

BASE METALS OUTLOOK

MARKET SENTIMENT MIXED ON CONFLICTING SIGNALS



Dr. Sayed J. Hussain
CEO, Sayed Metal

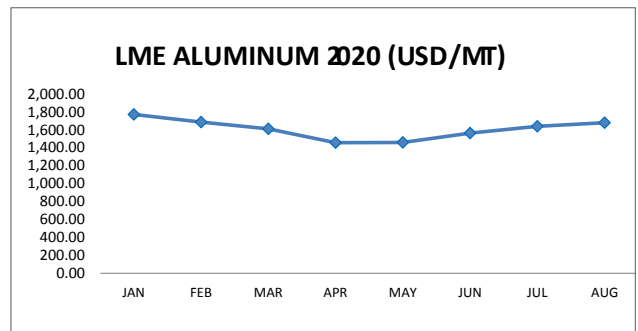
OUTLOOK

Global markets generally pointing upward in view of positive economic data indicating improvements in Asia and Europe. Base metal prices were on uptrend after positive reports drawn from industrial sector and vaccine developments. China’s industrial profits have shown robust gains, however, rising geopolitical tension between US-China retaliatory consulate closure puts off investor confidence weighing on market sentiment. Prices will probably remain volatile.

ALUMINUM

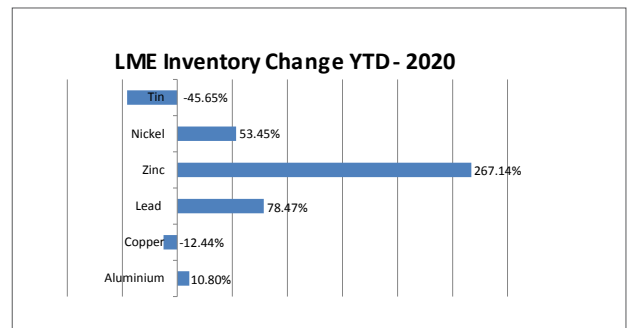
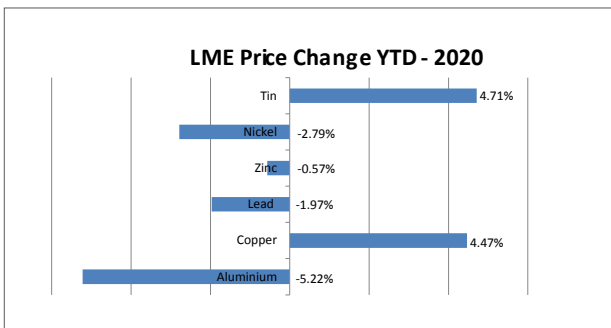
Aluminum prices pulled through, however, still lower compared with figures at the beginning of this year. Three-month LME aluminum reached \$1720 level by end of July, compared to \$1800 level in January. Global aluminum consumption dropped by 9 percent this year, demand in Europe decreased by 30 percent, 35 percent drop was seen in the US, and Middle East has also shown 22 percent decline in demand. Physical demand stayed vulnerable during the Covid-19 pandemic, yet indication of improvement in the market is evident among automotive, construction and other affected industries. Activities were reported among rolling mills and wheel makers corresponding to rise in car sales. Japan’s car production this year increased by

43 percent in June compared to figures in May. Chinese automotive production increased by about 22 percent over the same period. Dealers have good perspective on demand level, seeing it to rise from September till the end of the year. Robust demand is expected to lead to a sharp increase in premium.

