

BASE METALS OUTLOOK

PREMIUMS ROLL OVER ON WEAK MARKET SENTIMENTS



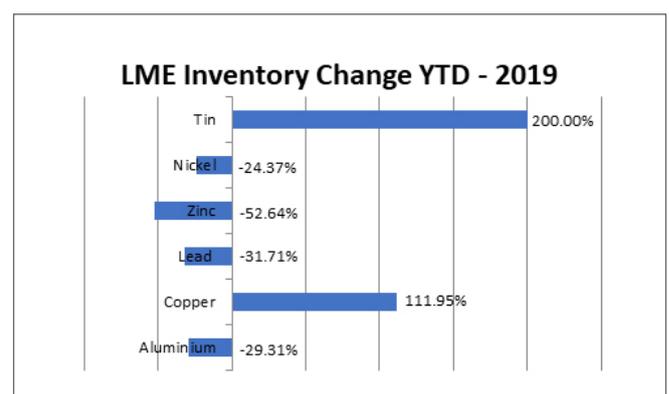
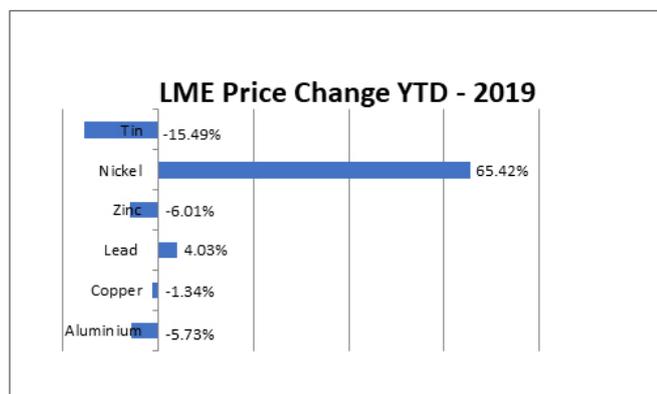
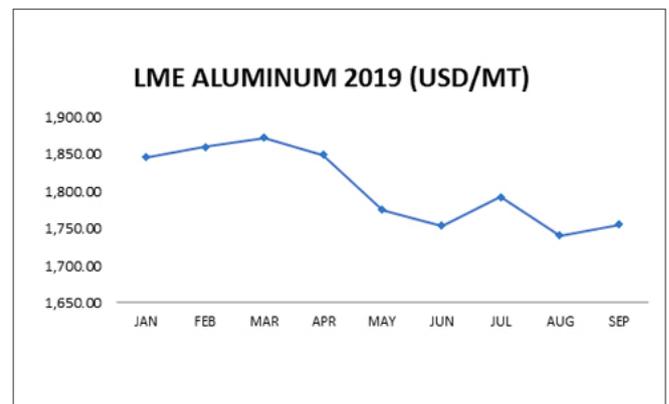
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Market sentiment may continue to be skeptical on heightened trade war and the concern on the attack of Saudi Arabia’s most important oil facility owned by Aramco. Uncertainty due to conflicts between the world’s two largest economies has already slackened global GDP growth by 0.8 percent in the first half of 2019. The attack in the world’s largest petroleum processing plant that interrupted about 50 percent of Saudi Arabia’s oil production that is about 5 percent of global output could curb risk appetite among investors putting prices under pressure. A surge in oil prices may weigh on decelerating global economic growth. Base metal trends not likely to change significantly. Nickel prices may continue to surge on supply fears brought by Indonesia’s upcoming ban on unprocessed ore. Accelerated development in China on the new energy and electric vehicle technologies may steer demand for copper, zinc and other metals.

January to August this year. However, the decline in China’s automotive production, the largest consumer of metal, brought down demand this year and weighed on the prices. The International Aluminium Institute (IAI) indicates little change in worldwide aluminum output in August compare year on year, global output reached 5.41 million tons in August, an increase by just 0.06 percent from July but 1.5 percent lower from August last year.

