

SPECIAL MONTHLY REPORT ON

BASE METALS

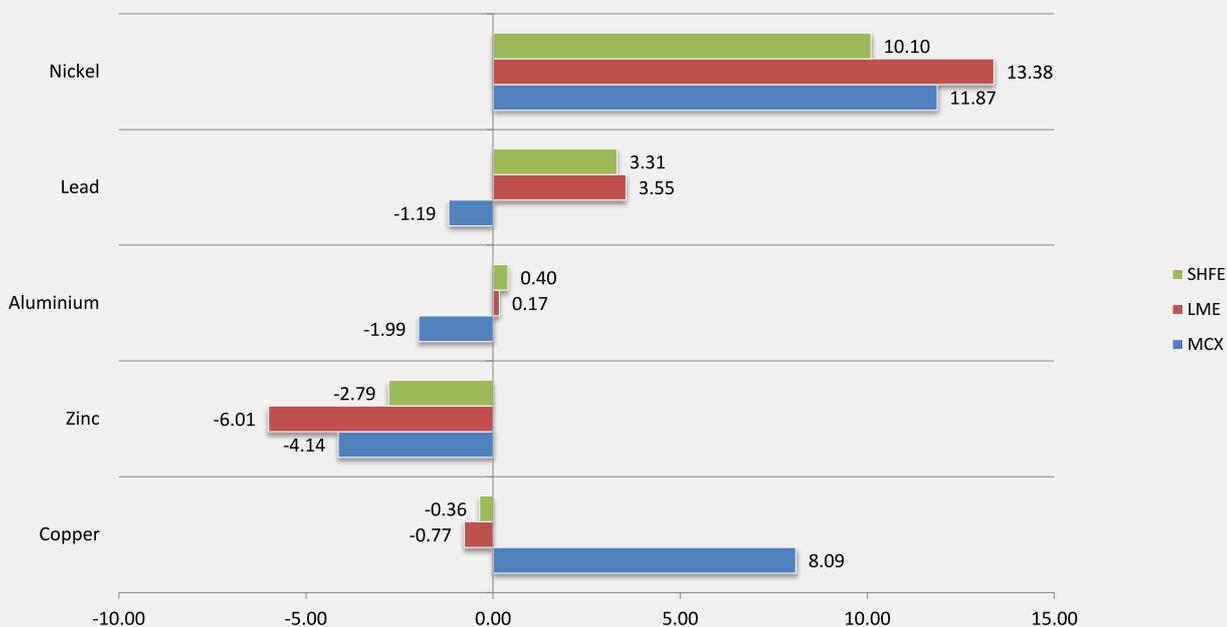
August 2019



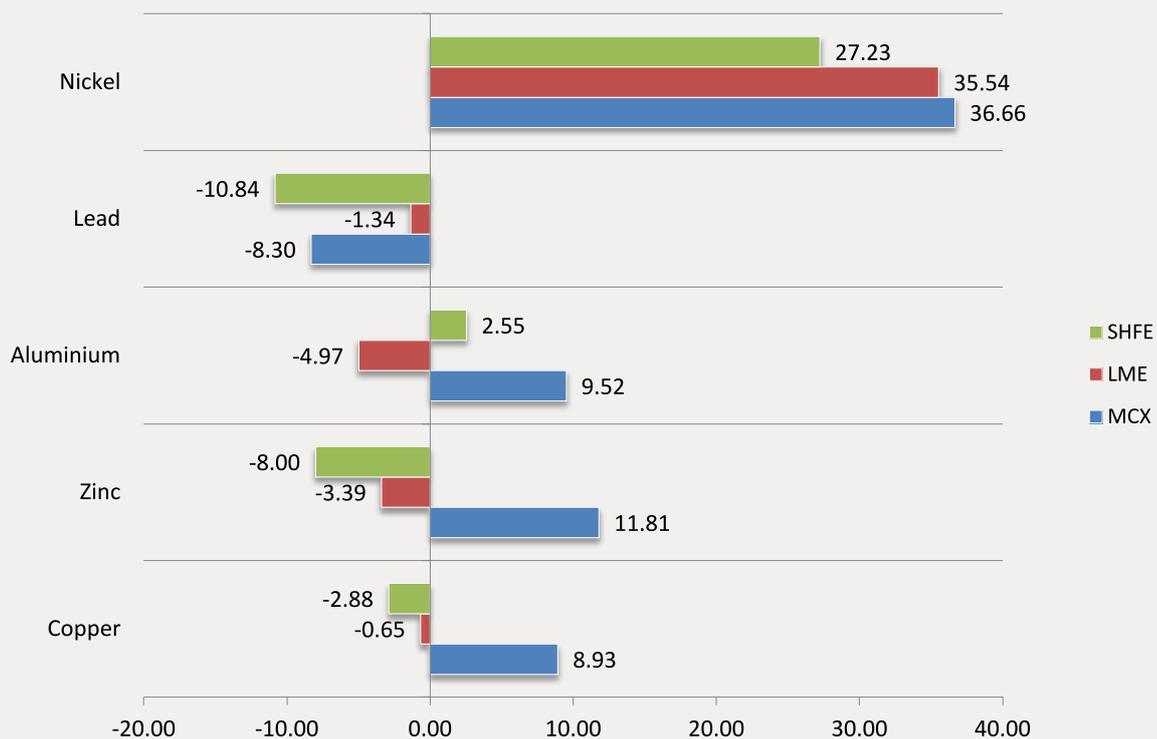
Moneywise. Be wise.

COPPER • NICKEL • LEAD • ZINC • ALIUMINUM

BASE METALS PERFORMANCE (July 2019) (% change)



BASE METALS PERFORMANCE (January - July 2019) (% change)



COPPER

Overview and outlook

Copper ended on positive note in the month of July as supply disruptions and falling inventory assisted the prices higher. Copper traded in range of 432.20-461.60. The global world refined copper market showed a 96,000 tonnes deficit in April, compared with a 42,000 tonnes deficit in March, the International Copper Study Group stated.

Profits earned by China's industrial firms contracted in June after a brief gain the previous month, fuelling concern that a slowdown in manufacturing from a bruising trade war will drag on economic growth.

Peru's president said his government will re-evaluate its recent decision to grant a construction permit to Southern Copper Corp for its proposed mine Tia Maria at the request of local authorities calling for its annulment.

Key news

Peru suspends key permit for Southern Copper in Uturn on Tia Maria project

Peru suspended a recently issued construction permit for Southern Copper's Tia Maria mine, a project that has triggered violent protests by nearby residents.

China's July new loans dip more than expected, further policy easing seen

