

Base Metals Update Emirates NBD Research

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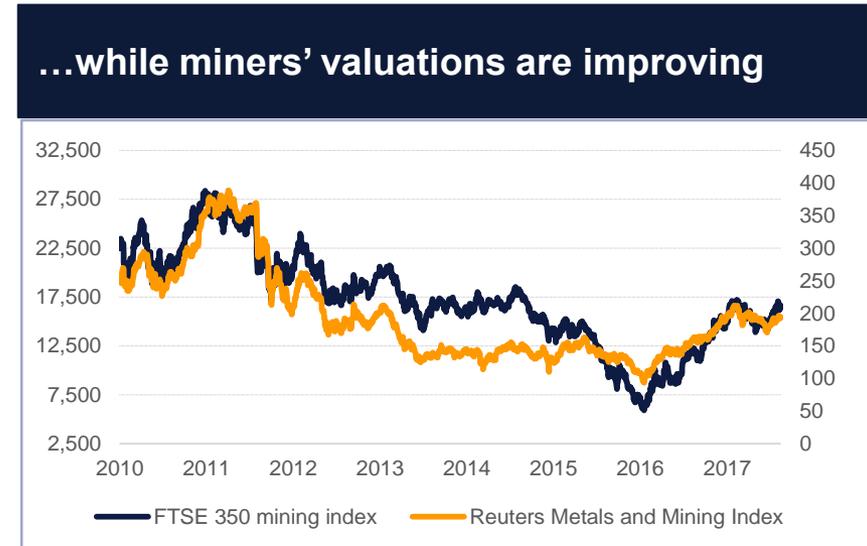
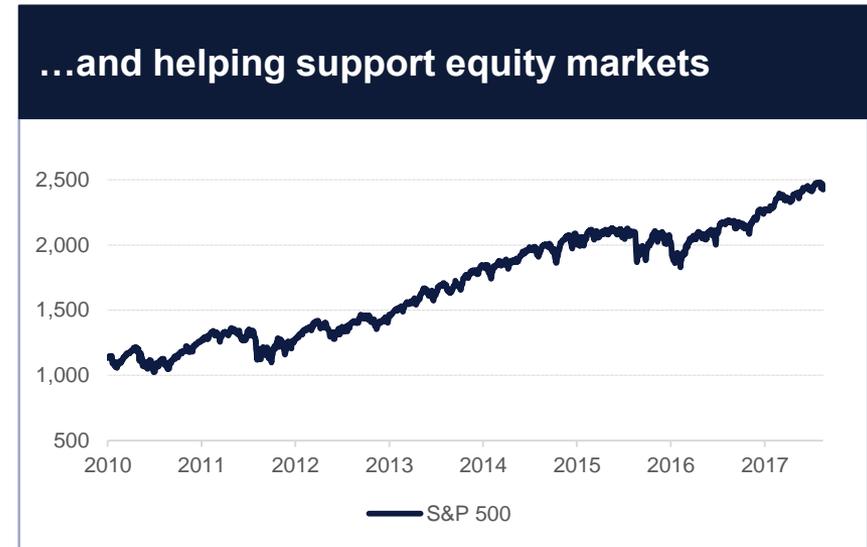
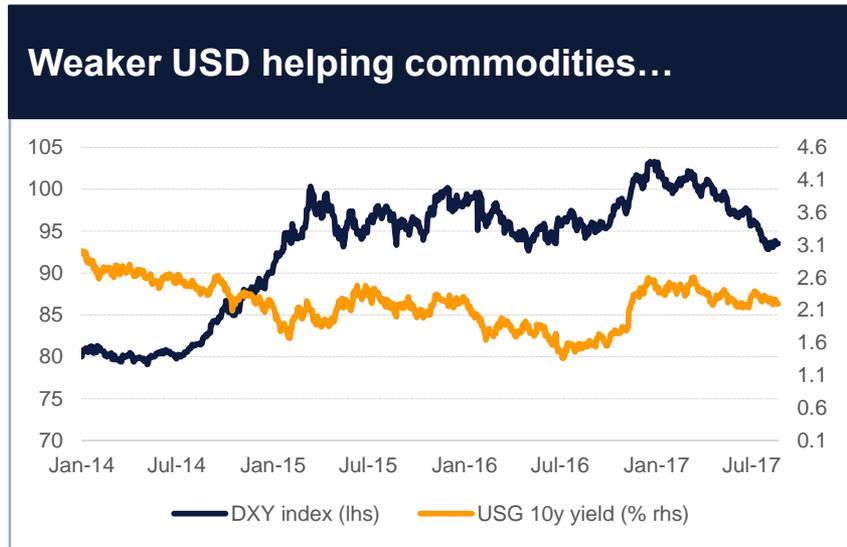
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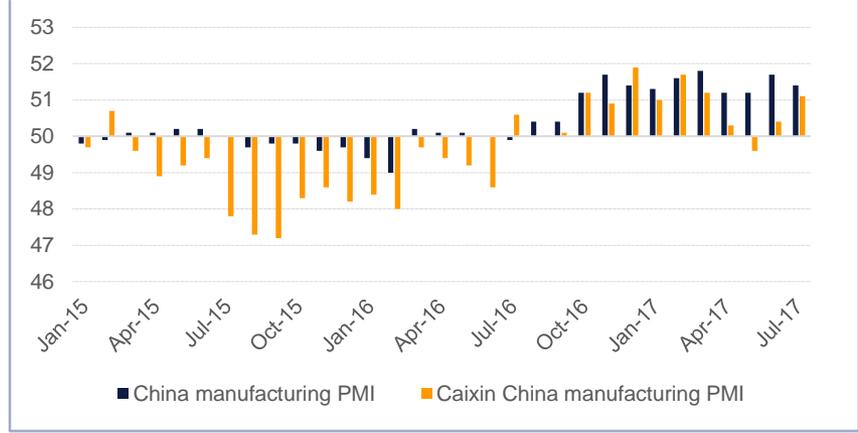
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Synchronized global growth in major economies is acting as an upward pull on demand for metals

