

BASE METALS OUTLOOK

BASE METALS PRESSED ON AS OUTLOOK REMAINS POSITIVE



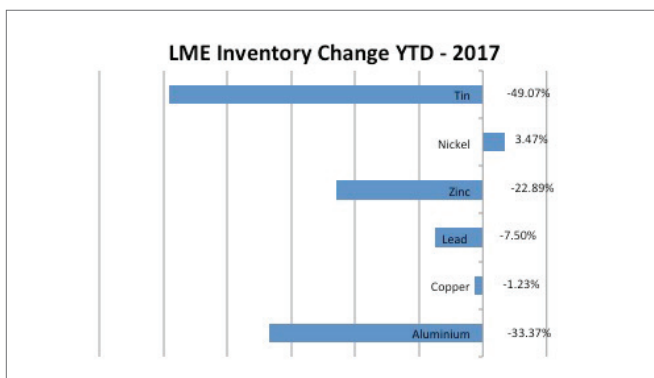
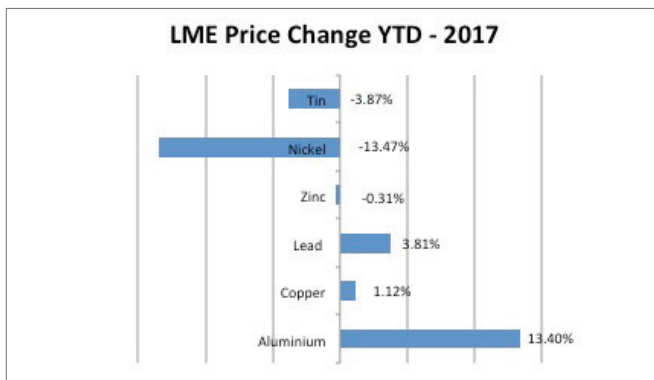
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OVERVIEW

Base metals showed some advances aside from aluminium that remained adamant. Copper benefited from the deteriorating dollar and supported by upbeat fundamentals. It hit above \$6000 per MT. Zinc and lead are up by about \$40 ton and nickel hit highs of \$9,620. Base metals discreetly climbed in Asia in the midst of current optimistic outlook in the market. Impending fundamentals have been sustained by positive Chinese economic data as well as declining inventories and some mine-supply issues.

ALUMINIUM

Premiums may continue to decline as merchants are inclined to let go offers along with inadequate spot demand. Traders see constant availability of discounted metal, despite spot or cash price being lower than the forward price. The contango increased to more than \$20/MT recently from \$5-\$10/MT. Mills may have hoarded huge inventories of scrap, which is weighing on demand for prime. We expect aluminium to trade between \$1900 – \$2000 in August.



COPPER

The secondary copper production maintains its progress, instigated by the increased availability of scrap. ICSG indicated that secondary production from scrap rose from 1.216 million tons in January-April 2016 to 1.364 million tons year on year. On the other hand, refined copper production likely remained unchanged in the first four months of 2017. China's refined production rose by 241,000 tons in the first 5 months of 2017, however Chilean refined production fell by 150,000 over the same period as indicated by WBMS. Chinese

apparent consumption in early 2017 fell by about 253,000 tons this year to 4.67 million tons. Refined copper consumption is said to have decreased around 3% in the first four months of 2017 which imply an excess of around 80,000 tons globally compared to a deficit of 185,000 year on year. We see copper to trade between \$6000 – \$6500 in August.



LEAD

Global refined lead production may stay passive in the near-term that may cause sluggish mined lead production growth, consequently affecting refined lead supply growth. Chinese lead output decreased 4% year on year in June. Some smelters that were shut due to environment inspections carried on production, however additional volumes were not significant considering levels were not steady. China’s refined lead production growth may stay vulnerable as environmental regulations become stricter which could also lead to the closure of refineries. Meanwhile, there is an anticipation of demand increase in India which is encouraged by vehicle production growth. Moreover, India’s domestic economy will cause the country to average about 7.1% production growth over the next five years, as forecasted by BMI. We see lead trading between \$2250 – \$2350 in August.



ZINC

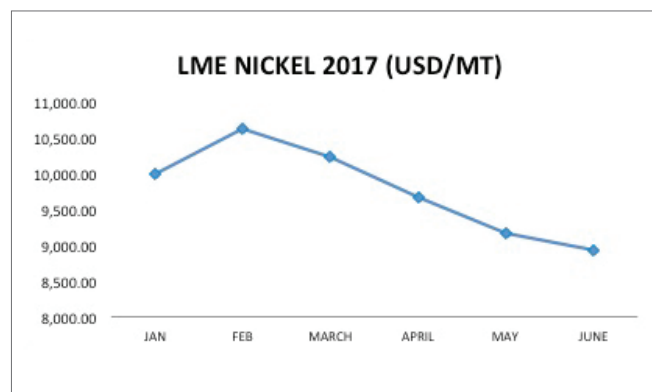
The National Bureau of Statistics figures show that China’s zinc production marked off higher in June, but the production for the first half of 2017 was still down year on year. China’s imports of refined zinc and

zinc concentrates both increased on a yearly basis in June, according to the latest Chinese customs records, however inadequate to satiate the supply gap. In total, imports in first half of 2017 are down 38.2% of the same period last year. Securing supply outside China has been challenging for importers due to limited supply. We expect zinc to trade between \$2750 – \$2950 in August.



NICKEL

There has been less concern over tightening of nickel ore supply from Philippines after Regina Lopez was replaced by Roy Cimatu as the environmental secretary. Earlier this year, Lopez ordered to shut several mining operations in the country. President Rodrigo Duterte said they were coming up with new legislations on mining, however suggested increasing the taxes on miners, which could mean higher mining cost in the country, and at the same time implementing strict watch on irresponsible miners. Meanwhile, Indonesia’s restart of nickel ore export could compensate any impact from possible execution of stricter environment laws and higher taxes on miners in Philippines. We see nickel price trading between \$9800 – \$10000 in August.



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

Disclaimer: This commentary does not purport to be an exhaustive analysis and maybe 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 July 2017.