

BASE METALS OUTLOOK

RECOVERY HOPES UPLIFTS MARKET

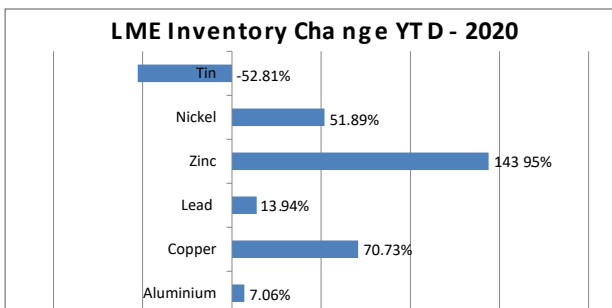
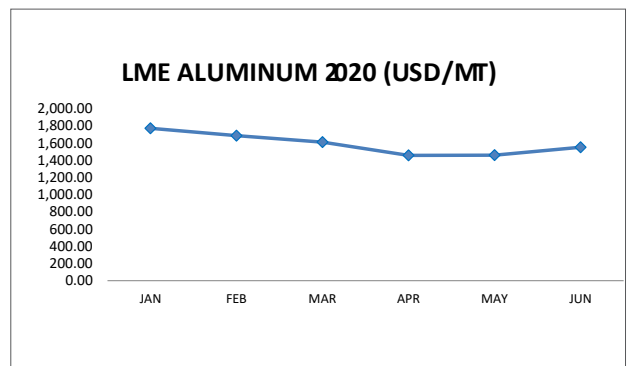
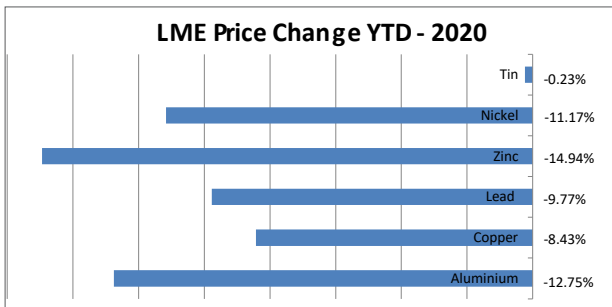


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Base metal prices were mostly stable, but changes or fluctuations in pieces of economic news illustrated a differing aspect on global economic health. Strong trade data from China presented investors hope that some activity is restored in the world’s second largest economy. Demand for some metals improved in Q2 as compared to first quarter of 2020. Further, base metal prices rallied alongside the reopening of many countries’ economies during the covid-19 pandemic. However, the rise in prices may not signal the actual market situation and merely mirrors the desire of recovery and those expectations may not stay long.

ALUMINUM

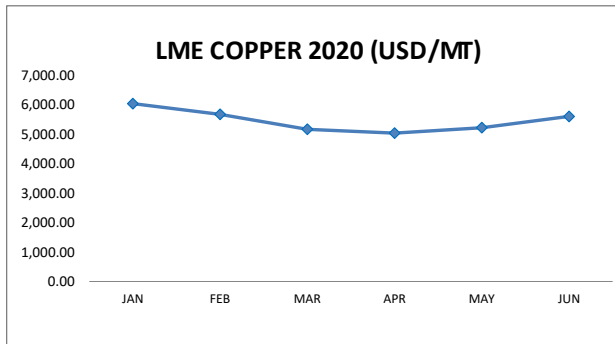
Markets came under pressure due to severely depressed construction and automotive sectors caused by lockdowns amid covid-19 restrictions. Manufacturers have cut down production as demand remained stagnant especially from auto and machinery producers. Prices at London Metal Exchange have fallen to four-year lows, falling below \$1500 per ton, while stocks escalated to 1.5M tons compared to less than 1M tons in Q1. The market seems unlikely to recover in the coming months as many vehicle manufacturers projected a decrease in global auto sales this year.