China's banks extended surprisingly fewer new yuan loans in July, while growth of money supply and total social financing also slowed, raising pressure on the central bank to ease policy further to support the slowing economy. Chinese banks extended 1.06 trillion yuan in new yuan loans in July, down from June and falling short of analysts' expectations, according to data released by the PBOC.

Protests halt top copper mines in Peru from shipping, cut off supplies

Anti-mining protests in Peru have held up about \$400 million in copper exports from some of the country's top mines and blocked supplies from reaching their operations for nearly three weeks, the manager of port operator Tisur stated.

China copper smelters slash Q3 TC/RC floor, weigh output cuts

China's top copper smelters lowered their floor treatment and refining charges (TC/RCs) for the third quarter by 24.7%, with one adding smelters will consider cutting output if low rates persist. The TC/RC floor for the second quarter was \$73 per tonne and 7.3 cents a pound and for the first quarter at \$92 per tonne and 9.2 cents a pound. There was no floor set in the third quarter of 2018. The annual TC benchmark for 2019 was set at \$80.80 a tonne last November.

China issues import quotas for another 124,450 tonnes of copper scrap

Copper users in China, the world's biggest consumer of the metal, have been fretting over scrap quotas in recent months. New import restrictions came into force on July 1 that meant those without quotas could not keep buying. Scrap accounted for around 10% of China's total copper consumption last year.

