

BASE METALS OUTLOOK

PRICES EDGED UP ON SIGNS OF ECONOMIC RECOVERY



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

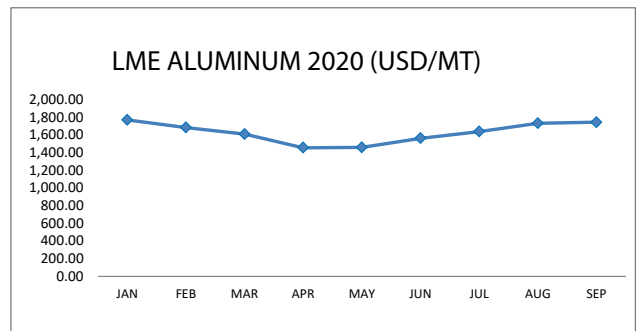
OUTLOOK

Base metal prices on London Metal Exchange were mostly on a higher trend signaling recovery signs in the global economy. Chinese production and sales of vehicle climbed five straight months indicating continuous improvement in the world's second largest economy. Market was also encouraged by certain improvements seen within the US service sector that is the largest part of US economy. Further, amid the resurgence of covid-19 clinical trials have helped encourage the market as many investors regarded the vaccine development for economic recovery guidance. Uncertainty may prevail on base metal prices ahead of the US presidential elections.

ALUMINUM

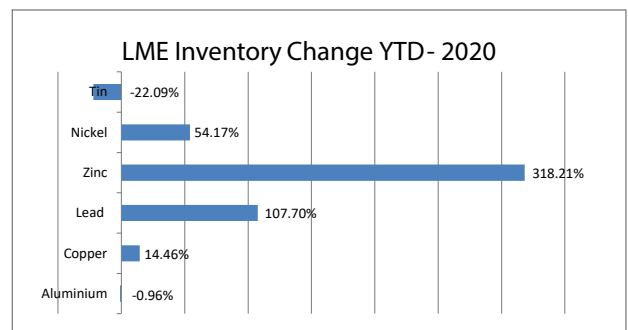
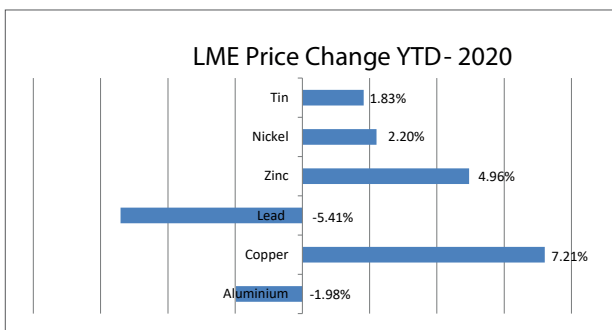
The market has experienced respite as demand and prices recovered after industrial activities made progress flowing the covid-19 lockdown restrictions rescinded. An upsurge in premium was seen as forward spread in London Metal Exchange strengthen. Most investors were keen to keep material out of spot market as premiums escalated and demand

levels recovered. Data from International Aluminium Institute shows that global aluminum output increased by 0.63 percent on the year to 5.45 million tons in July, aided by higher output from China while rest of Asia's production fell. Chinese production rose by 2.3 percent on the year to about 3.1 million tons.

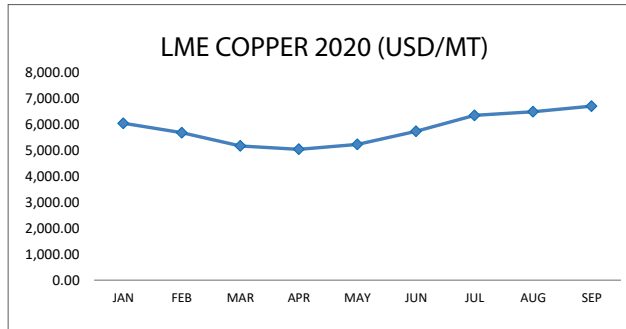


COPPER

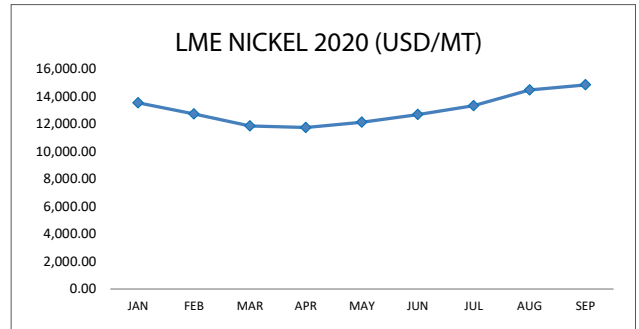
Premiums stayed low-set owing to diminishing demand and further increasing stockpiles in exchange warehouses. Copper traded firmly above \$6500 level on



