

SPECIAL MONTHLY REPORT ON

BASE METALS

MAY 2018



Moneywise. Be wise.

COPPER • NICKEL • LEAD • ZINC • ALIUMINUM

BASE METALS PERFORMANCE (April 2018) (% change)



BASE METALS PERFORMANCE (January - April 2018) (% change)



COPPER

Overview and outlook

Copper ended in green in the month of April as declining inventories and good demand from China supported the prices but tensions over U.S and China over tariffs capped the upside.

Copper moved in range of 428.60-465.70. Copper has been struggling to hold the \$7,000 per metric ton price level this year. Ample supplies, highlighted by low treatment and refining charges and rising inventories, capped the upside in Copper.

Copper can take support near 430-435 range which can be used as buying opportunity towards 470 in the month of May.

Key news

ICSG Estimates

World mine production is estimated to have increased by around 3.5% in January 2018, with concentrate production rising by 3.7% and solvent extraction-electrowinning (SX-EW) by 3%.

World refined production is estimated to have increased by about 5.2% in January 2018 with primary production (electrolytic and electrowinning) rising by 5.3% and secondary production (from scrap) increasing by 5%.

World apparent refined usage is estimated to have increased by about 5.5% in January 2018:

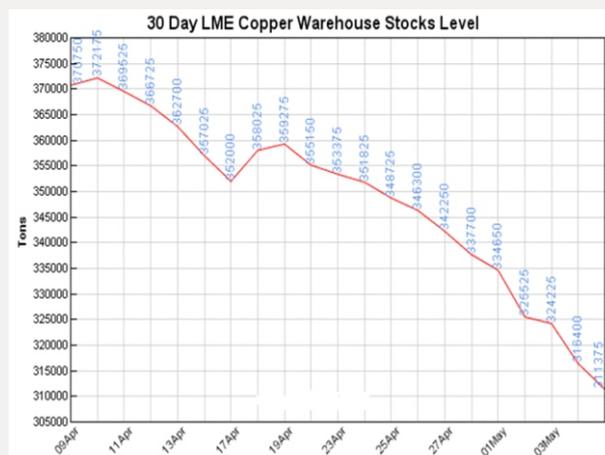
China was the biggest contributor to growth with apparent usage (excluding changes in unreported stocks) increasing by around 9%, fuelled by an 8% increase in refined production and 6% increase in net refined copper imports. Preliminary data indicates that world ex-China usage might have increased by 1.9%. Among other major copper using countries, usage increased in India, Japan and the EU but declined in the United States and South Korea

China's Copper Imports Steady in March amid Rising Inventories

China is the world's biggest copper importer. Copper mining is concentrated in Latin America (ILF). Freeport-McMoRan and Southern Copper have plants in the copper-rich region. China's copper imports are seen as an indicator of the country's copper demand.

China Imports look stable

China imported 439,000 metric tons of unwrought copper last month, which is similar to its March 2017 imports. The country's March 2018 copper concentrate imports were slightly lower than they were in March 2017. While China's copper imports have been steady, we've seen a surge in the global copper inventory.



Source Kitco metals

Nickel

Overview and outlook

Nickel ended the month in green amid fear of supply constraints on Norilsk Nickel after sanctions on Rusal by Trump administration last month. Nickel moved in range of 841.60-1095.20 in MCX. London Metal Exchange's announced move to delist two brands from Russia's Norilsk. Nornickel is the world's second-largest nickel producer and accounts for about 9 percent of global nickel supply. US President Donald Trump has not yet imposed additional sanctions on nickel. His administration levied direct sanctions against Rusal, but did not extend the same against nickel producers. However, market participants are concerned that this metal too could face sanctions.

Nickel can move sideways as it can take support near 900 and can face resistance near 980 in the month of May 2018.

Key news

INSG Estimates of Nickel

According to the International Nickel Study Group (INSG) "Global demand for nickel is expected to increase to 2.34 million tonnes in 2018 versus 2.19 million in 2017".

Vale unsure if New Caledonia nickel operations will continue

Brazil's Vale hopes to find a partner for its struggling New Caledonia nickel mine by the end of the year but it is not clear if the world's largest nickel producer will continue nickel operations there. Vale has struggled over its presence in the nickel segment, where prices have yet to pick up because of oversupply, despite the metal's key role in lithium-ion batteries that are used in electric cars.



Source Kitco metals

Lead

Overview and outlook

The battery metal lead slipped lower in the month of April as fear of trade war between US and China dampened the global sentiments. Recently Activity in China's vast manufacturing sector eased in April, as export orders slowed in another sign of ebbing economic growth, while a simmering Sino-U.S. trade row heightened risks for the industrial sector. The official Purchasing Managers' Index (PMI) fell to 51.4 in April, from 51.5 in March.

Lead prices moved in range of 149.80-158.90 in the month of April. US trade war with China continues to weigh on the prices

Lead prices may get support on falling stocks, strong demand, and reduced supply following the closure of large zinc mines due to depletion (lead is often a byproduct in zinc mining).

In the month of May battery metal can take support near 148 while it has resistance near 164 in MCX.

Key News

World demand for Lead set to increase

Globally, 85% of lead is primarily utilized in batteries for passenger cars, trucks, motorcycles, uninterruptible power supplies, and solar power storage. Demand for passenger vehicles has increased considerably and is anticipated to rise further in the near future. This, in turn, is creating high demand for lead acid batteries.

