

BASE METALS OUTLOOK

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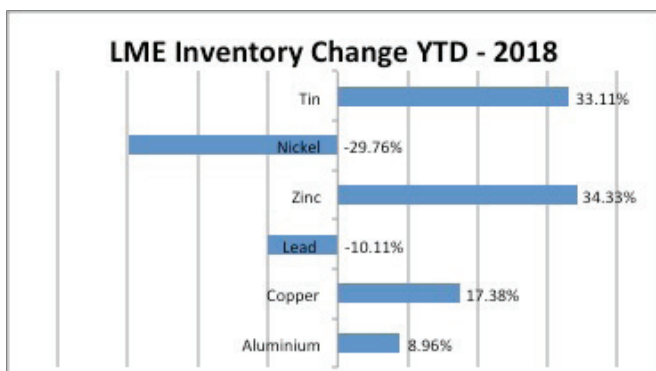
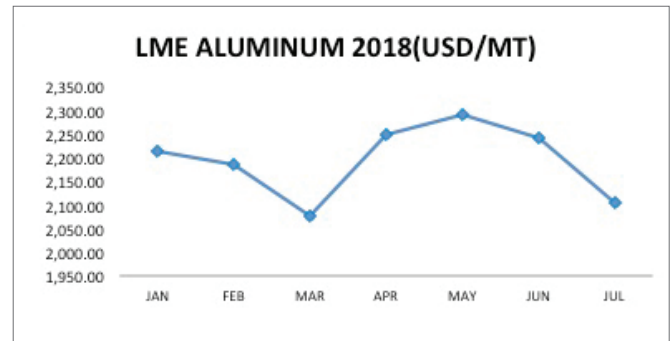
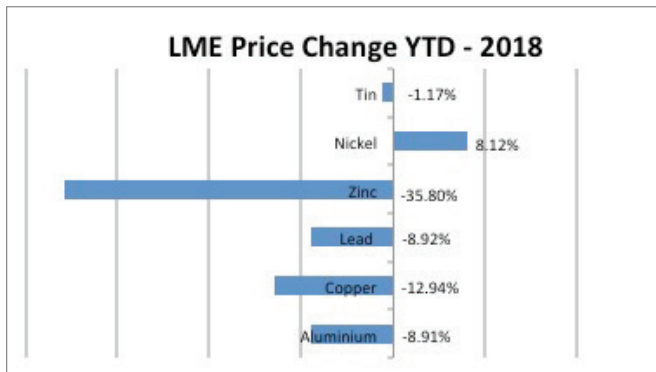


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Base metal have seen better days, pressured by the intensification of the trade war between the US and China, as well as with traditional allies such as the EU and Canada. After the US imposed US\$34 billion of tariff on July 6, the United States President Donald Trump has threatened to impose a 10 percent tariff on US\$200 billion of Chinese products. The United State Trade Representative (USTR) released a list of 6,031 targeted products that includes all non-ferrous metal ores and concentrates, including base metals, ferro-alloys, minor metals and rare earths. The Chinese government has pledged to retaliate tariff the President decided to impose. More so the seasonal decline in consumer demand and the appreciation of dollar index have added downward pressure on the prices.

ALUMINUM

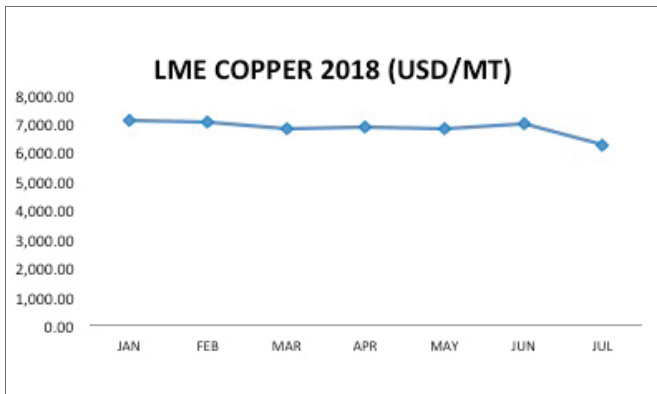
Premiums have been sinking as demand fell due to sluggish seasonal consumption as most plants maintenance is done over the summer. Global LME aluminum stocks were up by 0.7 percent on early Q3 consequently market fell in response to surplus of spot supply. Most suppliers cut off their prices to lift sales and decrease inventories. As indicated by International Aluminum Institute, global primary aluminum production decreased in June as compared to same period last year. Overall production not including an estimated 150,000 tons of unreported production fell to 5.17 million tons in June from 5.33 million tons year on year. We see aluminum trading between \$2100 to \$2200 in August.



