

BASE METALS OUTLOOK

# DEMAND OUTLOOK WEAK FOR 2020



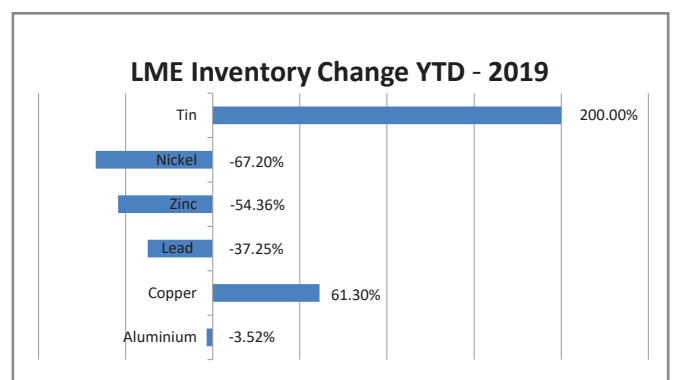
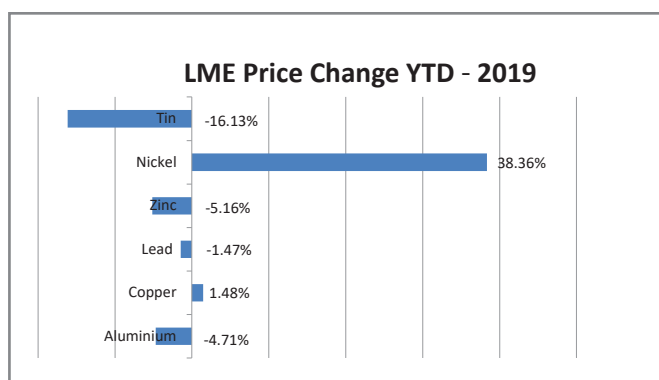
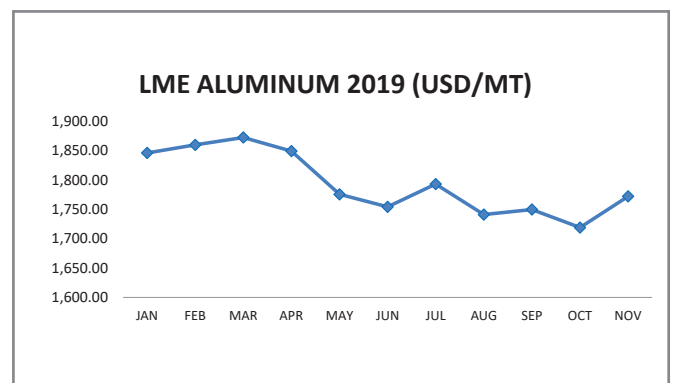
*Dr. Sayed J. Hussain  
CEO, Sayed Metal*

Base metals generally shunned the positive outlook on world equity market that nearly reached its highest levels in almost two years, owing to the prospect of ending trade disputes between two giant economies. Base metal market is mostly well stocked which may not support prices. Demand has been particularly weak that traders may shift some of their 2019 contractual volume delivery to next year, which may result in limited volumes for 2020 annual contracts. On the other hand, as a result of positive signals from negotiation between the US and China, the manufacturing sector has shown improvement in early Q4 which could lift demand and support a tepid recovery in 2020.

**ALUMINUM**

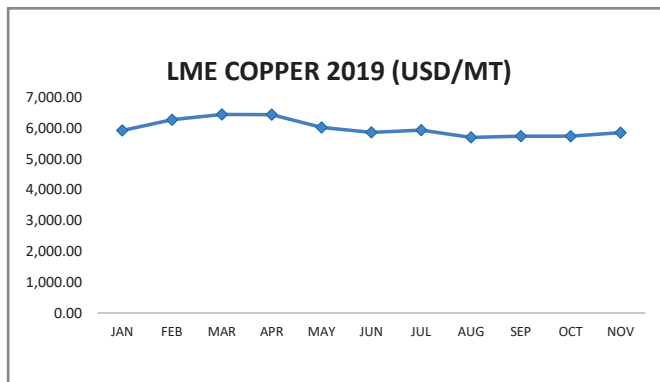
Prices has been laden by impending backwardation, which aggravated the lack of consumer demand and intimidated markets from taking positions. Most buyers have delayed Q4 purchases to next year. Global output continued to be lower in October, down by 1.8

percent year on year as indicated by the international Aluminium Institute (IAI). Output from China and Western Europe slipped low, however, about 8.9 percent upsurge in production year on year was seen from Gulf Cooperation Council Region. Despite discouraging sentiments, positive indications from carmakers will bring forth demand growth in Q1 next year.



