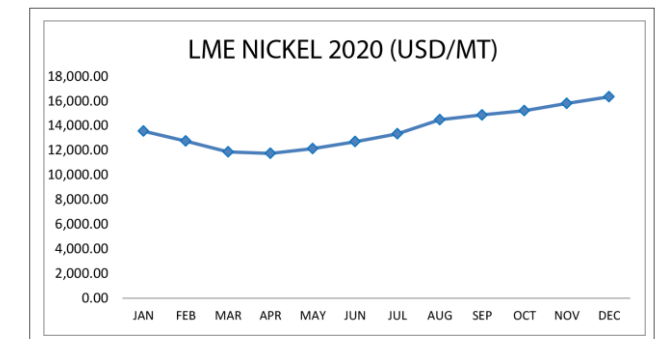
LME lead prices stayed above \$2000 levels for the most part which weigh on secondary lead demand in India and South East Asia. Very few spot activities were seen in the market as overall interest was low, buyers were inclined on lower premiums. Further, the hike in lead price should have led to softer premiums, however in the United States tight supply supported premiums. Winter battery-kill season in the northern hemisphere supports battery demand, thus continuing supply disruption will keep lead volumes tighter and may push premiums higher.



NICKEL

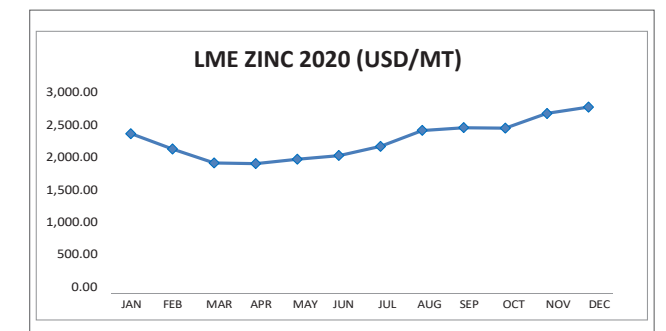
Spot trading activity in the market was limited as consumers reduce inventories and look to annual contracts. In the first nine months of this year, the global nickel market was in surplus of 50,000 tons

compared to a 66,900 tons deficit year on year, states data from the World Bureau of Metal Statistics. The excess in supply over weak demand brought premiums under pressure. Furthermore, the rally in LME nickel prices drove premiums down. The LME nickel three-month contract rose to \$17,000 levels, hitting its highest since October 2019. China's nickel metal prices rose following increased processing fees and logistics cost. Ore prices remained unchanged despite dreary demand and supply, whereas pig iron (NPI) prices dropped due to less demand. Trading and mining firms holding inventories kept offer prices on a higher level with expectation of decent demand from downstream sectors.



ZINC

Zinc prices on London Metal Exchange were mostly on a higher level, reaching 19-month high in November. Spot market activities were limited with few tonnages of trade for January deliveries being reported. Participants were occupied as annual contract season is winding down. Few annual contracts for 2021 have been concluded as mentioned by participants however many held their positions, negotiating for lower premiums. Market expects zinc demand in first quarter of 2021 to be firm, mostly same level of this year.



Source: LME, Bloomberg, Reuters, FCSStone, Sayed Metal Commodity Risk Analysis
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