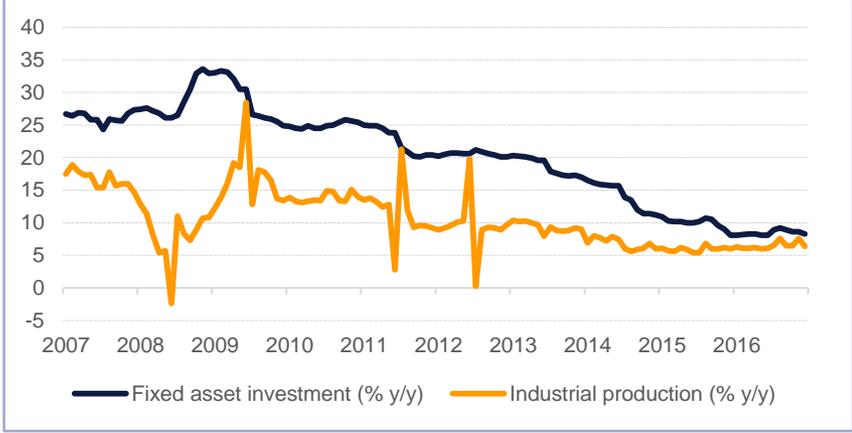


China has benefitted from major infrastructure push in 2017 but concerns about debt levels likely to see spending slow in 2018

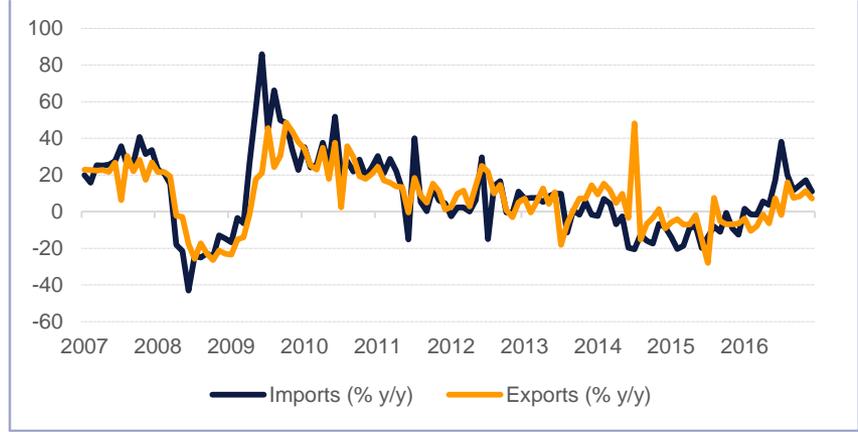
Signs of a stabilization in China's industrial sector



