

BASE METALS OUTLOOK

CORONA JITTERS CRUMBLES FUNDAMENTALS



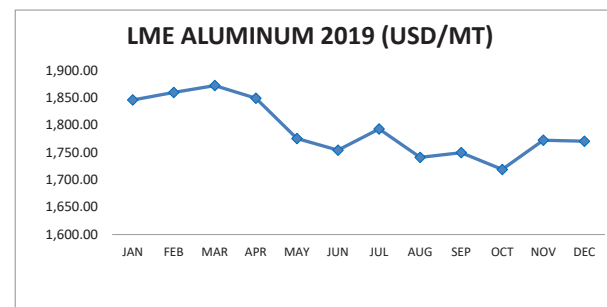
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Base metals started 2020 overwhelmed by trade disputes and geopolitical uncertainties however held with optimism brought by US-China phase one deal and weakening dollar. Middle East tension has cooled off, however, long-term effect over relations between US and Iran may still be a concern for traders. Further, base metal may continue to tumble as coronavirus outbreak brought global equity markets down, fears of an official international health emergency worry on market sentiment. The World Health Organisation has warned of the high risk of the corona virus outbreak in China, the epicenter of which happens to be in Wuhan that is an important commercial and manufacturing hub. The epidemic of the virus would weigh on China's already slowing economy and would deeply impact global growth.

ALUMINUM

The year started off quietly for aluminum and expected not to stir through the end of Q1. Apparently, the market remains afflicted by oversupply and there is no real demand, most consumers carry forward unconsumed volumes from Q4 to the first quarter of 2020. Premiums show a slight uptick in the month of January as few

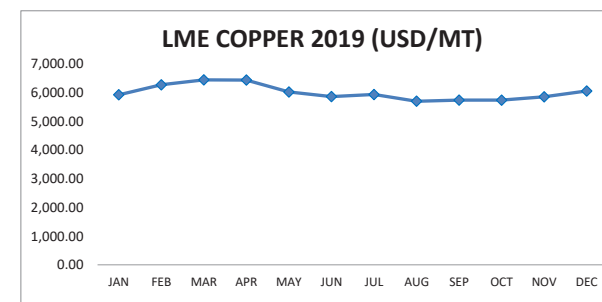
inquiries, especially in Asia, were heard in the market subsequent year-end holiday period and rise in foreign buying. However, backwardation on LME seems to hold the market still.



COPPER

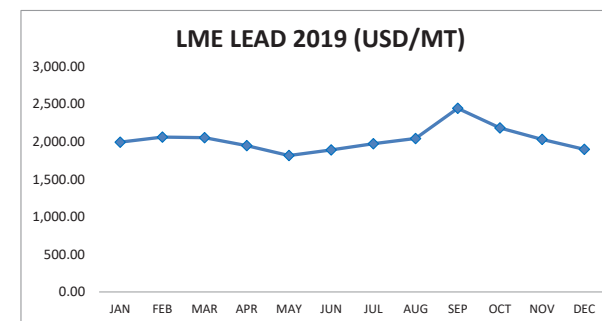
Following the year-end holidays and the Chinese New Year, market activity seemed to be limited. Many consumers' contracts for 2020 are still impending. Stocks continued to exceed over consumption; most consumers postponed deliveries from last year. At some point copper price hit an eight-month high in anticipation of US-China interim trade agreement.

Copper stocks in warehouses have been trending low since Q4 of last year, nevertheless prices continued to fall, nearing five-month low, behind slowing demand and concern over the economic outcome brought by coronavirus outbreak in China. Copper considered as bellwether of the global economy has lost all its gains since December of last year.



