

BASE METALS OUTLOOK

ABATING GLOBAL GROWTH HAMPERS BASE METAL

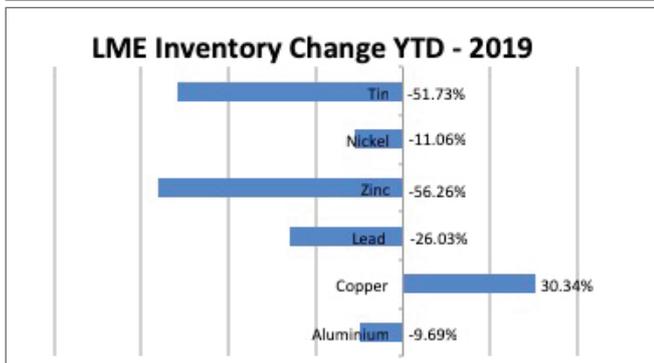
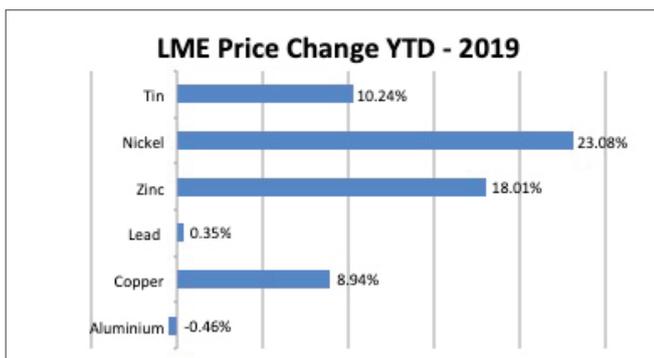


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The Sluggish global growth is discouraging for base metal complex. The recent Chinese signals indicate a recession in the world's second largest economy. Factors including ambiguity in policies, pressure brought by trade war, wearing down of business and weak consumer confidence are all contributing to dull economic outlook. The Organisation for Economic Cooperation and Development shows 3.3 percent global growth this year, which is down from its prior forecast of 3.5 percent. Further, the rise in dollar index reaching its highest level since May 2017 may add up to the pressure.

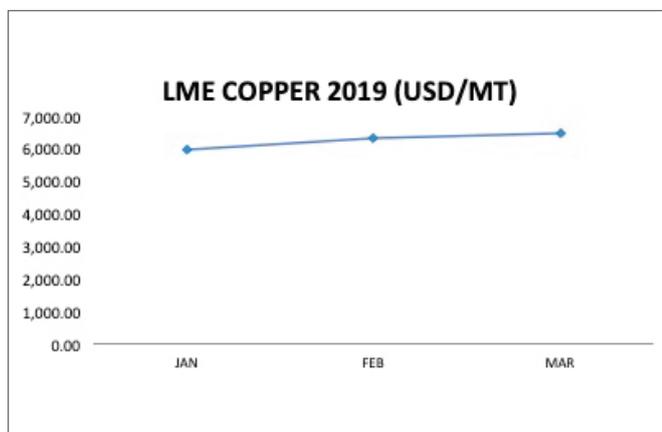
ALUMINIUM

Japan's demand for aluminum is rising, offsetting decline in other sectors. Japan is one of the largest aluminum importers in Asia Pacific. Japan shown a significant increase in imports of rolled aluminum products in 2018, according to The Japanese Aluminum Association. On the other hand, China's mill output rise in 2018, up by 2.6 percent year on year, according to China's ministry of industry and information technology. However, the improvement was seen to be lethargic due to issues concerning trade disputes in the global market, environmental restrictions and higher production cost. In the Middle East, Emirates Global Aluminum (EGA) indicated a rise in refined aluminum output last year; however, higher raw material permeates margins. EGA expects a cut down in raw material cost once its alumina refinery in Abu Dhabi as well as its bauxite mining project in Guinea starts up. The alumina refinery is expected to sustain 40 percent of EGA's alumina requirements.



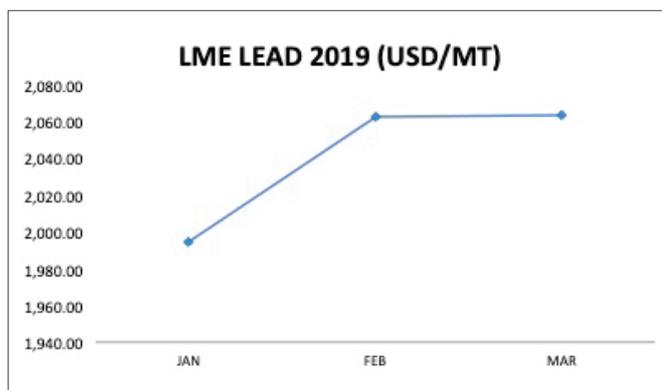
COPPER

The global refined copper supply is in real deficit which may have added to the persistent backwardation. Spot premiums rallied for some time as dealers anticipated a stronger premium with declining stock. Imports to China totaled 5.3 million ton, up by 12.9 percent year on year as per customs data. Increase in demand is seen in India, Japan, the US and the EU. However, Russia, South Korea and Taiwan depicted sluggish demand. Several unexpected smelter disruption and shutdowns weigh on world growth.



LEAD

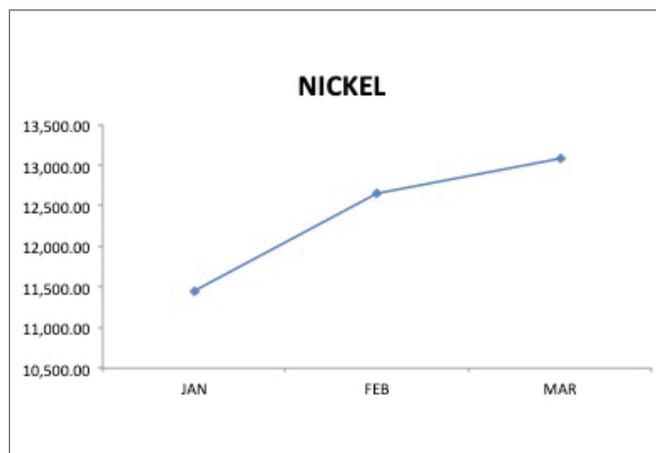
Lead prices may remain on positive territory as inventory plunged. Though China has seen an increase in its Manufacturing PMI, its constant weakness may dire lead demand. Furthermore, rising concerns of slowing growth in US, Europe and China may eventually weigh on prices.



NICKEL

Nickel demand will remain stronger than expected brought by growing consumption from Electric Vehicle (EV) battery sector. EVs and energy storage batteries may take about 180,000 ton of global nickel demand

in 2019, up by around 50,000 ton year on year. China and Indonesia have shown an increase in output; however nickel demand is expected to remain on short position until 2020. China's Nonferrous Metal Industry has predicted nickel pig iron output to rise to around 500,000 ton this year as several new production projects start operation. Despite the EV sector becoming more important, Stainless steel remains to account for over 70 percent of nickel demand.



ZINC

Zinc spot premiums moved to some extent lower over slowing global growth, although inventories are dropping. Further, Nystar, Europe's biggest zinc smelting company and the world's second largest zinc producer, is on a foreseeable way toward a debt restructuring. Although Nystar production may not impact supply in the short term, however concerns over Nystar bankruptcy may slightly push prices up. LME zinc inventory continues to drop; stockpiles have not reached this low since October 2017.



*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: March 2019