Southern Copper gets permit for long-delayed Peru project; will not begin work yet

Southern Copper Corp said on Tuesday it received a construction permit for its long-delayed \$1.4 billion Tia Maria copper mine project in Peru, but said work would not begin until it gains more support from local residents. The permit allows the government's approval of the company's environmental plan to remain in force instead of expiring as scheduled in August, which would have delayed the project

at least another year.

China's top two smelters sign copper concentrate deals with Antofagasta

China's top two copper producers have signed concentrate supply deals with Chilean miner Antofagasta for the first half of 2020.

Copper may witness further recovery as it can test 460 thereby taking support near 435.



Source: Kitco metals

Nickel

Overview and outlook

Nickel counter ended with strong upside path in the month of July as it Indonesian ore ban concerns kept the sentiment upbeat. Nickel moved in range of 844.00-907.00 in MCX. Nickel prices got support on news that Indonesia will reintroduce a ban on exports of nickel ore in 2022, having extended it by five years to encourage miners to build processing capacity.

Key news

Indonesian supply fears stoke supported Nickel prices

As the law stands, Indonesia will reintroduce a ban on exports of nickel ore in 2022, having extended it by five years to encourage miners to build processing capacity. The speculation in the nickel market is that the Indonesian government is thinking about bringing the ban forward to next year or even this year. Ever since the ban was originally introduced at the start of 2014, the country's minerals policy has seen a series of abrupt zig-zags. The country's nickel miners association recently urged the government to keep its original 2022 plan. Underscoring fears that Indonesia may enforce export restrictions is Indonesian President Joko Widodo's recent move to establish Indonesia as a major EV hub, which has raised speculation he may want to ensure adequate raw material supplies for the industry.

Nickel demand

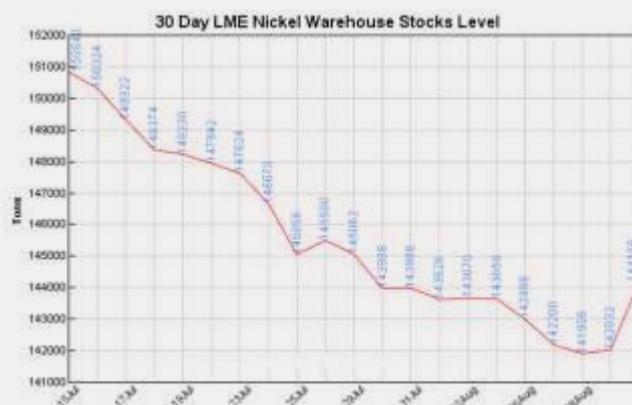
Nickel's medium term outlook is bright, driven by an expected boom in electric vehicle sales and a move towards nickel-rich batteries that can store more energy, giving a longer drive between charges. Demand for nickel from the battery supply chain is expected to double to 400,000 tonnes by 2025 from 200,000 tonnes this year, according to Wood Mackenzie, which

is around 8 percent of the current global nickel market. In the short-term, however, an end to some of China's EV subsidies in June has dampened demand throughout the EV battery supply chain, particularly for lithium.

China's Tsingshan roils nickel market with buying spree

Chinese firm Tsingshan Holding Group has been buying large quantities of stainless steel ingredient nickel on the London Metal Exchange (LME) to supplement its own output. Nickel prices slid to their lowest for the year in the second quarter as investment funds sold on the expectation of slowing demand from Chinese stainless steel mills as economic activity came under pressure from the U.S.-China trade war. Nearly 70% of global nickel consumption, estimated at 2.4 million tonnes this year, is accounted for by stainless steel mills, a majority of which are in China.

Nickel upside momentum may persist further as it can test 1200-1220 levels thereby taking support near 1100.



Source: Kitco metals

Lead

Overview and outlook

Lead prices traded on mixed path in the month of July as supply shortage supported the prices while decline in demand to keep upside capped. Lead prices traded in range of 150.80-159.45 in July. Lead prices got boost on account of supply shortage arising from Australia’s Lead Smelter, Port Pirie. The Australian smelter produced about 160,000 tonnes of Lead in 2018. The smelter was shut down on May 29, 2019 over operational issues. This, along with the disturbance in production from China due to maintenance work which started in May 2019, led to the recent rally in Lead prices.

