

BASE METALS OUTLOOK

PREMIUM HOLDS OVER WEAK DEMAND

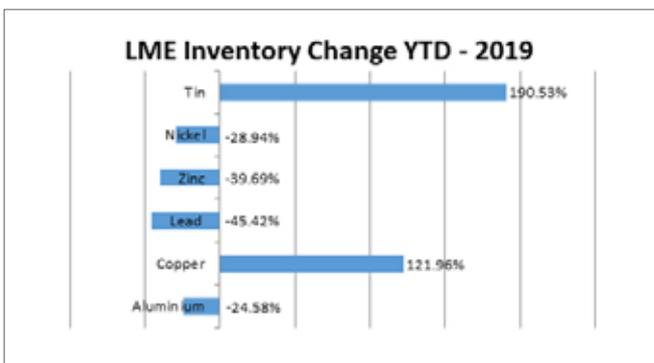
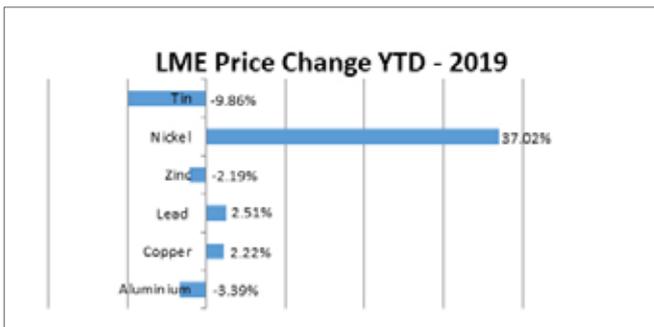


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Base metal prices were mainly steady and slightly on uptrend over optimism on resumption of US-China trade talks, which the leaders of two giant economies agreed on during G20 summit in Japan. Yet during the meeting, US president Donald Trump committed not adding more tariffs on the remaining \$350 billion worth of Chinese imports. Market sentiments were further encouraged as investors highly anticipate Central Bank to relieve monetary policy to reinforce abating global growth. Lower interest rates are compelling for base metal investors as it correlates to financing cost.

ALUMINIUM

Premiums most likely would remain flat on expectation of sluggish consumption pattern in the summer months along with a continuing surplus of scrap that curb spot demand. Remelters continued to be stocked up with scrap suitable for prime substitute. However typical for consumer demand to decline over the summer months, considering several maintenance shutdowns, demand is seen much lower this year compared to previous year. Producers expect August forecast to be appalling as market is short of demand but well supplied.



COPPER

Copper demand is foreseen to outstrip supply this year, supply fall offs brought about by a series of production disruptions. According to the International Copper Study Group (ICSG) preliminary data, global refined copper deficit grew by 142.2 percent in the

first four months of the year compared to the same period in 2018. Suspended deliveries steered rise in enquiries and buying activities, however eminent shortfall is not manifested in prices. Copper price should have touched somewhere around \$6600 by this period. However, market does not seem to be in line with supply and demand fundamentals, instead influenced mainly by the trade conflict between the US and China.



LEAD

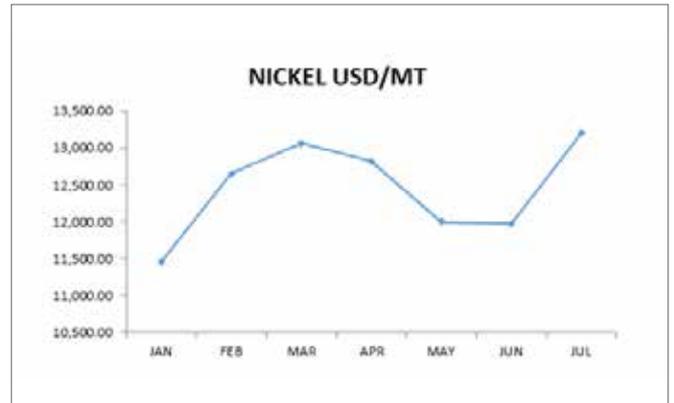
Data from the International Lead and Zinc Study Group (ILZSG) shows global refined lead is in deficit in the first five months of this year. The shortfall widened by 23.5% January to May as compared to the same period last year. Higher production was seen from China, India and South Korea, raising global output to 2.6% year on year. Production from Europe, Japan and US were almost unchanged.



NICKEL

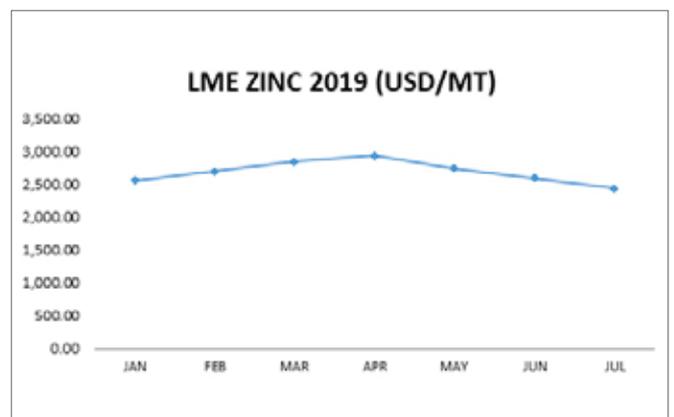
Nickel premiums were mostly steady, however remained multi-year low. Less activity was observed in spot market since annual contracts met consumer requirements. Amid uptight economic outlook,

physical demand fell further before the August seasonal downturn. Falling demand from China and Indonesia stainless steel mills adds to investors weakening confidence on the metal. Stainless steel mills in Indonesia are likely to reduce output in order to cope with the anti-dumping duties imposed on them by China and South Korea.



ZINC

Refined zinc premiums were mostly unchanged, holding in spite of depleted inventories. Global zinc consumption dropped by 1.3 percent, mostly compelled by lower demand from China. Consumption levels in Europe, India, Japan and the US carry on the same from January to April last year. The ILZS continues to foresee global demand for refined zinc will go beyond supply this year, estimating a deficit of 121,000 tons. Tough environmental inspections persist to curb Chinese mine output which dropped to nearly 2.5% from last year. China's slowing economy falters zinc prices; however, markets expect uptick in prices should the USD Federal Reserve cut its benchmark lending rate.



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