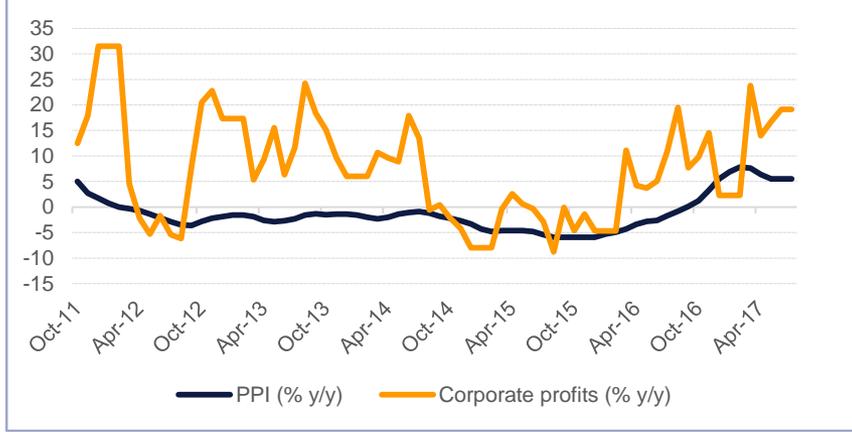
Construction has slowed compared with pre-crisis highs but is leveling off thanks to government spending



Nascent recovery in global trade helping improve China's trade balance...



...higher metals prices helping China's corporates



Source: EIKON, Emirates NBD Research.

Highlights

- Aluminium prices have surged on capacity closures that have been announced in China and are now being enforced to a sharper degree than market had expected.
- Decline in LME stockpiles is mirrored by a major rise in SHFE stocks which have hit their highest level since 2010.
- Demand conditions appear good but not strong enough to support the current level of prices for a sustained period.

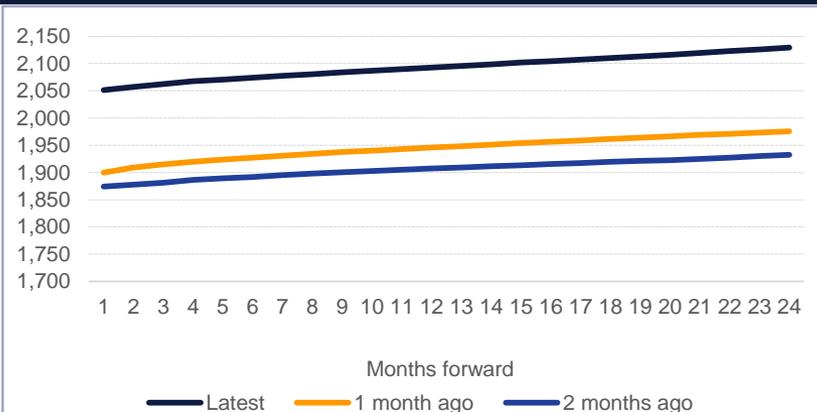
Aluminium prices and volatility



LME aluminium inventories



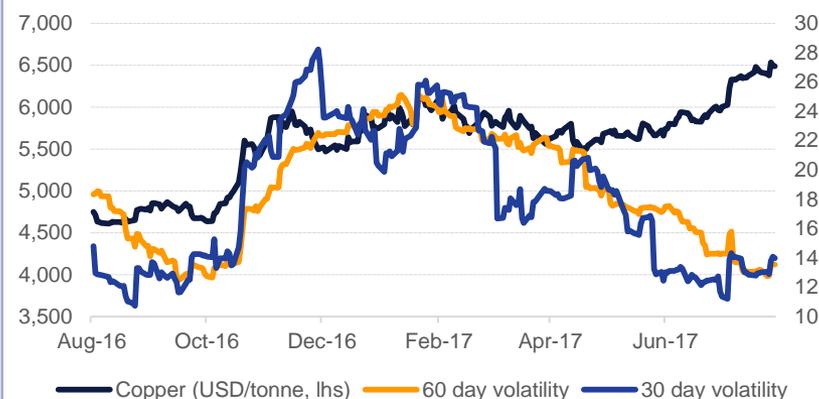
Forward curve



Highlights

- Copper has broken out of its 2017 lethargy and surged to levels well above USD 6,000/tonne.
- Spark for recent rally has been plans in China to limit imports of scrap metal from 2018. Actual volumes are likely to be limited but will nevertheless contribute to a tighter market if enforced.
- Labour and mine disputes continue to affect major producers. Strike action may persist going forward if miners demand greater participation in upside.

