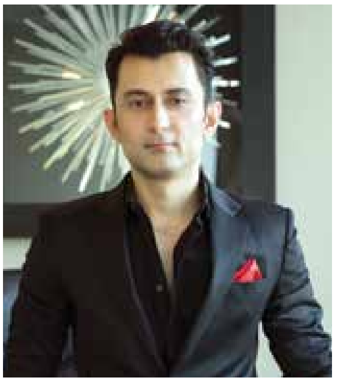
# Base Metals Outlook
# Is it the bottom?

## Overview
Q1 has seen cuts in production but not enough to recover the prices. YTD has seen prices falling due to complex economic slowdown and very little production cuts. There aren't significant cuts to stabilise the market in 2016. The Asian governments have tightened the legislation on scrap imports; on the other hand, labour cost has risen rapidly amidst the falling metal prices. Recyclers' position has gone from worse to catastrophic as most recorded minus for 2015. Either the production has to be permanently cut or the industry would see more bankruptcies in 2016.

## Copper
Copper prices have improved due to declining stocks. Fundamentals are strong and businesses have picked up after lunar new year, but expected to slow down by the end of Q2. The Chinese imports have increased, but we suspect that it is being used by the grey market instead of actual consumption. It could be stored or used as a financing tool in China's infamous banking system.
Latin America, which accounts for half of world's supply, on the other hand is expected to increase its production with new mines getting operational this year. Copper is expected to fall below USD4000 by mid-year with an upside of USD5500 towards the year end.

## Aluminium
Aluminium has started to pick, although very moderately. 2016 is better for the metal despite the oversupply factor. The Chinese and Russian governments continue to subsidize the production due to socio-economic factors and there isn't any reason for large state owned smelters like Rusal to close down other than if on the verge of bankruptcy. Stocks will remain high and we see the price dropping to USD1300 with a maximum of USD1800 this year.

## Lead

*Dr. Sayed J. Hussain*
*CEO, Sayed Metal*

Lead prices fell the most among non-ferrous metals this year, dropping by 3.26 percent in its value. The demand, coupled by oversupply has been straining the market sentiments. This year we could see more tightening of lead mine output due to China's stricter environmental legislation.
The Chinese government also imposed a 4 percent tax on lead-acid battery manufacturing. The global stock standing at 2.2 weeks of consumption could prove lead could be the best performer this year by crossing USD1900 levels.

## Zinc
The second worst performer of 2015 turns out to be second best performer in 2016 so far by increasing 14.86 percent till date. Zinc is heavily dependent on stainless steel and construction industry.
Several zinc mines have closed or cut back due to last year's sluggish demand. There is confusion among investors as to how long these closures will last, thereby leading zinc into a more comfortable position. Prices will trade in-between USD1300 - USD1800 this year.

## Nickel
The worst performing metal of 2015 shed another 2.76 percent of its value this year owing to the global stainless market crash. Once again, China is to be blamed as they had to cut production after EU slapped anti-dumping duties on Chinese stainless product exports.
The global LME stocks remained close to all-time peak at 470,00MT in June 2015 making it one of the most stored metals in LME warehouse. Nickel is expected to trade USD7000-USD11,000 this year.

* 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 31 March 2016.*