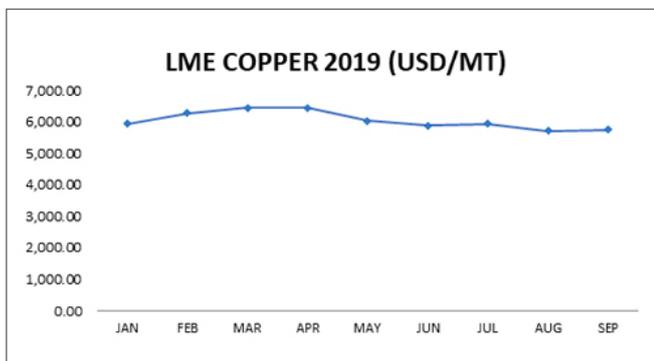
ALUMINUM

Aluminum premiums fell and struggled over continuing weak demand and longstanding surplus. Primary aluminum output in China increased by 1.4 percent from



COPPER

Copper premiums compelled to decline as demand continued to disappoint leading towards Q4. Trading activity was observed to be quiet. Spot premiums for grade – A copper cathode remained under pressure as the demand position for Q4 is seen to be more and more uptight. Demand in Europe is somewhat reduced by 10 percent in Q3 compared to the same period last year. Many consumers were burdened with surplus, selling unwanted stock in market which brought down spot premiums. Furthermore, the US – China trade war sentiments continue to weigh on prices. In India, copper cathodes import increased to 82 percent in April to July, after the closure of Vedanta’s Tuticorin copper smelter that brought about shortfall in the country.



LEAD

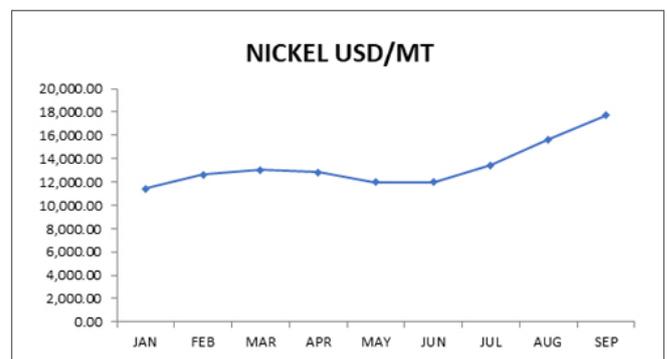
The International Lead and Zinc Study Group indicated 76 percent deficit hike global refined lead during the first half of this year from the same period in 2018. Interim data shows deficit widened to 67,000 tons in June from January of this year, up from 37,000 tons in the same period last year. Lead prices traded higher as market demand built up. Fresh positions were made in the physical market due to upsurge in demand by battery-makers in the physical market, which helped lead prices to trade higher. Global refined lead output increased by 1.8 percent year on year which resulted from higher output in China, India, South Korea, Italy, Mexico and the US.



NICKEL

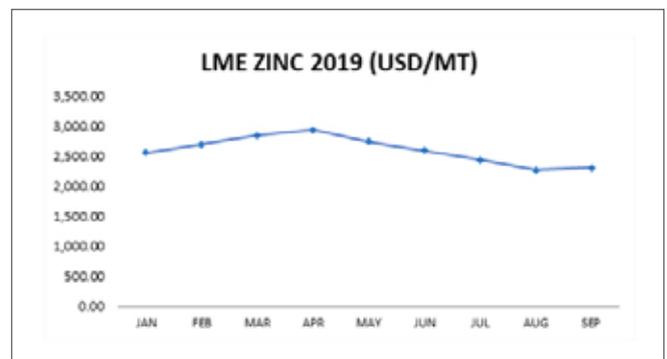
Nickel prices rallied in London Metal Exchange (LME) after Indonesia announced in early September to halt exports of low-grade nickel, ore containing less than

1.7 percent nickel, starting January 2020. Indonesian government initially planned the export ban of low-grade nickel to take effect in 2022, however the change of plan was acted upon to expedite the growth of the domestic nickel refining and smelting industry. A downturn in refined nickel premium was seen in spot market amid volatile LME nickel prices, which rallied near to a five-year high. Seller cut premiums low expecting to drive the market, traders were able to profit from high LME prices on stocks procured at much lower levels.



ZINC

Zinc premiums were mostly unchanged, traders anticipate 2019 annual contract premiums to extend next year. Global Zinc demand rose by 0.2 percent within the first half of the year. Consumption in China remained the same while South Korea, South Africa and the US showed upturn in demand. The refined zinc deficit widened in January to June this year up by 48.9 percent compared to same period in 2018, as indicated by the International Lead and Zinc Study Group. Tight supply was attributed to several global issues including labour strikes, natural disasters, environmental policies and the like. Global refined zinc production was down by 0.4 percent year on year, higher output in China, Mexico and Peru could not compensate lower output in Canada, India and Russia.



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