BASE METALS OUTLOOK

DETERIORATING GROWTH

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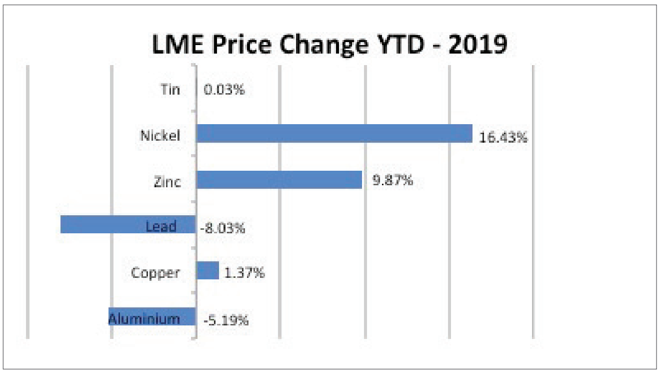
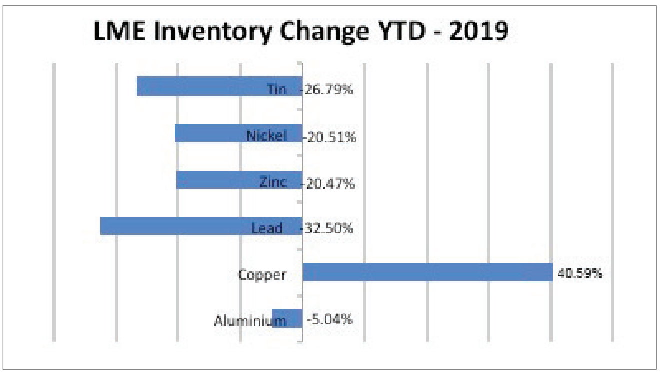
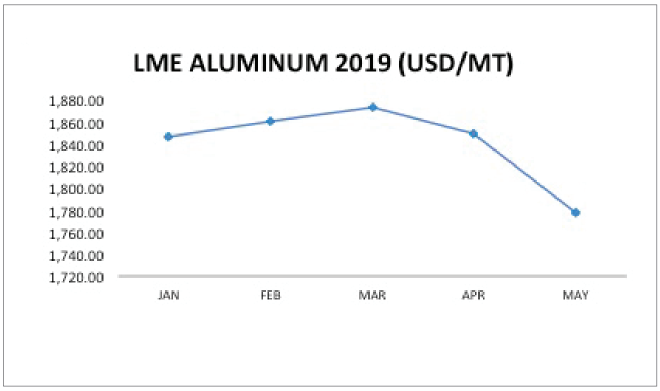
Base metals on exchange houses may continue to fall amid further uncertainty on resolution of the US-China trade conflict. Most base metals dwindled on threats from the US President Donald Trump to increase the tariffs to 25 percent from prior 10 percent on US $200 billion worth of Chinese imports. Further, China retaliated by imposing 5 to 25 percent tariffs on US metals, ores and ferro-alloys beginning June 1 this year. The escalating tensions between two of the world's largest economies have steered uncertainty among investors. The chance and time span of reaching an agreement remains vague, adding more pressure on base metals.





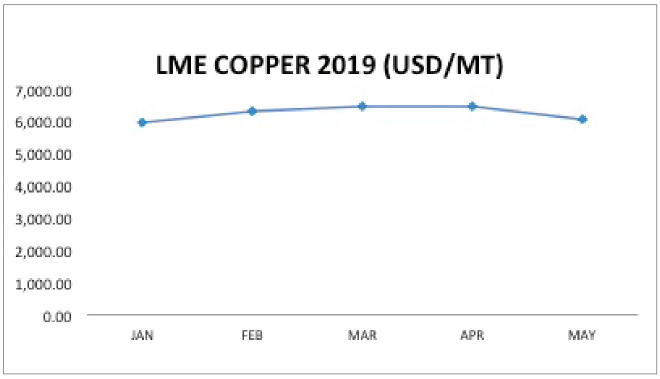
ALUMINIUM

The global aluminium demand growth rate decelerates, resulting from economic challenges and uncertainty. The ongoing trade war between the US and China post a stake in aluminium demand and further slowing down the market. The International Aluminium Institute (IAI) data showed that global aluminium production continued to fall, down by about 2 percent in April compared to production levels in April last year.