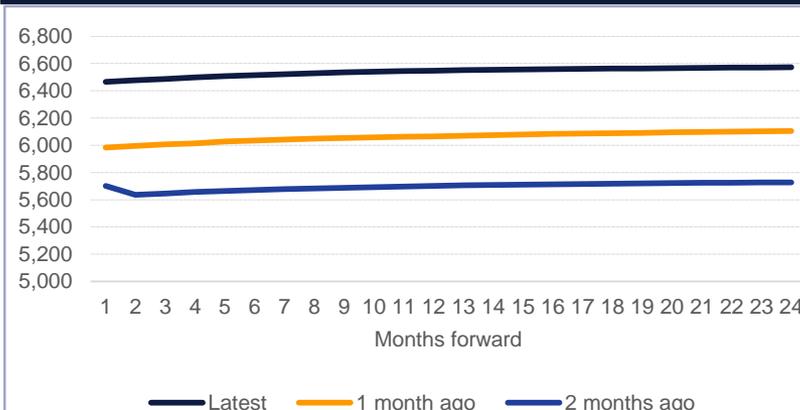
Copper prices and volatility



LME copper inventories



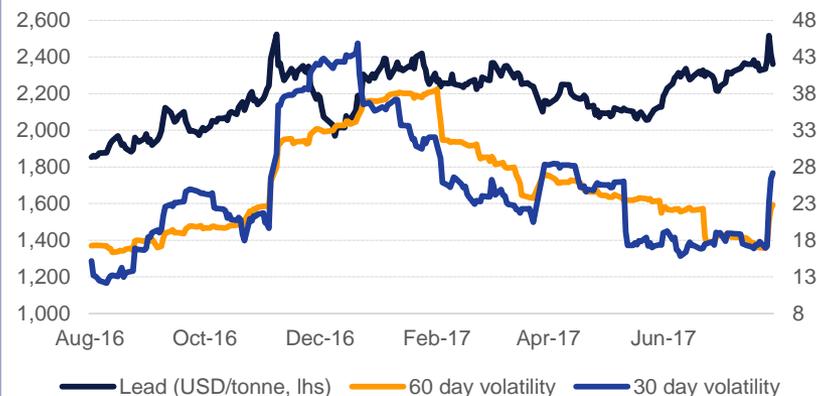
Forward curve



Highlights

- Primary lead supply is tightening as concentrate availability has been affected. China has banned imports of lead concentrate from North Korea.
- Closures of zinc mines, where lead ore is often produced as a byproduct, also contributing to a tighter market.
- Forward curve, however, not giving signs of a particularly tight market.