London Metal Exchange, however, increase in freight rates and missing demand weighed on premiums. The outlay on the back of keeping the metal and higher exchange prices have strained on the premiums to get materials moved to limited consumers. Spot market remains depressed with limited purchasing activity, consumers were well covered for material. Further, scrap availability remained strong whereas demand for scrap has stayed at low levels, consequently weakened copper scrap spread.

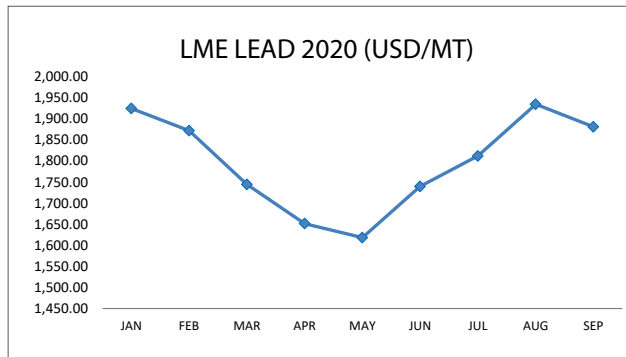


interest to return to spot market. Many participants were watching for a fall in prices. Further, the new wave of Covid-19 may have dampened surge in end user's demand for spot nickel tons that diminish any optimism for better premiums which could have been garnered from decline in LME nickel prices. Thin trades weighed on nickel premiums, most participants were reluctant for fresh deals and trying to carry forward annual contract volumes to first quarter of 2021.



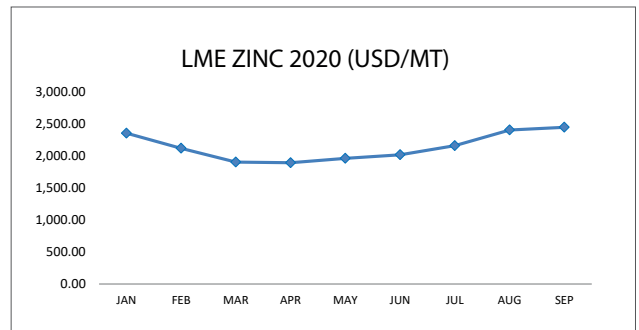
LEAD

Lead traded above \$1900 levels for the most part at the beginning of September, however the inflow of material in exchange warehouses subdued prices. Demand has recovered especially from Indian battery manufacturers. Premiums remained steady even with increase in buying appetite seen from India. Aside from secondary lead ingots, Indian battery makers were also appetent on feeding their furnaces with lead bullion that could be acquire at about 4 percent less than LME lead price.



ZINC

Spot market remained quiet with few enquiries heard from traders. Other buyers were adequately stocked with inventories and rather were focused on future business or on upcoming annual contracts. Zinc inventories in LME warehouses dropped below 50,000 tons, hitting 20-year low in the beginning of this year, however, have since rallied back and now maintaining at a level of 200,000 tons, alongside Shanghai Futures Exchange stocks are rising as well. Zinc prices regained its strength which boosts confidence in the metal, however unstable due to demand in steel industry. Three months LME Zinc rose to \$2500 level in September from \$1700 level in March. Further, the fall in treatment charge supported producers, particularly those not into contract pricing arrangements.



NICKEL

Nickel price rose sharply in September that may have contributed from weaker US dollar, strong Purchasing Managers Index (PMI) from China, US and Europe and China's recovering stainless steel prices. However, prices slipped following frail fundamentals in the future market that in turn detracted buyers'

Source: LME, Bloomberg, Reuters, FCStone, Sayed Metal Commodity Risk Analysis
 Disclaimer: This commentary does not purport to be an exhaustive analysis and may be 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 September 30, 2020.