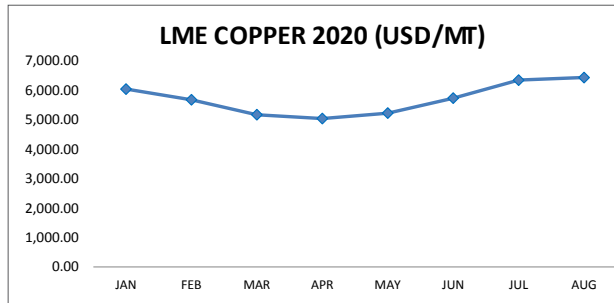


COPPER

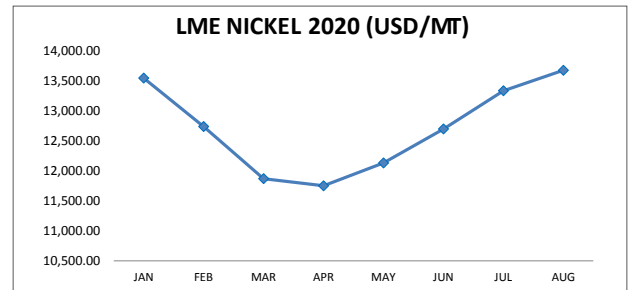
Copper prices retaliated sharply as demand expectation returned to pre-Covid-19 levels. Prices have been volatile from the beginning of the year, however recent fundamentals and cost curves begin to give more substantial guidance to the market. The three-month copper price in London Metal Exchange was at \$6500 level in mid-July, reaching its highest



since May 1, 2019. The rally was influenced by supply interruption in different countries including major producers Chile and Peru. Covid-19 brought about supply disturbance around 2 to 4 percent of global annual copper supply and may escalate further. Few inquiries were seen in spot market as consumers were less interested in fresh materials as they remained covered by their annual contracts and inventories. Moreover, copper market started to ease off as many producers and factories reduced capacity for traditional summer holidays close down.

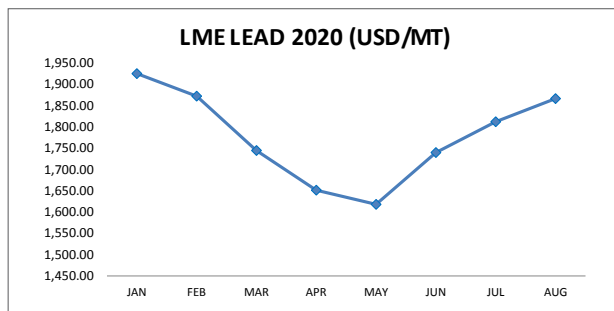


improvement in base metal complex pushed Nickel prices upward. Furthermore, demand escalated from power battery sector in China as battery producers introduced new capacity. With the market signaling recovery and with the support from government subsidies, spot demand increased in time for traditional hectic season for the industry. Battery and components manufacturers proposed to restock inventories for August and September, which brought about rise in offer prices. Likewise, the rise in demand instigated by stockpiling activity from expecting investors have sustained prices.



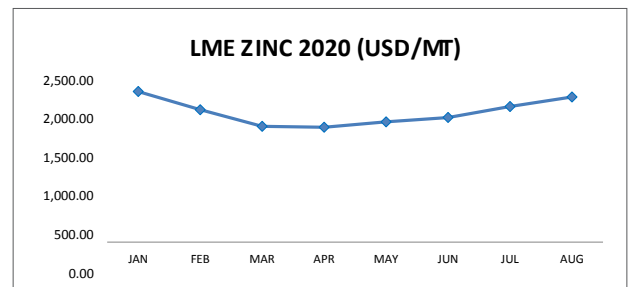
LEAD

Lead metal demand remains sluggish despite global automotive output starting to increase following recovery from the covid-19 pandemic. The slight upturn in demand from the automotive sector consumption may not be viable for a longer period and market anticipates further challenges for the heavy metal. Supportive policies were made available to urge consumers to shift to a more environmentally friendly electric vehicles, which will not likely aid demand for lead. Stocks build up in London Metal Exchange reaching its highest since December 2018.



ZINC

Zinc prices endured near four-year lows and premiums mostly stable with less spot market activity. Many consumers utilise less volumes than they acquire through their contracts, thus keeping them well stocked with little to less interest in fresh buying. As progress is seen from steel producers after the first wave of Covid-19, Zinc premiums and demand may gain an uptick. Traders anticipate an improvement in galvanised steel demand from global infrastructure development arising from stimulus attached to covid-19. Further, certain signals such as increased activity in China as well as improved car sales figures in Europe suggest that demand could pick up in the near future. [🔄](#)



NICKEL

Spot market demand in Europe and US declined sideways with weaker manufacturing activities resulting from covid-19 pandemic. Nickel market was bolstered even with slight upward demand from specialty stainless steel producers. Strong demand from China’s stainless-steel sector along with

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