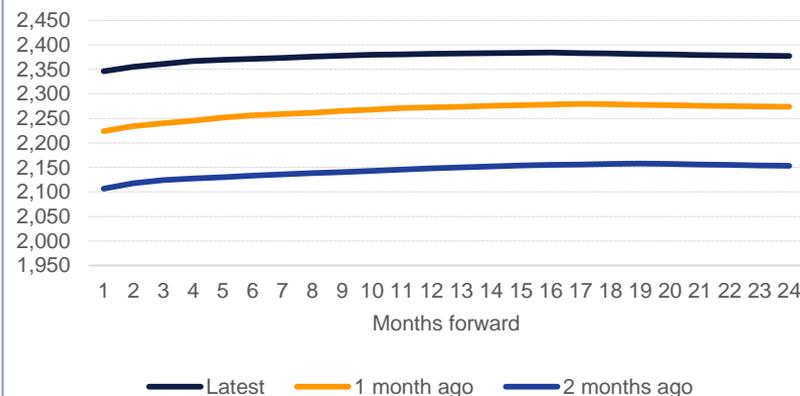
Lead prices and volatility



LME lead inventories



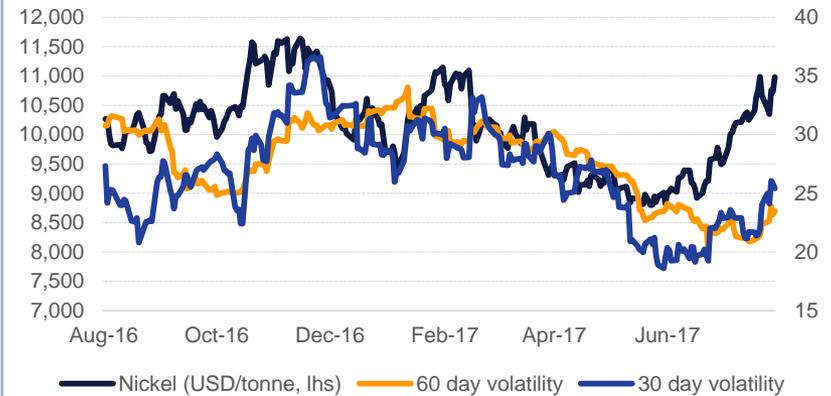
Forward curve



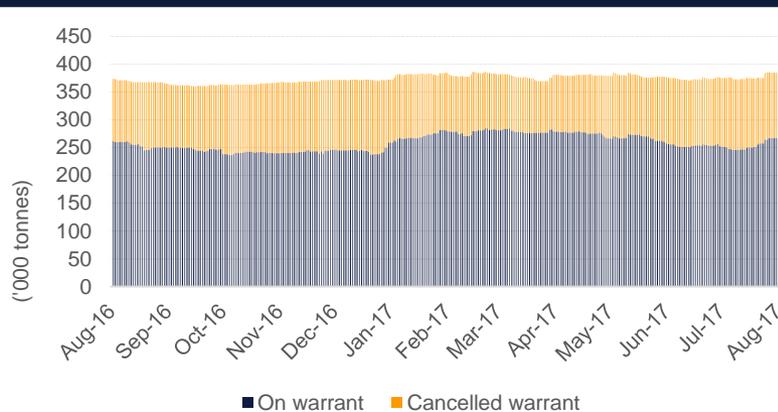
Highlights

- Nickel riding on the back of strong gains in steel prices in China as infrastructure spending ramps up demand for construction-related commodities.
- Uncertainty over supplies from the Philippines has also helped push prices higher. A new mining minister has so far kept in place restrictions on mining operations.

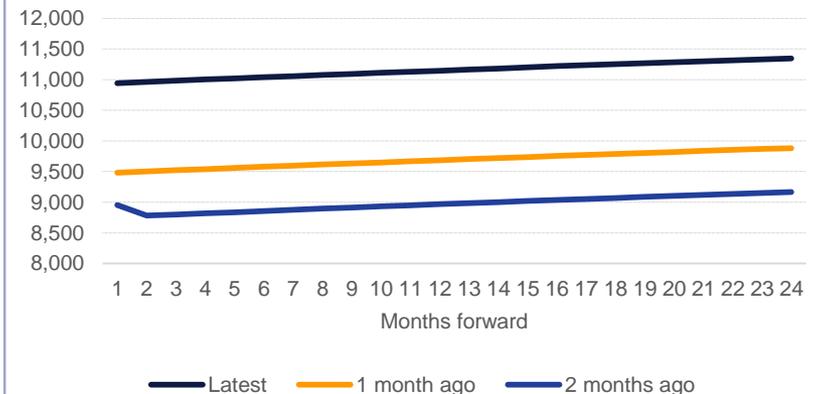
Nickel prices and volatility



LME nickel inventories



Forward curve



Highlights

- Tin prices have generally been drifting in 2017 as earlier decline in inventories has largely stabilized. Low levels of cancelled warrants not sending a strong demand signal.
- Supply disruptions may be coming from China as tin smelters caught by environmental pressures to close.