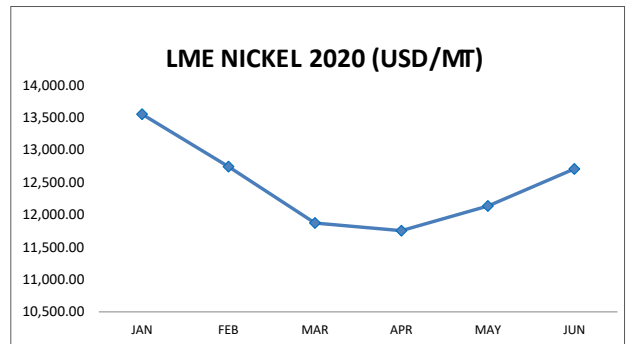
COPPER

Copper demand was significantly impacted by the deterioration of world’s economic activities that resulted from lockdown of many countries. The International Copper Study Group (ICSG) forecasted decline in global copper output as well as usage. ICSG indicated mine production to likely fall this year to 3 percent compared to previous year as a

result of several mine closures as part of control measures to contain the pandemic. Global refined copper consumption is anticipated to fall by 4 percent this year, while global refined production is approximated to be 1.1M ton lower compared to its earlier forecast of 27.78M ton, says ICSG. Copper prices in LME advanced upward in early June, reaching five-month, however many consumers were skeptical of such recovery and preferred to bide and check what market has to offer in the coming months when economy reopens.

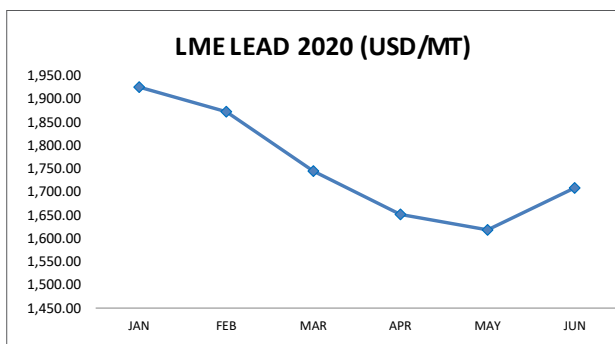


much to improve the demand. Restart of industrial activities was slow; consumers prefer not to move into spot market instantly as many are well supplied with current inventories and contracted volumes. Further, market may take a while to recover and premiums may not change until industrial activity and demand comes back to where it was prior to lockdowns. First quarter nickel output in the Philippines fell by 27% to around 28,000 tons year on year as most mines restricted operations due to Covid-19 pandemic measures. Indonesia on the other hand will continue its ban on the export of nickel ore.



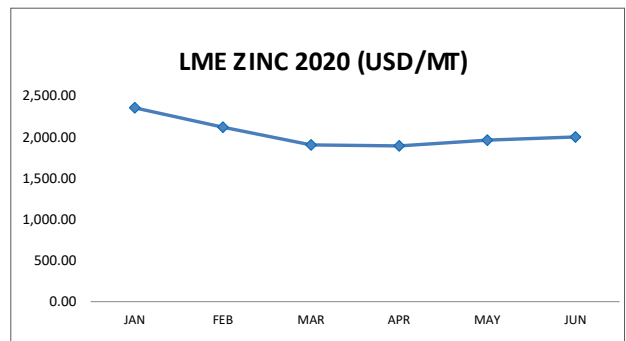
LEAD

Initial data from the International Lead and Zinc Study Group (ILZSC) indicated a surplus of about 19,000 tons in world refined lead supply during the first quarter of this year. Global refined lead for the most part was affected by restrictive measures intended to decrease the spread of Covid-19. In addition, production also fell in Canada, resulting from the closure of Glencore’s lead smelting facility located in Belledune, New Brunswick at the end of 2019.



ZINC

Surplus weighed on premiums as physical trade in spot market continues to be silent. Few inquiries have been reported and purchasing activity stayed at limited volumes despite the easing of Covid-19 lockdown restrictions in key sectors, most consumers remained currently well stocked. An estimate of 25% of global zinc mining ceased operations in response to the coronavirus safety measures. Pressure on zinc premiums is expected to be short-lived as reduced output may in turn cut down global surplus and eventually support prices in second half of the year. 🔄



NICKEL

Nickel premiums remained mostly unmoved despite weak demand for primary nickel units from specialty stainless steel consumers. The resumption of auto and manufacturing sector after alleviating the restrictions due to Covid-19 pandemic did not help

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