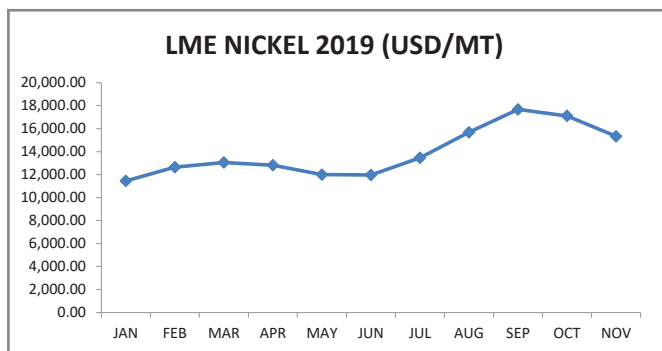
**COPPER**

Regardless of the ambiguity in the global economy, demand in copper is expected to rise by 1.75 percent on the year to 25 million tons next year, reveals data from the International Copper Study Group (ICSG). Annual contracts negotiation may conclude next year as most buyers opted to postpone for clarity prior to binding annual contracts. Many buyers will want to negotiate for lower premium attributing to economic uncertainty brought by ongoing US-China trade disagreement and slowing automotive sector. Preliminary figures from ICSG shows that global copper refined deficit widened to around 330,000 tons in the first eight months this year, under just 27 percent year on year. India's output dropped by 25 percent due to the shutdown of Vedanta's Tuticorin smelter. Further, decline in output was brought by several maintenance shutdown in Japan, Peru, the US and a few other European countries.



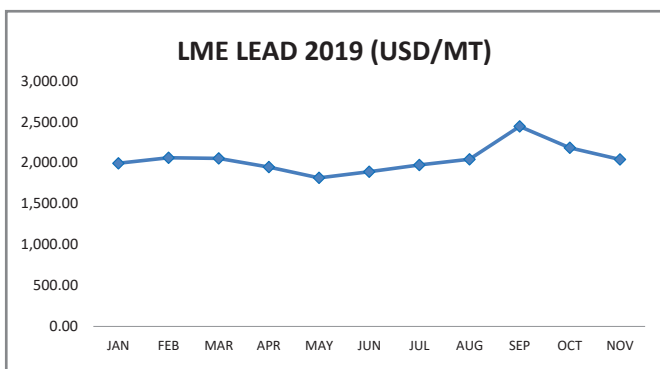
**NICKEL**

Spot premiums for refined nickel somehow remained stable despite not as much trading activity reported in the market. Most traders are occupied with negotiations for 2020 requirements, many considering reducing volume or rolling over stock in hand to next year. Stocks in LME warehouse is down by 16 percent, to its lowest since December 2008, however shortage may not be expected as substantial inventory is stored in off-warrant warehouses. The Indonesian government has reinstated the ban of nickel ore exports after temporarily suspended exports last 28th October due to claims that some exporters had violated the rules. Indonesia, a major nickel ore producer in the world, has exported about 20.72 million tons of nickel ore and ferro-nickel in 2018 of which a majority was delivered to China as per trade data. China's primary nickel production is forecast to rise by 15.8 percent compared to output in 2018. The total Chinese output in 2019 would make up for 33.3 percent of global production.



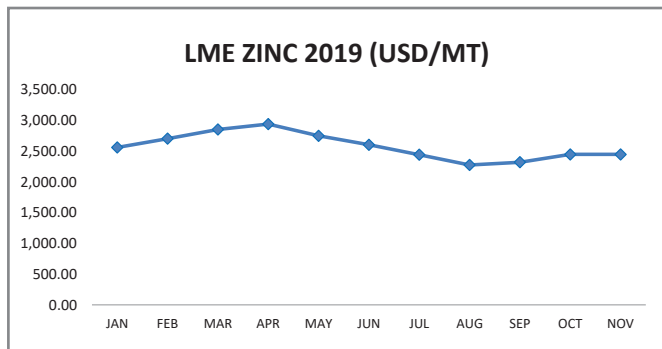
**LEAD**

The sluggish global economic growth and a decline in car sales amid the prolonged US-China trade dispute has weakened demand especially in the battery sector where lead metal is mostly used. The International Lead and Zinc Study Group reported Global refined lead to be in surplus of 55,000 tons next year, however, a deficit by 46,000 tons in 2019. Lead contract on Shanghai Future Exchange (ShFE) has fallen to nearly \$2,175 per ton, reaching its lowest since April 2018. Stockpiles in ShFE warehouses have surged to about 127 percent since end of Q3. Lead stock in LME warehouses are reported up by around 49 percent this year.



**ZINC**

Market sentiment has been depicted weak mainly in spot trading, with few participants and low volume of activity. Premiums have been particularly under the benchmark level, undeterred by declining inventories, traders pursued to sell off stocks before year ends, offered cheaper premiums. Many participants were focused on negotiations for 2020 contracts considering to rollover premiums or allow slightly higher seeing decline in stock levels.



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