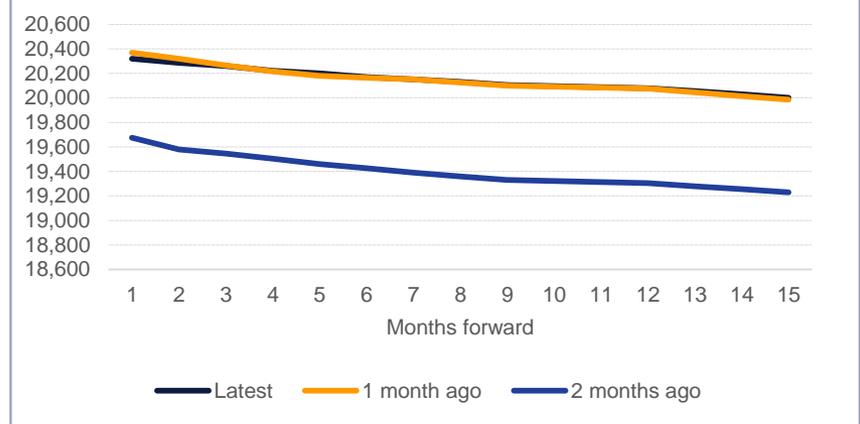
Tin prices and volatility



LME tin inventories



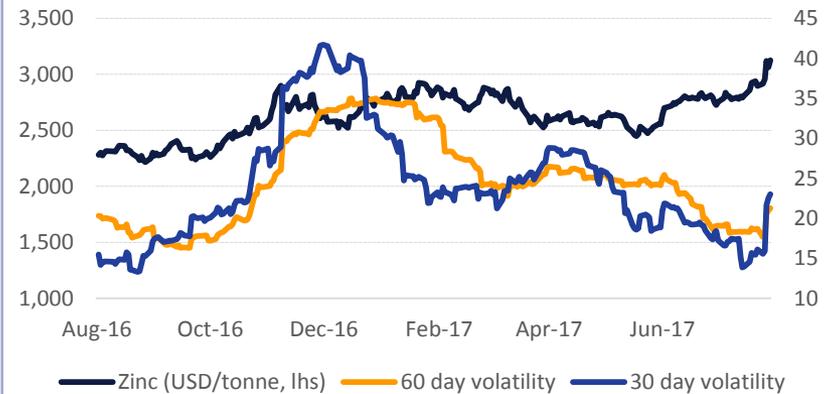
Forward curve



Highlights

- Zinc also benefitting from the 'steel effect', like nickel as China construction demand draws in the need for zinc to galvanize steel. Zinc will be subject to the same concerns over debt levels in China and a slowdown in spending for rest of 2017 and into next year.
- Supply closures in recent years have helped contribute to a draw down in inventories.
- Current rally may help encourage mining restarts from 2018 but market likely to remain in deficit, providing a floor for prices.
- Front of the curve showing no supply impact yet but longer term curves anticipating a tighter market.

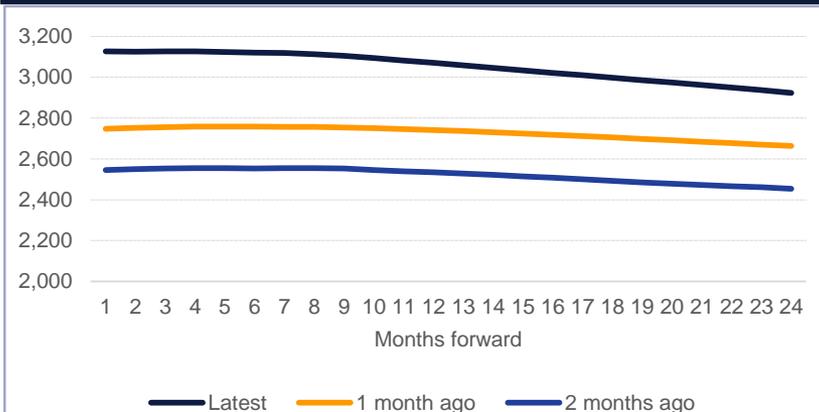
Zinc prices and volatility



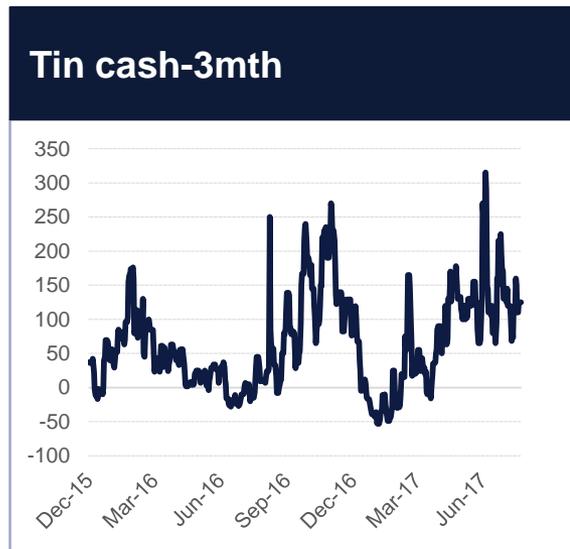
Zinc inventories



Forward curve



Cash to 3mth spreads



Source: EIKON, Emirates NBD Research.

Thank you

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