COPPER

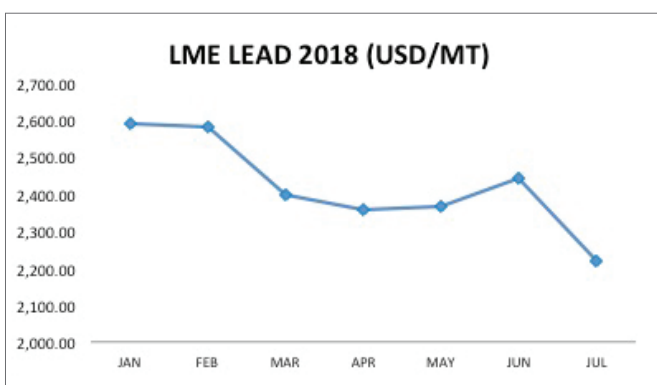
Copper prices held down by weak crude, strong dollar and reports on surplus in global market. Dollar index rose to its highest level since July 2017, limiting commodities premiums. Chinese refined copper output is up to 776,000 tons in June compared year on year, National Bureau of Statistics (NBS) data shows. China aims to upsurge domestic refined production considering possible tight copper concentrate in the market as well as lower quantity of scrap import. Global refined production increased by 1.25 percent in the first four month compared year on year, China being

the main contributor. Chile's copper production rose by 6.8 percent of the same period. Apparently, lower refined output was seen in India due to shot down at Vedanta's smelter and refinery in April. On a regional basis, refined output rose by 10 percent in Africa and by 2 percent in Asia, while other significantly unchanged in Europe and the Americas, ICSG data shows. Global mine production increased by 6.1 percent in the period from Jan to April compared year on year which for the most part the outcome of a 15.5 percent rise in Chile. On a regional basis, mine production is assessed to have increased by 12 percent in Africa, 5 percent in the Americas, 6.5 percent in Asia, 3 percent in Europe and 9 percent in Oceania. Copper Inventories in all exchanges totaled 756,742 tons by end of April 39 percent higher from the beginning of this year. We expect copper prices to range from \$6200 to \$6700 in August.



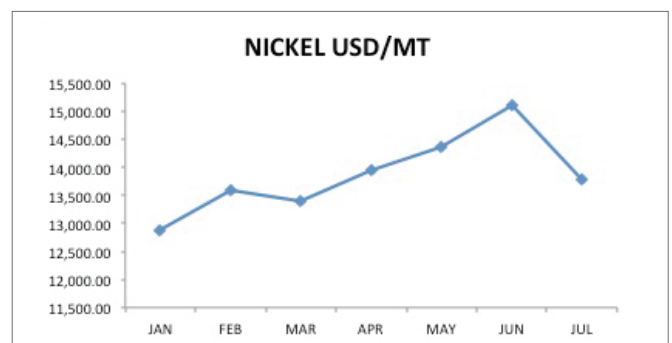
LEAD

Demand in lead market seems sluggish this year, seeing weak fundamentals compared to last year. Lead price should take on support from strong car sales in China and solid industrial production data from China, Europe and North America. Yet, quite the opposite, growing concerns over the US and China trade war weighs on lead prices. Furthermore, the ongoing environmental concern in China is an added factor on decreased Chinese output and disrupted supply chains. We see lead trading between \$2200 to \$2400



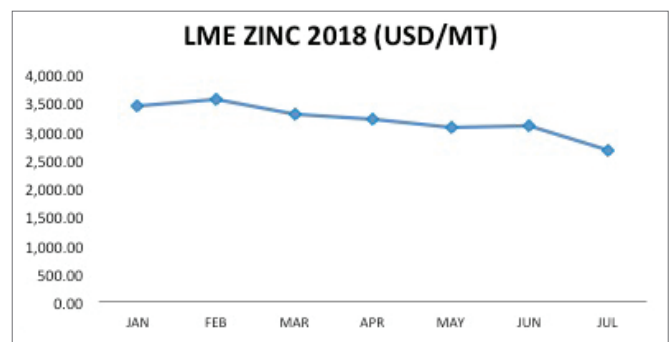
NICKEL

The optimistic future of Electric Vehicle (EV) has rallied round prices, making Nickel so far the better performer among base metals. Investors and miners are speculating supply will fall short of demand. Nickel ore exports from the Philippines, the world's second largest nickel producer, could fall off 17 percent in 2018. Concern on how producers will supply the right quality and quantity is on the rise. Research done by Glencore PLC indicates that Nickel's global demand in EV will rap about 1 million tons by 2030, however producers could probably not sustain the demand. In August, nickel may trade between \$13500 to \$15000.



ZINC

Zinc market is oversold and subdued for the most of 2018 that has pushed prices lower. Additionally, the US – China trade war tension put in to weaken prices. Zinc seems the worst performer amongst base metal this year, the 3M LME price is down by 18 percent while inventories are up 38 percent. Zinc mines are most likely to increase production all the more influencing price lower. Refined zinc supply was up by 2.9 percent in the first four months of 2018 compared year on year however demand dropped by 0.5 percent, as indicated by the International Lead and Zinc Study Group (ILZSG). Future Zinc price dipped to \$2698, lowest since June 2017. Stockpiles in London Metal Exchange reached at 251,950 tons, highest since November 1, 2017. We see zinc trading between \$2600 to \$2900 in August.



*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. Issue date July 31, 2018.