

BASE METALS OUTLOOK

PRICES BACK IN POSITIVE TERRITORY



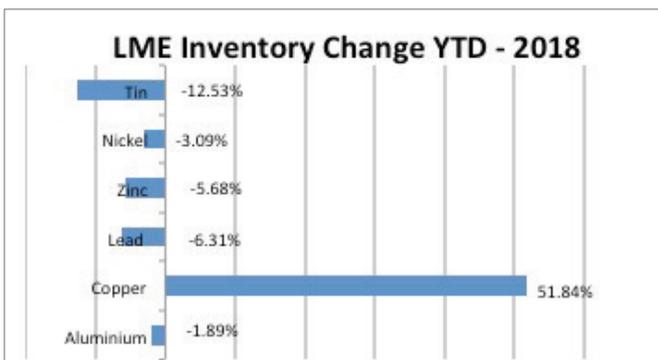
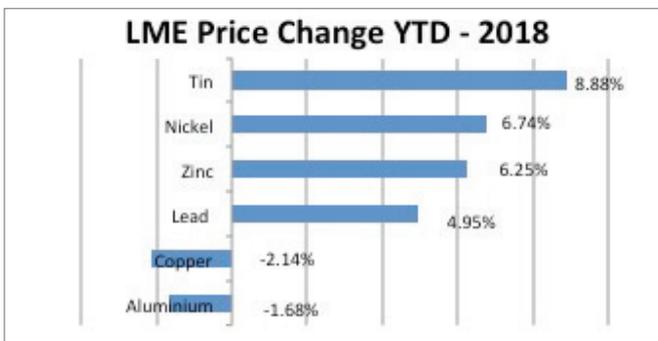
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OUTLOOK

Base metal prices mostly remain optimistic. Dollar weakness continues to support base metal prices. Copper remained stable despite more inputs into LME sheds which sum up to more than 100,000 tons. Zinc and lead prices maintained their firm performances, steadily trading near multi-year highs. Nickel prices on the LME rally constantly, up by 10% since the start of 2018, hitting its highest since May 2015.

ALUMINUM

Most aluminum alloy producers presumed strong demand in the second quarter and are disposed to offer at higher levels for long-term delivery. Many producers had already sold their volumes and were already booking deliveries for early Q2. On the other hand, secondary aluminum prices in domestic Asian market were mostly unchanged supported by rising Europe and US rising alloy prices. South Korea has switched over to sourcing primary aluminum in 2017, replacing Australia as their number one primary source, most likely due to cheaper premiums from India market. Australian smelters may have allotted share of their production to US market due to higher premiums. We see prices trading around \$2150 to \$2250 in Q1.

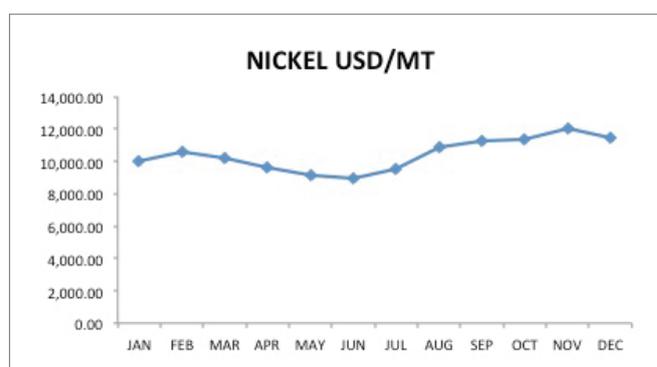


COPPER

Chinese copper scrap import last year was up 6 percent from 2016, the increase mostly seen in Q4 last year, which was brought by expectation of decline in supply of concentrate and the indication of future scrap restrictions on copper scrap imports. Copper prices hit its highest in four years amid tight supply. National statistics agency NBS indicated strong demand 2017 and the refined copper production attained high record in December. ICSG has estimated a market deficit of 104,000t of copper concentrate in 2018, which could signal price to rally. We see copper trading between \$6900 to \$7300 in Q1.

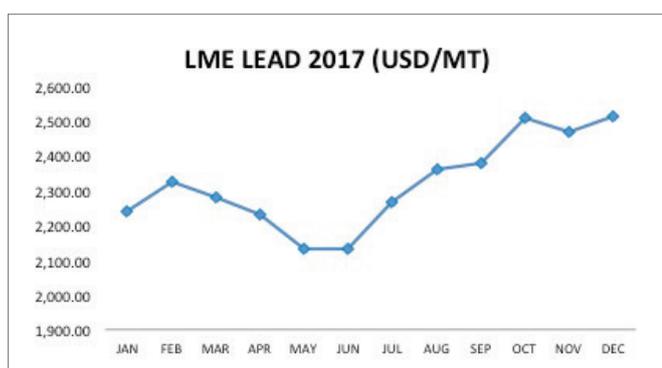


to reach 470,000 tons this year, up from 440,000 tons in 2017. In prospect of electric vehicle innovation, Nickel demand could certainly develop to a large extent. Premiums are expected to rally and may reach seven year high in 2018. Electric Vehicles (EVs) driven by lithium-ion batteries containing both nickel and cobalt may stream up in the near future as the market is getting recognised. Battery manufactures are finding means to increase nickel content in batteries and use less of the more costly cobalt, which is in scarce supply. Most batteries for EVs contain 60 to 80 percent nickel. Premiums may be under pressured this year due to tight supply. We see nickel trading between \$12400 to \$14000 in Q1.



LEAD

The lead market was in a deficit of 169,000 tons in the first 11 months of 2017, as indicated by ILZSG. Increased demand from battery sector as well as restocking activities in anticipation of Chinese New Year brought stock levels down. Steady lead consumption coupled with weakening exchange stock strengthens lead's price performance, hitting its highest since July 2011. We see lead momentum being aggressive all the more supported by weakening dollar, price could level to \$2700 per ton.



ZINC

LME inventories reached their lowest level since October 2008, stocks are off by 3.2 percent this year. Exchange prices were sustained by low inventories with less change on premiums. International Lead and Zinc Study Group (ILZSG) indicated that the refined global zinc metal market was in a 485,000 tons deficit in the first 11 months of 2017.

Japanese zinc demand remained firm last year, brought forth by development in the transport sector. Passenger car production increased by 6 percent in 2017. Zinc may be trading between \$3300 to \$3700 in Q1.



NICKEL

The Philippines remained the largest supplier of nickel ore and concentrate to China, shipping 29.11MN ton in 2017. China's nickel ore and concentrate import from Indonesia increased by 26 percent in December year on year. Chinese nickel sulphate production is forecast

*Source: LME, Bloomberg, Reuters, FCStone and 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: January 2018