Lead prices have been falling as its primary usage was reduced after the European and North American recycling rates neared 100 percent. Due to the high recycling rate, the scrap component accounted for near half of the global supply, in turn, weakening the demand of Lead.

Production outages tightened supply of the metal used in batteries and drove stockpiles in London Metal Exchange (LME) warehouses to the lowest in 10 years. A combination of smelter closures and a crackdown on polluting industry in China has caused supply to undershoot expectations. Headline lead inventories in LME-registered warehouses at 55,475 tonnes have halved this year and are the lowest since 2009. China’s Henan Yuguang Gold and Lead Co said it had resumed production at its 400,000 tonne a year lead smelter in Jiyuan.

ILZSG estimates of Lead

Provisional data reported to the ILZSG indicate that world refined lead metal demand exceeded supply by 42kt during the first five months of 2019. Over the same period total reported stock levels decreased by 22kt.

A growth of 1.3% in global lead mine production was primarily a consequence of rises in Canada, India, Mexico, Peru and Sweden that were partially balanced by reductions in Australia and China.

A 2.6% increase in global lead metal production was mainly a result of higher output in China, India and the Republic of Korea. Production in Europe, Japan and the United States remained reasonably stable.

Refined global lead metal usage rose by 2.8%, influenced by rises in China, India and Taiwan (China). In Europe, the Republic of Korea and the United States, usage was lower compared to the first five months of 2018.

Lead can trade with sideways bias as it can take support near 145 while facing resistance near 160.



Source: Kitco metals

Zinc

Overview and outlook

Zinc prices ended the month of July in red as decline in demand from stainless steel sector and US China trade war kept the prices under pressure. Overall zinc traded in range of 194.90-208.25.

Chinese refined zinc production appears to be recovering from its contraction in 2017 and 2018. Much improved availability of mined concentrates and much improved margins for treating that raw material appear finally to be making an impact, with national output in May up 7.4% year-on-year at 480,000 tonnes, according to the National Bureau of Statistics. It's the strongest reading for over two years and has fuelled expectations that the global smelter bottleneck is starting to clear.

Key News

China churns out record daily steel output in June
China's daily crude steel output rose to record levels in June, even as anti-pollution production curbs pushed whole-month production slightly lower.

ILZSG estimates

Zinc Usage

Global demand for refined zinc metal was forecast to rise by 2.0% to 13.97 million tonnes in 2018, after remaining stable over the past three years.

Zinc usage in both Europe and the United States was anticipated to rise by 2.1% in 2018. In Europe the rise would be influenced by increases in Belgium and Italy. Apparent demand in China was forecast to increase by 2.2%.

Zinc Supply

After increasing by 1.1% in 2017, global zinc mine production was forecast to rise by 5.1% to 13.62 million tonnes in 2018. This would be driven mainly by an expected 2.3% rise in China and a further 3.9% increase in Peru. In India, zinc mine output was predicted to be marginally lower due to a fall in output at Hindustan Zinc's Rampura Agucha operation. In Australia,