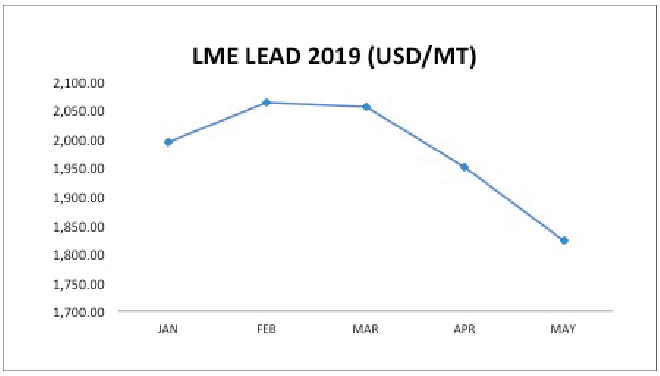
COPPER

Copper demand is expected to remain silent this year and the likelihood of closing sales seems on the grim as consumers yearn for late deliveries having over bought for this year. Further the US-China conflict brings pessimism to investors on reaching a resolution and weighs down red metal, dropping to near four month low. Data from International Copper Study Group (ICSG) shows the global refined copper output marginally exceeded usage. Global refined output and usage were mostly unchanged in January – February year on year, showing small surplus of 41,000 tons as ICSG calculated.



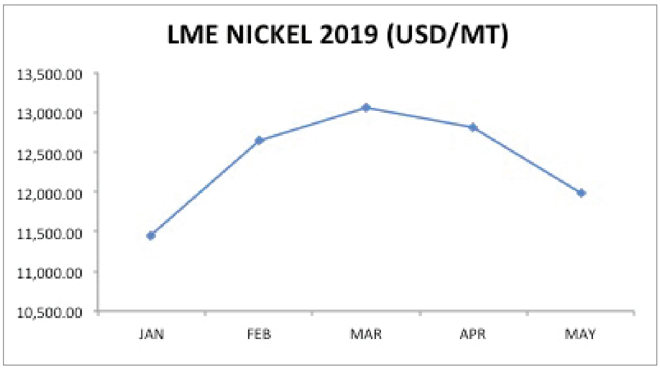
LEAD

Lead market's rising supply has overtaken demand this year. The International Lead and Zinc Study Group (ILZSG) indicated global refined lead may increase by 2.5 percent, projecting an excess of about 71,000 tons this year. Higher output of lead mine is mostly seen in China and India. Further, output in South Africa, Europe and Canada is also expected to rise this year. Demand in China may drop by 1.1 percent on the year but most likely be compensated from rising consumption in India, Japan and South Korea.



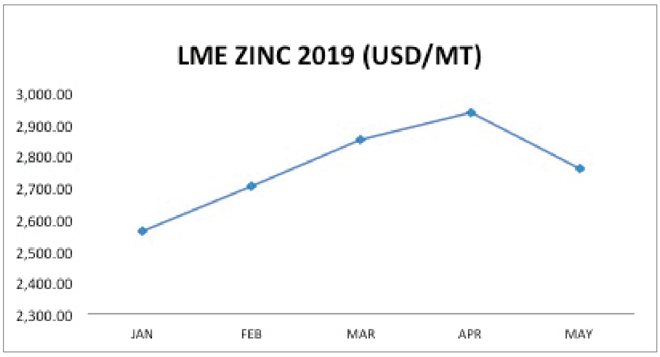
NICKEL

Nickel premium is seen stable and may be kept unchanged seeing slow activity in market selling and decreasing demand. Most consumers have booked their annual requirements and are anticipated cut down output most likely in June and July this year. As nickel prices continue to slide down, more inquiries may arise as buyers look for bargains with nickel prices falling on the LME.



ZINC

The world refined zinc output may rise by 3.6 percent this year, mostly driven by production upturn from China that is forecasted to increase by 5.3 percent this year, says the ILZSG. Output from China fell in 2018 since the closure of many smelters for not meeting the environmental standards. However, some may resume their operations this year. Market may anticipate the rally in supply and may weigh on prices.



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