ILZSG Estimates of Lead

It is anticipated that global demand for refined lead metal will rise by 2.7% this year to 11.90 million tonnes, mainly as a consequence of increases in apparent usage in China and the United States which are forecasted to grow by 3.4% and 3.1% respectively. ILZSG anticipates that global demand for refined lead metal will exceed supply by 17kt in 2018.



Source Kitco metals

Zinc

Overview and outlook

Zinc prices ended the month of April on negative note due trade war tensions between China and US and surge in LME inventories. Zinc moved in range of 201.65-216.50. According to ILZSG “global demand for zinc is expected to exceed supply by 263,000 tonnes as world demand for refined zinc is seen rising by 2% to 13.97 million tonnes in 2018 after remaining stable over past three years”.

ILZSG estimates

Usage

Global demand for refined zinc metal is forecasted 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 is anticipated to rise by 2.1% in 2018. In Europe the rise will be influenced by increases in Belgium and Italy. Apparent demand in China is forecast to increase by 2.2% after declining by 0.8% in 2017.

Elsewhere, usage is expected to rise in India and the Republic of Korea, and to remain stable in Japan.

Supply

After increasing by 1.1% in 2017, global zinc mine production is forecast to rise by 5.1% to 13.62 million tonnes in 2018.

This will be driven mainly by an expected 2.3% rise in China and a further 3.9% increase in Peru. In India, zinc mine output is predicted to be marginally lower due to a fall in output at Hindustan Zinc’s Rampura Agucha operation.

The Group anticipates an increase in world refined zinc metal output of 3.6% to 13.71 million tonnes in 2018, after a reduction of 2.3% in 2017. This will be mainly influenced by a further rise in Chinese output

of 3.4% and a recovery in Canadian production, where output in 2017 was negatively impacted by a strike at Noranda Income Fund’s Valleyfield refinery.

Zinc prices can remain on weaker side as it can take support near 198 and can face resistance near 216 in MCX.

Lead and zinc Spread



Source: Reuters

Analysis: Lead and Zinc spread can move in range of -50 to -58 in the month of May 2018.



Source Kitco metals

Aluminum

Overview and outlook

Aluminum ended last month on stronger path as it moved in range of 128.30-178.80. Russian aluminum giant Rusal is stockpiling large quantities of aluminum at one of its plants in Siberia because U.S. sanctions imposed this month have prevented it from selling the metal to customers. China's aluminum production rose 4% from a year ago to 2.78 million tonnes in March as supply from new smelters outweighed winter output curbs imposed on existing producers.

Aluminium prices declined sharply following US softening stance on sanctions has been arrested amid reports that Oleg Deripaska plans to keep control of United Co. Rusal. US have indicated it may lift the sanctions on Rusal if its owner Oleg Deripaska, cedes control of the company.

Aluminium prices can move sideways as it can take support near 147 and resistance near 165 in MCX.

Aluminium prices have zoomed higher in the past few months on MCX, following US sanctions against Russian aluminium producer Rusal, the world's second-largest producer. The move has also paved the way for the possibility of further sanctions against Russian suppliers.

Key News

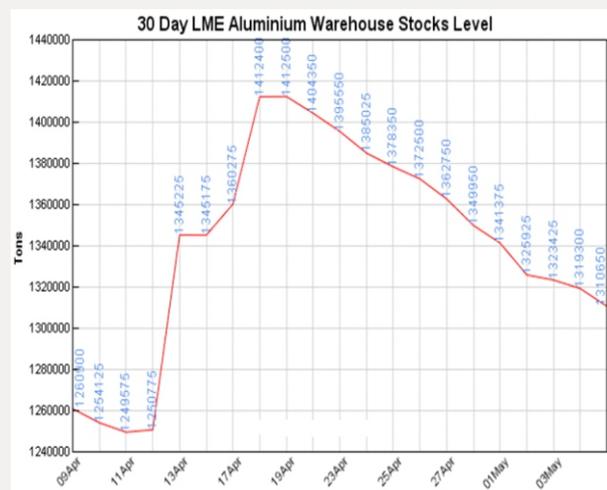
US sanctions on Rusal to support Aluminium

The sanctions have "dramatically affected" the aluminium market and have left investors shocked. It has also resulted in destocking of the warehouses, triggering a spike in prices. Washington imposed sanctions on Russia's Rusal, the world's second-biggest aluminium producer, on April 6, causing London Metal Exchange (LME) aluminium prices to rise 12.5 percent last month on fears of a supply shortage.

China April aluminium exports rise, defying U.S. tariffs

China's aluminium exports inched higher in April as U.S. import tariffs were offset by a spike in international prices due to U.S. sanctions on Rusal that encouraged Chinese firms to send more metal abroad. The United States imposed a 10 percent tariff on aluminium imports, including from China as U.S. President Donald Trump sought to protect U.S. metal makers.

Unwrought aluminium and aluminium product exports, including primary, alloy and semi-finished aluminium products, came in at 451,000 tonnes last month, up 0.2 percent from a revised 450,000 tonnes in March and up 4.9 percent from 430,000 tonnes in April 2017.



Source Kitco metals

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