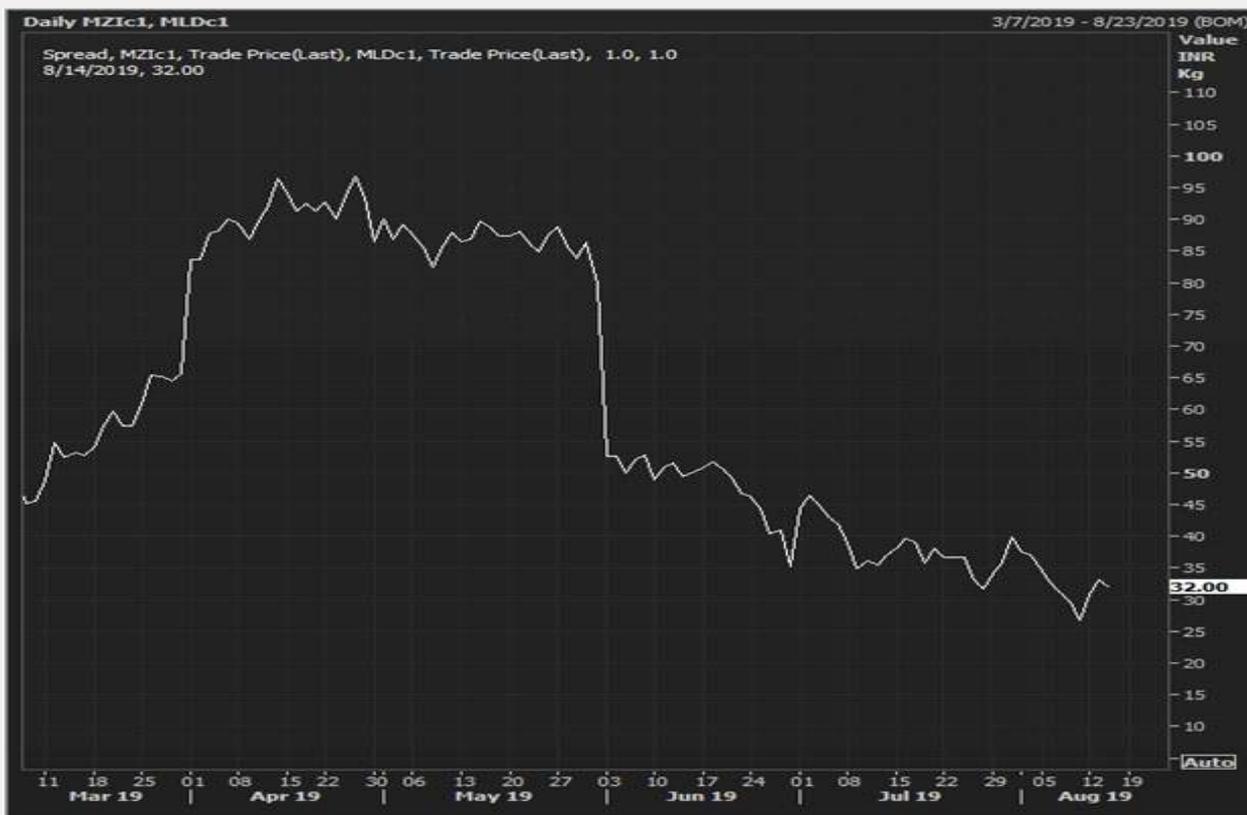
additional tonnage was forecast to be generated mainly as a consequence of the recent opening of the Dugald River mine and the expected commissioning of New Century Resources' 262,000 tonnes per year tailings project in Queensland. The opening of Vedanta's Gamsberg mine during the second half of the year would result in an increase in South African production. Increases were also forecast in Canada, Cuba, Greece, Namibia and the United States.

World Refined Zinc Metal Balance

Regarding the global market balance, the Group continued to anticipate that global demand for refined zinc metal would comfortably exceed supply in 2018 with the extent of the deficit forecast at 263,000 tonnes.

