

BASE METALS OUTLOOK

BASE METAL AWAITS DIRECTION



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OUTLOOK

Base metals prices may recover brought by a weaker dollar and upturn in demand after concerns in tension between the United States and China lessens. We see copper and nickel to outrun performance, backed by electrical vehicles and renewable energy. On the other hand, lead and zinc prices may continue to struggle. Nickel prices increased around 20% in 2017, directed by long-term anticipation associated to electrical vehicles. Copper demand may remain stable with slower demand from China's property sector however supply could be disturbed by impending labor negotiations in Chile and Peru. Zinc does not have much connection to EVs and should underperform however we expect Zinc prices to peak in mid-2018. Lead being the worst performer, will be dependent on other base metal, mainly from zinc.

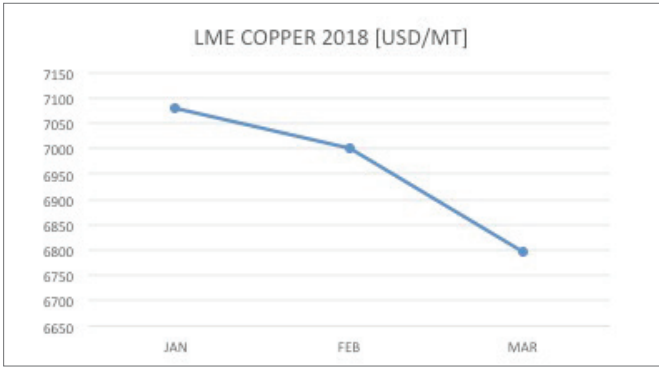
ALUMINUM

Aluminum continues to show weakness though other fundamentals supports premium. President Donald Trump has imposed Section 232 tariffs of 10 percent on aluminum imports, effective 23rd March, however exempted some key allies, including Canada, Mexico and South Korea. The US tariff imposed contributes to price fall in anticipation of material diversion supposed for the US and assumed to be sold at lower prices. We see aluminum trading between \$2000 to \$2100 in Q2.

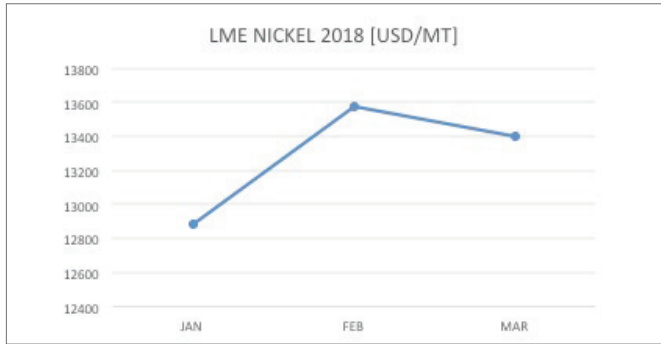


COPPER

Rising inventories at bonded warehouses put in to recent fall off in red metal prices. LME copper stockpiles are at their highest since December 2013. Stocks increase are also seen in Shanghai future exchange and Comex. China's refined copper production in Q1 increased by 10 percent year on year in anticipation of potentially tight concentrate market this year. Price downfall is expected to end and price should start to recover as Chinese market demand usually peaks in second quarter. We see copper price in Q2 trading between \$6800 to \$7100.



concentrate from Philippines was down by 14 percent year on year. We see Nickel prices trading between \$13,500 to \$14,000 in Q2.

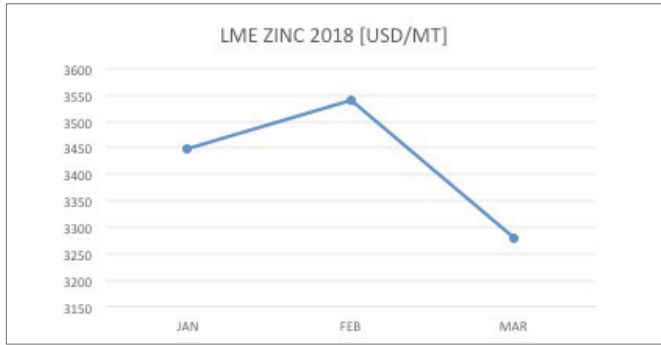
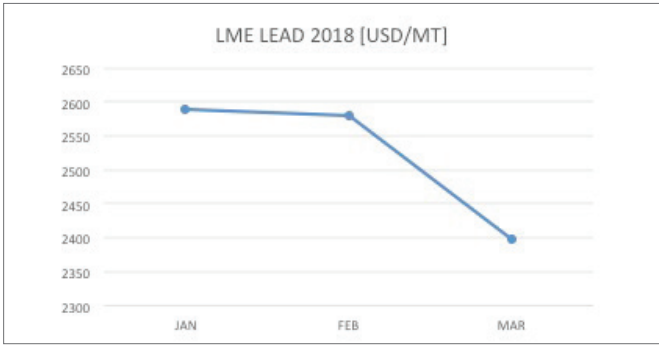


LEAD

This year's Lead performance seems to have no direction and doesn't have a strong fundamental, it is mostly dependent on all base metals, especially on zinc. Lead's performance may improve if other base metals improves. Lead and zinc usually follow closely however their price differential reached broad gap over a period of time, with lead struggling behind. Chinese market activity will live up in Q2 which will progress base metal. It is necessary for zinc to improve that lead could follow. We see lead trading between \$ 2350 to \$2450 in Q2.

ZINC

Zinc's position may stand positive in anticipation of tight market. Factors such as mine closures, decrease in production and environmental measures in China weighed in to tighten market and decline in global stock. The International Lead and Zinc Study Group reported a shortfall of 495,000 ton in refined global zinc metal market last year. Chinese Zinc production fell in Q1 compared year on year as indicated by National Bureau of Statistics. However, China's demand is seen remain strong this year. In Q2, see zinc prices trading between \$3250 to \$3350.



NICKEL

Nickel premium is expected to remain strong in Q2, price may rally significantly due to tight supply and logistic concerns. The Philippine Mining Industry Council delayed its review on shut down mines, and could take another 6 months for the review to take place. In 2017, China's 83.2 percent import of nickel ore and concentrate was from Philippines, down by 5 percent from 2016. This year in Jan and Feb, China's import of nickel ore and

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