LEAD

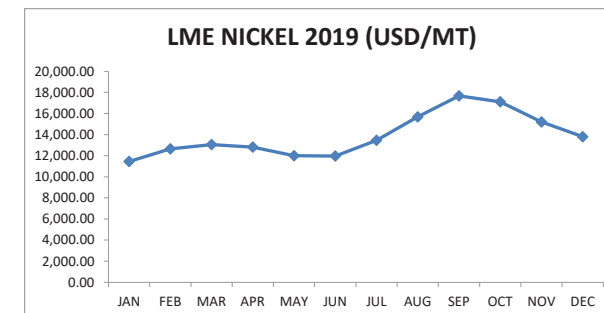
Lead prices falloff and more pressured as many traders left their positions due to decreasing demand form consuming industries in physical market. So far, the metal's abrupt price downturn has been difficult for many market participants to ascertain, this is mainly due to supply surplus as estimated by the International Lead and Zinc Study Group (ILZSG) at 55,000 tons – in addition to low exchange stocks and dip-buying drive. Further, drawback in automotive sector that use the metal as well as the increase use of lithium-ion batteries in both motorcycle and E-bike sector has been observed. China's Lead output in 2018 was heavily cut back due to environment restriction however smelters have upgraded their facilities and were able to operate in full capacity in 2019, resulting and increase in output by 13.4 percent on the year.



NICKEL

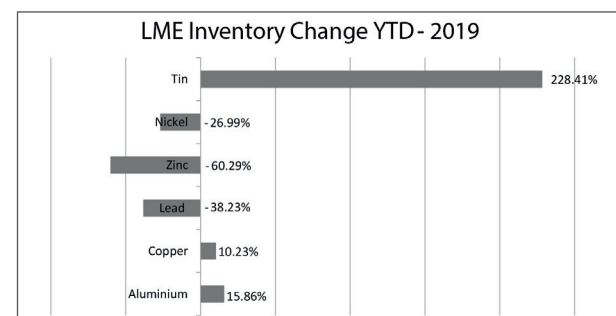
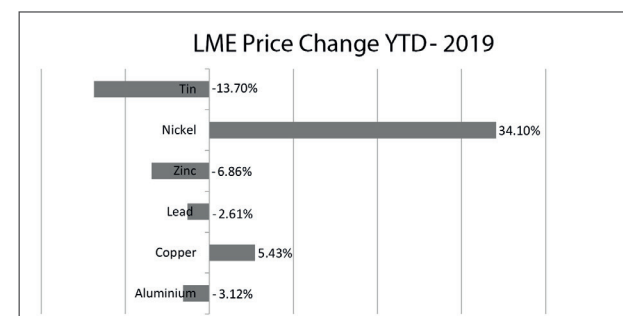
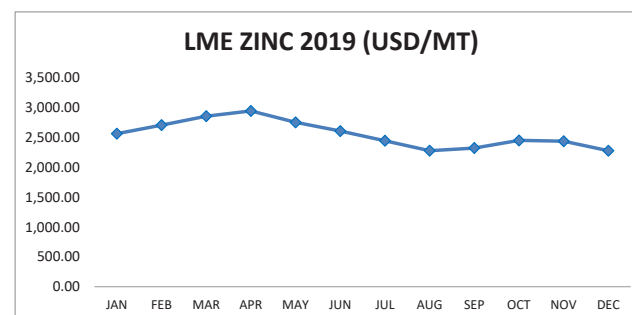
Increase in buying activities from foundries was seen in early January, traders tried to protect the new interest however demand drifted off. Global inventories

continue to surge which dulled speculative mood. Premiums will likely hold in the coming months as substantial secondary nickel units from nickel-bearing scrap will deter specialty stainless steel producers from procuring primary nickel units. Traders expect nickel market to be sluggish until mid of 2020 driven by surging inventories and declining demand from Chinese mills.



ZINC

Global refined zinc supply is expected to outpour in 2020, exceeding demand momentarily as consumption falters. Demand is not expected to improve till Q2 as consumers have no pressing need for material, which foster bearish market outlook. Many consumers have carried forward Q4 deliveries to 2020 which will sustain their Q1 requirement, thus spot demand is anticipated to be minimal in the coming months. According to the International Lead and Zinc Study Group, global refined zinc output increased by 2.1 percent in January-November, led by substantial production in China. The increase production in Mexico and Peru along with China compensates output declines in Europe, Australia, Canada, India and Kazakhstan.



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