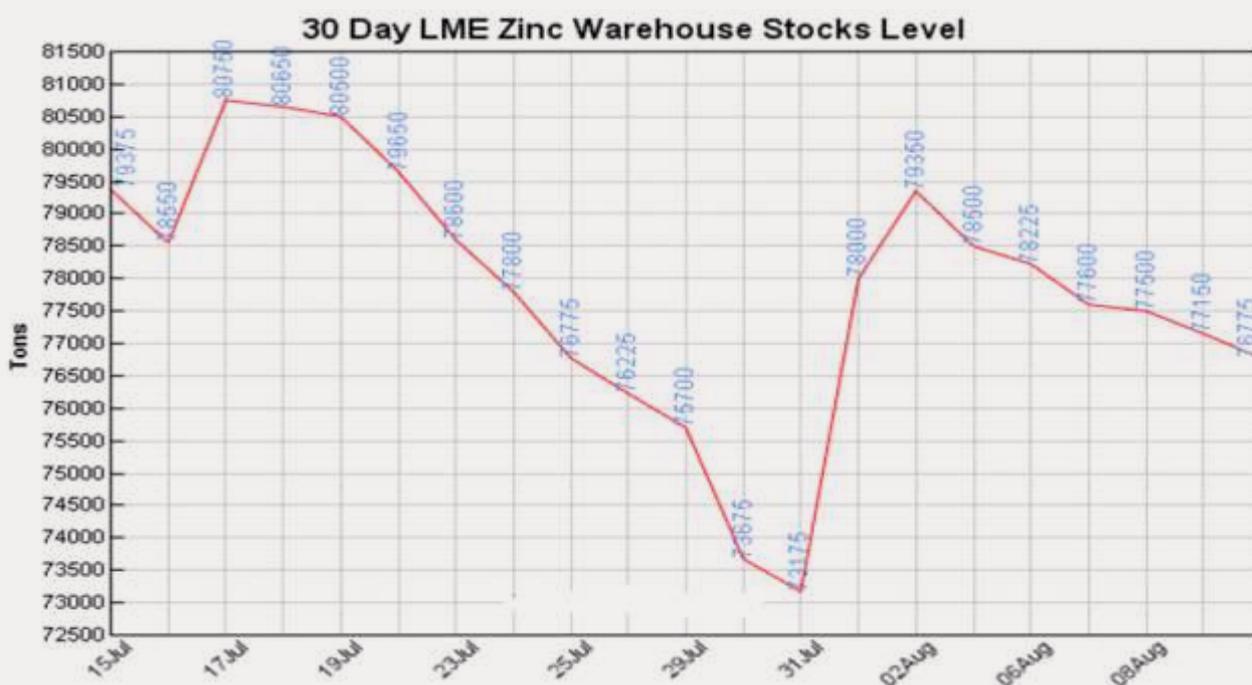
Zinc may remain on weaker path as it can test 180 levels by taking resistance near 192.

Zinc Lead Spread



Source: Reuters

Analysis: Zinc and Lead spread can move in range of 28-42 in the month of Aug 2019.



Source: Kitco metals

Aluminum

Overview and outlook

Aluminum prices ended on sideways path as it moved in range of 137.85-144.40 in the month of July. Global aluminium production fell by 0.5% in the first half of this year, according to the International Aluminium Institute (IAI). Aluminium has been gaining strength as a typhoon in China raised concerns about supply disruptions after the recent flooding.

Aluminium has been seeing some support on drawdown in inventories on the LME; however rising global production is likely to cap gains. The shutdown of 1.5 million tonnes-per-year of alumina refining capacity in China will curb oversupply of the aluminium raw material and see prices currently languishing near two-year lows reach a bottom.

Key News

China aluminium smelters narrow losses in July – Antaika

Production costs for aluminium smelters in China, the world's top maker of the metal, fell 4% month-on-month to an average of 13,888 yuan (\$1,973.99) a tonne in July as alumina prices slumped.

Russia's Rusal says aluminium sales up 21% q/q

United Company Rusal on Friday reported a 21% rise in second quarter aluminium sales compared to the previous quarter, as the Russian aluminium giant's recovery from 10 months under U.S. sanctions accelerated.

World aluminium output falls as China growth engine stalls

Global aluminium production fell by 0.5% in the first half of this year, according to the

International Aluminium Institute (IAI).

China June aluminium output climbs to daily record

The world's top aluminium producing country churned out 2.97 million tonnes of the metal last month, the bureau said. That was down from 2.98 million tonnes in May, but up 1.3% year-on-year.

Bosnia's sole aluminium smelter shut down over debt

Bosnia's sole aluminium smelter and one of the country's biggest exporters was disconnected from the power grid recently over a huge debt it had incurred because of high electricity and alumina prices.

Aluminum may trade with sideways bias as it can move in range of 135-145.



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